

# **NetComm Wireless Limited**

**ACN 002 490 486**

## **Annual Report**

For the Year Ended 30 June 2012

# NetComm Wireless Limited

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# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2012.

### 1. General information

#### a Directors

The names of the directors in office at any time during, or since the end of, the year are:

<b>Name</b>	<b>Position held</b>
T R Winters*	Independent Non Executive Chairman
J A Brennan**	Independent Non Executive Director & Chairman
J M Burton	Independent Non Executive Director
J Milne***	Independent Non Executive Director
K Boundy****	Independent Non Executive Director
D P J Stewart	CEO & Managing Director
K J P Sheridan	CFO & Executive Director

\*Mr Terry Winters retired as Non-Executive Chairman on 13 December 2011.

\*\*Mr John Brennan, a Non-Executive Director was appointed Chairman on 13 December 2011.

\*\*\*Mr Justin Milne was appointed as Non-Executive Director on 7 March 2012.

\*\*\*\*Mr Ken Boundy was appointed as Non-Executive Director on 24 August 2012.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### b Company Secretary

Mr Kenneth Sheridan, the company's CFO & Executive Director, is also the company secretary.

#### c Principal Activities

NetComm Wireless Limited (ASX: NTC) is a leading developer of innovative broadband products sold globally to major telecommunications carriers, core network providers and system integrators. For 30 years NetComm has developed a portfolio of world first data communication products, and is a respected global provider of 3G and 4G wireless devices servicing the major telecommunications carrier, Machine-to-Machine (M2M) and Rural Broadband markets. NetComm's products are designed to meet the growing needs of today's data-intensive home, business and industrial broadband applications and customized to optimize performance in line with global network advancements.

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2012

## 2. Business review

### a Operating Results

The consolidated profit of the Group after providing for income tax amounted to \$840,511 (2011: \$1,202,147 loss )

<b>Results and Dividends</b>	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Total Revenue & other income from Continuing Operations	<b>59,361,477</b>	<b>67,602,485</b>
EBITDA from Continuing Business	<b>4,854,600</b>	<b>5,184,306</b>
Operating Profit/(loss) from Continuing Business before Taxation	<b>1,772,049</b>	<b>2,145,565</b>
Income Tax Expense	<b>(201,870)</b>	<b>(1,088,101)</b>
Net Profit/(loss) for the year after tax from continuing operations	<b>1,570,179</b>	<b>1,057,464</b>
Loss for the year from discontinued operations	<b>(729,668)</b>	<b>(2,259,611)</b>
Profit/(loss) for the year	<b>840,511</b>	<b>(1,202,147)</b>

### b Review of operations

Revenues from continuing operations were \$8.2 million lower in the 2012 year mainly as a result of lower sales to Telstra. Telstra has focussed substantially on promoting its fixed line business in preference to the fixed wireless routers that the company supplies. The effect of this lower level of sales to Telstra was partially offset by a substantially lower level of associated marketing costs.

The significant improvement in profit after tax from continuing operations was mainly a result of a lower income tax expense of \$201,870 compared to \$1,088,101 in the prior year. Key contributors to this lower tax level included an estimated research and development claim of \$315,534 compared to zero last year and a over provision for tax of \$199,541 in 2012 compared to prior year under provision for tax in 2011 of (\$317,970).

Given the continuous losses incurred in the services business, Netassure and the other substantial growth opportunities available to the Company in the Machine to Machine (M2M) and Rural Broadband segments, the Board decided to discontinue the Services business. This decision resulted in a loss after tax of (\$729,668) in the current year. This amount has been disclosed separately as a "Loss after tax from discontinued operations". Last year's comparative figures have also been restated to include all aspects of the NetAssure business, including last year's inventory write down, as discontinued operations.

### c Significant Changes in State of Affairs

No significant changes in the state of affairs occurred during the financial year.

### d Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2012

## 2. Business review (continued)

### e Environmental Regulations

The Group is not subject to significant environmental regulation.

### f Future Developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

### 3. Directors' Information

#### a Information on Directors

**Mr Terry R Winters**      **FAICD, Independent Non Executive Chairman (Retired 13/12/2011)**

The founder and former CEO of Link Telecommunications and visionary behind the formation of Optus Communications Pty Ltd, Mr Winters has more than 30 years experience in the telecommunications and technology industry. Mr. Winters is currently chairman of Australian Home Care Services Pty Limited and Converge International Limited.

**Mr John A Brennan**      **FAICD, FAIM, Independent Non Executive Director & Chairman**

Mr Brennan is Managing Director of John David Cooper and Associates Pty Limited, a management consulting company focused on the development and deployment of e-business strategies for mid to large sized organisations. His previous roles include National General Manager, Corporate and Government Sales for Telstra, General Manager Corporate Services for Advance Bank and Regional Manager (Computers and Telecommunications) with the PA Consulting Group.

**Mr John M Burton**      **Independent Non Executive Director**

With more than 25 years experience in the telecommunications industry, both in Australia and overseas, Mr Burton has an in depth understanding of the factors that drive commercial success in the telecommunications arena. His professional background includes senior management roles with Telecom (now Telstra), KPMG Management Consulting, DSC Communications and Nextgen Networks. Mr Burton is also the Chairman of Spatial Vision Innovations Pty Ltd, a company that uses digital technology to address business and environmental problems. He is currently CEO of Manson Consulting, a company which provides consultancy services to a range of telecommunications organisations.

**Mr Justin Milne**      **Independent Non Executive Director (Appointed 7/03/2012)**

Mr Milne has substantial telecommunications industry experience and he is an experienced company director having served in diverse industry sectors with a multinational focus. He had an executive career in telecommunications, marketing and media. From 2002 to 2010 he was Group Managing Director of Telstra's broadband and media businesses, and headed up Telstra's BigPond New Media businesses in China. He is currently the Deputy chairman of Quickflix Ltd and Non-Executive Director of Tabcorp Holdings Ltd. He is also chairman of the National Basketball league and a board member of the Sydney Children's Hospital Network (Randwick & Westmead) and of Basketball Australia.

**Mr Ken Boundy**      **Independent Non Executive Director (Appointed 24/08/2012)**

Mr Boundy has significant marketing, distribution and international business experience across a diverse range of industry sectors. He is currently Chairman and/or Non-Executive Director on four boards, member of two advisory boards and part owner of two businesses. He has held a number of prominent positions over the past thirty years including: Managing Director of the Australian Tourist Commission, Tourism Australia; Executive General Manager, International, of James Hardie Industries Limited; Group General Manager, Corporate Development, of Goodman Fielder Limited; CEO, of Goodman Fielder Asia, Singapore and Director, Industry Development, of the Victorian Department of Industry Commerce and Technology.

# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

### 3. Directors' Information (continued)

#### Mr David P J Stewart      **CEO and Managing Director**

Mr Stewart founded Banksia Technology Pty Limited in 1988 and successfully managed the company as a fast growing and highly profitable business. In 1996, he instigated the successful takeovers of a number of his competitors including NetComm Wireless Limited, which was completed in November 1997. Mr Stewart assumed the role of Managing Director of the merged entity and remains the single largest shareholder of NetComm Wireless. He has a strong financial background, extensive experience in sales and marketing and has maintained an ongoing interest in new technologies. While being very active in the operational aspects of the business, Mr Stewart also focuses on the strategic direction of the company.

#### Mr Kenneth J P Sheridan      **CFO & Executive Director**

Mr Sheridan is a Chartered Accountant with over 30 years' experience in senior management in major corporations in Australia and Asia. He spent 11 years with KPMG before he moved into the commercial sector where he held several CFO roles with large multinational companies in Australia and Asia including three years as Finance Director of a top 10 Malaysian listed consumer goods company. Mr Sheridan was the Group CFO for Tenix, one of Australia's largest private companies. In the 6 years prior to joining NetComm Wireless, Mr Sheridan was Managing Director and major shareholder of Acelero Pty Ltd, a human resources software company.

At the date of this report, the interest of the Directors in the ordinary shares and options of the Company are:

	<b>Ordinary Shares</b>	<b>Options</b>
T R Winters	-	-
J A Brennan	122,795	360,000
J M Burton	377,795	360,000
J Milne	200,000	-
K Boundy	450,000	-
D P J Stewart	23,262,878	1,500,000
K J P Sheridan	174,000	-

#### b Meetings of Directors

During the financial year, 9 meetings of directors were held. Attendances by each director during the year were as follows:

	<b>Directors' Meetings</b>	
	<b>Eligible to attend</b>	<b>Number attended</b>
T R Winters	3	3
D P J Stewart	9	9
J A Brennan	9	9
J M Burton	9	9
K Boundy	0	0
J Milne	3	3
K J P Sheridan	9	9

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2012

### b Meetings of Directors (continued)

During the year, the Board discontinued the practice of having separate Audit Committee & Remuneration Committee meetings. Given the small size of the Board, the Board dealt with these matters directly.

### 4. Share Options

At the date of this report, there are 3,082,500 options (2011: 7,027,500) issued to 11 employees and directors (2011: 18 employees) to acquire ordinary shares. These options progressively vest on an annual basis commencing 12 months from the date of issue, details as follows:

Date Options granted	Expiry date	Exercise price	Number of options
17/12/2007	17/12/2012	0.07	205,000
27/02/2008	27/02/2013	0.075	157,500
3/03/2008	03/03/2013	0.071	100,000
31/07/2008	31/07/2013	0.185	200,000
10/12/2008	10/12/2013	0.162	100,000
12/02/2009	12/02/2014	0.113	100,000
30/10/2008	30/10/2013	0.162	2,220,000
			<u>3,082,500</u>

The holders of these options do not have any rights under the options to participate in any share issue of the company or of any other entity.

The following ordinary shares of NetComm Wireless Limited were issued during or since the end of the financial year as a result of exercise of options granted.

Date Options granted	Issue price of shares	Number of shares issued
26/04/2007	0.064	50,000
26/04/2007	0.064	50,000
26/04/2007	0.064	25,000
26/04/2007	0.064	50,000
26/04/2007	0.064	200,000
24/08/2006	0.090	150,000
26/04/2007	0.064	200,000
17/12/2007	0.070	15,000
17/12/2007	0.070	25,000
24/08/2006	0.090	250,000
24/08/2006	0.090	30,000
26/06/2007	0.064	31,250
19/07/2007	0.060	50,000
		<u>1,126,250</u>

No amounts are unpaid on these shares.

During or since the end of the financial year, no options were granted by NetComm Wireless Limited to Directors and Executives of the Group as part of their remuneration.



# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

### 5. Share Rights

Details of share rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

	Balance on 1 July 2011	Share Rights Granted during the year	Rights Exercised	Balance at 30 June 2012	Total Vested at 30 June 2012	Type of Share Right
D P J Stewart	-	1,500,000	-	1,500,000	0%	Cash
K J P Sheridan	-	450,000	-	450,000	0%	Cash
D Morrison	-	250,000	-	250,000	0%	Shares
S Collins	-	250,000	-	250,000	0%	Shares
B Stevens	-	250,000	-	250,000	0%	Shares
M Cornelius	-	250,000	-	250,000	0%	Shares
<b>Total</b>				<b>2,950,000</b>		

On July 1, 2011 NetComm Wireless Limited Executive Employee Share Plan ("EESP") was introduced for invited Participants selected on the basis of their capability to be able to directly impact the Company's performance. Under this Plan, a Participant is made an offer of a number of Share Rights, as determined by the Board. A Share Right is an entitlement to a cash (for cash participants) or equity (for equity participants) amount equivalent to the value of one fully paid ordinary share in the Company for nil consideration, subject to the achievement of vesting conditions which include service and company performance over a 3-year period. The Share Rights will vest when the Company meets or exceeds a "performance hurdle" based on a specific EBITDA target as at the end of years 1, 2 and 3 respectively, if the Participant remains employed with the Company at that time. If the Company does not meet a performance hurdle at a given year (either year 1 or year 2), the hurdle can be "re-tested" in the subsequent year. The "re-test" would be based on a comparison of the cumulative actual EBITDA results for the current and past years compared to the cumulative EBITDA performance hurdle. The Board has resolved that any entitlements to shares in NetComm Wireless resulting from the EESP will be purchased on market.

### 6. Remuneration Report - Audited

This remuneration report, which forms part of the Directors' Report, sets out the information about the remuneration of NetComm Wireless Limited's directors and its senior management for the financial year ended 30 June 2012.

The following persons were key management personnel of NetComm Wireless Limited during the financial year:

<b>Name</b>	<b>Position held</b>
T R Winters	Independent Non Executive Chairman (Retired 13/12/2011)
J A Brennan	Independent Non Executive Director & Chairman
J M Burton	Independent Non Executive Director
J Milne	Independent Non Executive Director (Appointed 07/03/2012)
D P J Stewart	CEO & Managing Director
K J P Sheridan	CFO & Executive Director
B Stevens	Chief Technology Officer
M Cornelius	Research & Development Director
D Morrison	General Manager - Sales
S Collins	Head of Engineering & Development
J Lahey	General Manager – International Sales

# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

### 6. Remuneration Report – Audited (continued)

#### Remuneration Policy

The board's policy for determining the nature and amount of remuneration of key management personnel for the Group is as follows:

- The non executive directors assume responsibility for remuneration policies and practices generally, and make decisions on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors.
- The Board reviews the remuneration packages of all directors and other key management personnel on an annual basis. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries. The overall objective is to ensure maximum shareholder benefit from the retention of a quality Board and Executive Team. To assist in achieving this objective, the nature and amount of the Executives' and Directors' and other key management personnel's emoluments is linked to the Group's financial and operational performance, as determined by the Board.

#### Relationship between the remuneration policy and company performance

The following tables set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2012:

	30 June 2012 \$	30 June 2011 \$	30 June 2010 \$	30 June 2009 \$	30 June 2008 \$
<b>Continuing Operations</b>					
Revenue	59,361,477	67,602,485	55,264,440	78,473,388	19,368,090
Net Profit/(loss) before tax	1,772,049	2,145,565	2,294,204	5,296,429	512,850
Net Profit/(loss) after tax	1,570,179	1,057,464	1,624,988	5,891,378	2,146,404
Net (Loss)/profit from discontinued operations*	(729,668)	(2,259,611)	-	-	-
Profit/(loss) for the year	840,511	(1,202,147)	1,624,988	5,891,378	2,146,404
	30 June 2012 \$	30 June 2011 \$	30 June 2010 \$	30 June 2009 \$	30 June 2008 \$
Share price at start of the year	0.13	0.20	0.17	0.18	0.06
Share price at end of the year	0.12	0.13	0.20	0.17	0.18
Interim dividend	-	0.5cps	1cps	-	-
Final dividend	-	-	-	-	-
<b>Continuing Operations</b>					
Basic earnings per share (cents)	1.51	1.02	1.58	6.01	2.39
Diluted earnings per share (cents)	1.50	1.02	1.56	5.95	2.38
<b>Discontinued Operations</b>					
Basic earnings per share (cents)	(0.70)	(2.18)	-	-	-
Diluted earnings per share (cents)	(0.70)	(2.18)	-	-	-

As stated above the overall objective of the Board's remuneration policy is to ensure maximum shareholder benefit from the retention of a quality Board and Executive team and to assist in achieving this objective by linking executive rewards to the group's financial and operational performance. The Board is of the opinion that the remuneration policy and company performance are closely aligned.

\*Information for 2010 & prior is not disclosed as it is not readily available.

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2012

### 6. Remuneration Report – Audited (continued)

#### Details of remuneration for year ended 30 June 2012.

Details of each element of the remuneration of key management personnel and other executives of NetComm Wireless Limited are set out in the following tables:

#### Year ended 30 June 2012:

	Short Term Employee Benefits			Post Employment Benefits	Long Term benefits	Share Based Payments	Other Benefits	Total	% of Remuneration that is performance based	% of Remuneration that consists of options/share rights
	Salary & Fees	Short Term Incentive Plan	Non-Monetary Benefits	Super-annuation	Long Service Leave	Share Rights****	Termination Benefits			
<b>Independent Non-Executive Directors</b>										
T R Winters*	69,750	-	-	-	-	-	-	69,750	-	-
J A Brennan	63,333	-	-	-	-	-	-	63,333	-	-
J M Burton	57,500	-	-	-	-	-	-	57,500	-	-
J Milne**	19,167	-	-	-	-	-	-	19,167	-	-
<b>Executive Directors</b>										
D P J Stewart	433,444	270,000	-	39,010	7,249	65,000	-	814,703	41%	8%
K J P Sheridan	229,358	51,600	-	20,642	-	19,500	-	321,100	22%	6%
<b>Executive Officers</b>										
D Morrison	168,079	51,600	15,000	15,577	2,791	10,833	-	263,880	22%	4%
M Cornelius	150,000	75,000	15,000	13,500	2,500	10,833	-	266,833	32%	4%
S Collins	151,376	44,000	15,000	13,624	-	10,833	-	234,833	23%	5%
B Stevens	150,617	43,000	5,000	13,971	2,370	10,833	-	225,791	24%	5%
J Lahey***	174,730	31,500	14,856	13,023	-	-	-	234,109	13%	0%
<b>Total key management personnel compensation</b>	<b>1,667,354</b>	<b>566,700</b>	<b>64,856</b>	<b>129,347</b>	<b>14,910</b>	<b>127,832</b>	<b>-</b>	<b>2,570,999</b>		

\* Mr T Winters retired as Chairman on 13 December 2011.

\*\* Mr J Milne was appointed as Independent Non Executive Director on 7 March 2012.

\*\*\* Mr J Lahey joined in September 2011

\*\*\*\* Share rights for all participants have not yet vested, have not been paid and are not payable until vesting criteria have been met.

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2012

## 6. Remuneration Report – AUDITED (continued)

Year ended 30 June 2011:

	Short Term Employee Benefits			Post Employment Benefits	Long Term benefits	Share Based Payments	Other Benefits	Total	% of Remuneration that is performance based	% of Remuneration that consists of options
	Salary & Fees	Short Term Incentive Plan	Allowances	Super-annuation	Long Service Leave	Options	Termination Benefits			
<b>Independent Non-Executive Directors</b>										
T R Winters	86,750	-	-	-	-	13,733	-	100,483	14%	14%
J A Brennan	53,542	-	-	-	-	3,227	-	56,769	6%	6%
J M Burton	53,542	-	-	-	-	3,227	-	56,769	6%	6%
<b>Executive Directors</b>										
D P J Stewart	346,142	235,000	-	29,252	18,474	70,426	-	699,294	44%	10%
K J P Sheridan*	99,876	-	-	7,939	-	-	-	107,815	-	-
<b>Executive Officers</b>										
S Collins	136,494	15,000	15,000	11,972	-	-	-	178,466	8%	-
M Kinna (appointed 11 April 2011)	37,159	-	-	3,046	-	-	-	40,205	-	-
D Morrison	186,552	42,000	15,000	15,199	3,080	1,780	-	263,611	17%	1%
W Trattles (resigned 11 March 2011)	124,094	30,000	-	14,176	-	(19,287)	30,000	178,983	17%	-
<b>Total key management personnel compensation</b>	<b>1,124,151</b>	<b>322,000</b>	<b>30,000</b>	<b>81,584</b>	<b>21,554</b>	<b>73,106</b>	<b>30,000</b>	<b>1,682,395</b>		
<b>Other Executives</b>										
P Beveridge **	135,000	-	-	-	-	-	-	135,000	-	-
<b>TOTAL</b>	<b>1,259,151</b>	<b>322,000</b>	<b>30,000</b>	<b>81,584</b>	<b>21,554</b>	<b>73,106</b>	<b>30,000</b>	<b>1,817,395</b>		

\*Mr K Sheridan was appointed as Non-executive Director on 20 December 2010 and then appointed as Executive Director on 7 February 2011. He was also appointed as Company Secretary on 19 May 2011

\*\* Mr P Beveridge was included as one of the 5 highest remunerated Group and Company Executives.

# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

### 6. Remuneration Report – AUDITED (continued)

#### Short term Incentive Plan - Cash bonuses

Key management personnel and other executives are entitled to a short-term cash incentive based on performance criteria which is defined and granted at the discretion of the Board. Where performance criteria are not met in the current year the bonus is forfeited and may not be carried forward to a future year.

Short term Incentive plans are based on the achievement of specified Revenue and EBITDA levels and personal objectives. For the year ended 30 June 2012, following table discloses the total entitlement and the amount achieved.

Participants	Role	Total Entitlement	Total Achieved	% Achieved
David Stewart	CEO & Managing Director	\$500,000	\$270,000	54%
Ken Sheridan	CFO & Executive Director	\$60,000	\$51,600	86%
Jim Lahey	General Manager - International Sales	\$75,000	\$31,500	42%
Danny Morrison	General Manager - Sales	\$60,000	\$51,600	86%
Steve Collins	Head of Engineering & Product Development	\$50,000	\$44,000	88%
Brett Stevens	Chief Technology Officer	\$50,000	\$43,000	86%
Michael Cornelius	Research & Development Director	\$75,000	\$75,000	100%
<b>Total</b>		<b>\$870,000</b>	<b>\$566,700</b>	

#### Share Options

An employee share option plan is in place for all employees, including directors and key management personnel. The board of directors may at its discretion offer options to employees in such numbers and at such times as it thinks fit. Each option entitles the holder to subscribe for and be allotted one share in the capital of the company at a pre-determined exercise price per share. Shares issued on the exercise of options will rank pari passu with all existing shares in the capital of the company from the date of issue. The option holder must remain employed with the company in order to meet the performance conditions attached to the options.

Any outstanding options issued to an employee in a particular year will vest in the following time periods, and expire 5 years from the date of issue:

- i. At the end of year 1 from the date of the relevant option issue, 30% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 20% of the option issued will vest
- iii. At the end of year 3 from the date of the relevant option issue, 30% of the option issued will vest
- iv. At the end of year 4 from the date of the relevant option issue, 20% of the option issued will vest

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2012

### 6. Remuneration Report – AUDITED (continued)

Details of the terms and conditions of options which vested to key management personnel and executives of NetComm Wireless Limited during the reporting period are as follows:

	Issue Date	No. Options vested during the year	% vested in current year	% forfeited in current year	% available for vesting in future years	Fair value per option at grant date \$	Exercise price \$	Expiry Date	Date Exercisable
<b>Independent Non-Executive Directors</b>									
T R Winters	30/10/2008	0	0%	100%	0%	0.0805	0.162	30/10/2015	30/10/2010
<b>Executive Directors</b>									
D P J Stewart	30/10/2008	0	0%	63%	0%	0.0805	0.162	30/10/2015	30/10/2010
<b>Executive Officers</b>									
D Morrison	17/12/2007	20,000	20%	0%	0%	0.0383	0.07	17/12/2012	17/12/2010
D Morrison	31/07/2008	30,000	30%	0%	20%	0.0838	0.185	31/07/2013	31/07/2010
B Stevens	31/07/2008	30,000	30%	0%	20%	0.0838	0.185	31/07/2013	31/07/2010

No options were granted to key management personnel and executives during the year.

600,000 options were exercised by key management personnel and executives during the year:

	Number of options	Fair Value at grant date
D Morrision	250,000	\$22,500
B Stevens	350,000	\$26,300
Total	600,000	\$48,800

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2012

### 6. Remuneration Report – AUDITED (continued)

#### Share Rights held by key management personnel

On July 1, 2011 NetComm Wireless Limited Executive Employee Share Plan ("EESP") was introduced for invited Participants selected on the basis of their capability to be able to directly impact the Company's performance. Under this Plan, a Participant is made an offer of a number of Share Rights, as determined by the Board. A Share Right is an entitlement to a cash (for cash participants) or equity (for equity participants) amount equivalent to the value of one fully paid ordinary share in the Company for nil consideration, subject to the achievement of vesting conditions which include service and company performance over a 3-year period. The Share Rights will vest when the Company meets or exceeds a "performance hurdle" based on a specific EBITDA target as at the end of years 1, 2 and 3 respectively, if the Participant remains employed with the Company at that time. If the Company does not meet a performance hurdle at a given year (either year 1 or year 2), the hurdle can be "re-tested" in the subsequent year. The "re-test" would be based on a comparison of the cumulative actual EBITDA results for the current and past years compared to the cumulative EBITDA hurdle amounts. The Board has resolved that any entitlements to shares in NetComm Wireless resulting from the EESP will be purchased on market

Details of share rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

	Balance on 1 July 2011	Share Rights Granted during the year	Minimum fair value of Rights	Maximum fair value of Rights	Rights Exercised	Balance at 30 June 2012	Total Vested at 30 June 2012	Type of Share Right
D P J Stewart	-	1,500,000	-	\$65,000	-	1,500,000	0%	Cash
K J P Sheridan	-	450,000	-	\$19,500	-	450,000	0%	Cash
D Morrison	-	250,000	-	\$10,833	-	250,000	0%	Shares
S Collins	-	250,000	-	\$10,833	-	250,000	0%	Shares
B Stevens	-	250,000	-	\$10,833	-	250,000	0%	Shares
M Cornelius	-	250,000	-	\$10,833	-	250,000	0%	Shares
<b>Total</b>		<b>2,950,000</b>	-	<b>\$127,832</b>		<b>2,950,000</b>		

As at 1 July 2012, the EBITDA performance hurdle was not met so Plan Participants had no vesting of their Share Rights.

# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

### 6. Remuneration Report - Audited (continued)

#### Service contracts

The following table provides employment details of persons who were, during the financial year, the directors and executive officers of the consolidated group receiving the highest remuneration.

	Position held as at 30 June 2012	Contract details (duration & termination)
T R Winters	Independent Non Executive Chairman	Retired on 13/12/2011.
J A Brennan	Independent Non Executive Director & Chairman	No fixed term.
J Milne	Independent Non Executive Director	No fixed term.
J M Burton	Independent Non Executive Director	Mr Burton has advised that he will retire at the Company's 2012 AGM.
D P J Stewart	CEO & Managing Director	12 month contract automatically renewed. 12 months notice required to terminate. Entitled to 12 months gross salary upon termination.
K J P Sheridan	CFO & Executive Director	Standard employment agreement. 2 months notice required to terminate. Entitled to 2 months gross salary upon termination.
S Collins	Head of Engineering and Product Development	Standard employment agreement. 2 months notice required to terminate. Entitled to 2 months gross salary upon termination.
J Lahey	General Manager - International Sales	Standard employment agreement. 2 months notice required to terminate. Entitled to 2 months gross salary upon termination.
D Morrison	General Manager	Standard employment agreement. 2 months notice required to terminate. Entitled to 2 months gross salary upon termination.
M Cornelius	Research & Development Director	Standard employment agreement. 2 months notice required to terminate. Entitled to 2 months gross salary upon termination.
B Stevens	Chief Technology Officer	Standard employment agreement. 2 months notice required to terminate. Entitled to 2 months gross salary upon termination.

**END OF AUDITED REMUNERATION REPORT**



# NetComm Wireless Limited

## Directors' Report For the Year Ended 30 June 2012

### 7. Other information

#### a Indemnification and Insurance of Directors

All Directors of the Group, its secretaries and executive officers are entitled to be indemnified under Clause 23 of the Company's Constitution to the maximum extent permitted by law unless the liability arises out of conduct involving a lack of good faith. Since the end of the previous financial year, the Group has paid insurance premiums in respect of a directors and officers liability insurance contract against certain liabilities (subject to exclusions), for all current and former officers of the Group, including all directors named in this report, the company secretaries and executive officers of the Group, and directors and officers who have retired or relinquished their positions.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

#### b Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

#### c Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page of the financial report.

#### d Non Audit Services

The directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, because the nature and scope of each type of non audit service provided means that auditor independence was not compromised.

Fees for non audit services which were paid/payable to the external auditors (Grant Thornton Audit Pty Ltd) during the year ended 30 June 2012 are disclosed at Note 3.

#### e Corporate Governance

The Directors of NetComm Wireless Limited have always recognised the need for appropriate standards of corporate behaviour and accountability to ensure the quality of the company's financial reporting. Recent commentary and directions from Australian regulatory authorities have further emphasised this issue in the minds of investors. The Directors of NetComm Wireless Limited reaffirm their support for the principles of corporate governance and transparency and have reviewed their policies with regard to current best practice.

#### f Dividends

No dividends were paid during the financial year 2012 (2011: \$515,228 fully franked).

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2012

## 7. Other information (continued)

The directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Director:



J A Brennan, Chairman,  
Sydney  
27 September 2012

Director:



D P J Stewart, CEO & Managing Director,  
Sydney  
27 September 2012

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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**Auditor's Independence Declaration  
To the Directors of NetComm Wireless Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of NetComm Wireless Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*See*

Simon Coulton  
Partner – Audit & Assurance

Sydney, 27 September 2012

# NetComm Wireless Limited

## Index to the financial statements

30 June 2012

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# NetComm Wireless Limited

Consolidated statement of comprehensive income  
For the year ended 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>Continuing Operations</b>			
Revenue from the sale of goods	2	59,186,120	67,567,200
Other income	2	175,357	35,285
Change in inventories		3,535,241	(2,569,752)
Raw materials consumed		(44,756,740)	(44,207,877)
Employee benefits		(7,978,798)	(7,905,572)
Other expenses	3	(5,306,580)	(7,734,979)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		4,854,600	5,184,306
Depreciation and amortisation expense	3	(2,622,465)	(2,563,495)
Finance costs	3	(460,086)	(475,246)
<b>Profit before income tax</b>		1,772,049	2,145,565
Income tax expense	4	(201,870)	(1,088,101)
<b>Profit for the year from continuing operations</b>		1,570,179	1,057,464
Loss for the year from discontinued operations	31 (a)	(729,668)	(2,259,611)
<b>Profit for the year</b>		840,511	(1,202,147)
Attributable to equity holders of the parent		840,511	(1,202,147)
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		22,125	(51,209)
<b>Other comprehensive income for the period (net of tax)</b>		22,125	(51,209)
<b>Total comprehensive income for the period</b>		862,636	(1,253,356)
Attributable to equity holders of the parent		862,636	(1,253,356)
<b>Earnings per share from continuing operations:</b>			
Basic earnings per share (cents per share)	26	1.51	1.02
Diluted earnings per share (cents per share)	26	1.50	1.02
<b>Earnings per share from discontinued operations:</b>			
Basic earnings per share (cents per share)	26	(0.70)	(2.18)
Diluted earnings per share (cents per share)	26	(0.70)	(2.18)

# NetComm Wireless Limited

## Consolidated statement of financial position

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	7,049,729	4,647,931
Trade and other receivables	7	9,333,294	10,466,266
Inventories	8	9,863,695	6,704,900
Other current assets	9	1,087,316	579,157
<b>Total current assets</b>		<b>27,334,034</b>	<b>22,398,254</b>
Assets from discontinued operations	31 (b)	5,300	-
<b>Non-current assets</b>			
Property, plant and equipment	10	1,841,629	2,004,552
Deferred tax assets	4 (c)	2,027,119	1,958,678
Goodwill	11	895,999	895,999
Other intangible assets	12	4,776,914	3,191,076
Other assets non current	9	302,143	302,143
Non-current inventories	8	-	529,079
<b>Total non-current assets</b>		<b>9,843,804</b>	<b>8,881,527</b>
<b>TOTAL ASSETS</b>		<b>37,183,138</b>	<b>31,279,781</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	7,239,460	9,200,378
Borrowings	14	12,319,681	5,531,999
Short term provisions	15	908,542	957,694
Income tax liability		128,216	-
Other current liabilities	16	421,555	211,262
<b>Total current liabilities</b>		<b>21,017,454</b>	<b>15,901,333</b>
<b>Non-current liabilities</b>			
Long term borrowings	14	116,017	443,467
Long term provisions	15	222,752	94,334
<b>Total non-current liabilities</b>		<b>338,769</b>	<b>537,801</b>
<b>TOTAL LIABILITIES</b>		<b>21,356,223</b>	<b>16,439,134</b>
<b>NET ASSETS</b>		<b>15,826,915</b>	<b>14,840,648</b>
<b>EQUITY</b>			
Issued capital	17	9,877,073	9,796,773
Reserves	18	312,085	246,629
Retained earnings		5,637,757	4,797,246
<b>TOTAL EQUITY</b>		<b>15,826,915</b>	<b>14,840,648</b>

# NetComm Wireless Limited

## Consolidated statement of changes in equity

For the year ended 30 June 2012

2012

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Options and Share Rights Reserve	Total
Note	\$	\$	\$	\$	\$
<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>14,840,648</b>
Profit for the period	-	840,511	-	-	840,511
Exchange difference on translation of foreign operations	-	-	22,125	-	22,125
<b>Total comprehensive income for the period</b>	-	840,511	22,125	-	862,635
Recognition of share based payments	-	-	-	43,332	43,332
Exercise of options	80,300	-	-	-	80,300
<b>Balance at 30 June 2012</b>	<b>9,877,073</b>	<b>5,637,757</b>	<b>(83,723)</b>	<b>395,808</b>	<b>15,826,915</b>

2011

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Options and Share Rights Reserve	Total
Note	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	<b>9,649,395</b>	<b>6,514,622</b>	<b>(54,639)</b>	<b>287,511</b>	<b>16,396,889</b>
Profit/(loss) for the period	-	(1,202,147)	-	-	(1,202,147)
Exchange difference on translation of foreign operations	-	-	(51,209)	-	(51,209)
<b>Total comprehensive income for the period</b>	-	(1,202,147)	(51,209)	-	(1,253,356)
Contributions of equity net of transaction costs	133,628	-	-	-	133,628
Recognition of share based payments	-	-	-	98,851	98,851
Transfer from options reserve	-	-	-	(10,408)	(10,408)
Exercise of options	13,750	-	-	(23,478)	(9,728)
Payment of dividends	-	(515,229)	-	-	(515,229)
<b>Balance at 30 June 2011</b>	<b>9,796,773</b>	<b>4,797,246</b>	<b>(105,848)</b>	<b>352,476</b>	<b>14,840,648</b>

The accompanying notes form part of and are to be read in conjunction with this financial statement

# NetComm Wireless Limited

Consolidated statement of cash flows  
For the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash flows from operating activities:</b>			
Receipts from customers		66,590,970	71,784,681
Payments to suppliers and employees		(66,208,860)	(67,428,474)
Finance costs		(460,086)	(475,246)
Income taxes paid		(193,522)	(687,066)
Net cash (used in) continuing operations		(271,498)	3,193,895
Net cash provided by discontinued operations	31(c)	78,406	34,978
<b>Net cash (used in) / provided by operating activities</b>	<b>21</b>	<u>(193,092)</u>	<u>3,228,873</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of plant and equipment		11,472	7,150
Interest received		95,388	31,588
Acquisition of property, plant and equipment		(421,041)	(1,009,301)
Acquisition of intangible assets		(3,631,462)	(1,443,617)
Acquisition of subsidiaries, controlled		-	(175,000)
<b>Net cash (used in) by investing activities</b>		<u>(3,945,643)</u>	<u>(2,589,180)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		80,300	147,378
Proceeds from borrowings		62,029,949	51,935,887
Repayment of borrowings		(55,569,716)	(51,810,747)
Dividends paid	5	-	(515,228)
<b>Net cash provided by / (used in) financing activities</b>		<u>6,540,533</u>	<u>(242,710)</u>
<b>Net increase in cash and cash equivalents held</b>		2,401,798	396,983
Cash and cash equivalents at beginning of financial period		4,647,931	4,250,948
<b>Cash and cash equivalents at end of financial period</b>	<b>6</b>	<u>7,049,729</u>	<u>4,647,931</u>



# NetComm Wireless Limited

## Notes to the financial statements For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies

#### *General information*

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the consolidated Group of NetComm Wireless Limited (“the Group” or the “consolidated entity”). NetComm Wireless Limited is a listed public company, incorporated and domiciled in Australia, and is a for-profit entity.

Compliance with Australian Accounting Standards results in the compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the directors on 27 September 2012.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

#### **Basis of Preparation**

The financial statements have been prepared on an accruals basis and are 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. 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.

#### ***Critical accounting judgements and key sources of uncertainty***

In the application of the Group’s accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods. Refer to note 1(w) for a discussion of critical judgements in applying the entity’s accounting policies and key sources of estimation uncertainty.

#### ***Adoption of new and revised Accounting Standards***

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

# NetComm Wireless Limited

## Notes to the financial statements

For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NetComm Wireless Limited as at 30 June 2012 and the results of all subsidiaries for the year then ended.

A subsidiary is an entity over which NetComm Wireless Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of subsidiaries is contained in Note 30(d) to the financial statements. All subsidiaries have a 30 June financial year end.

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

Subsidiaries are fully consolidated from the date which control is transferred to the Group. They are deconsolidated from the date control ceases.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### (b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

# NetComm Wireless Limited

## Notes to the financial statements For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (c) Foreign Currency Transactions and Balances

##### *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. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Transaction and balances*

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss in the period in which they arise.

##### *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- all resulting exchange differences shall be recognised in other comprehensive income and as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

#### (d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority or it is recognised as part of the cost of acquisition of an asset or part of an item of expenses.

Receivables and payables in the statement of financial position are shown inclusive of GST and the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. 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.

# NetComm Wireless Limited

## Notes to the financial statements For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (e) 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 substantively enacted by the balance date.

Deferred tax is accounted for 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 profit or loss 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 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.

The amount of benefits brought to account or which may be realised in the future is based 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.

NetComm Wireless Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 20 August 2006.

The stand-alone taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group. Each entity in the group recognises its own current and deferred tax assets and liabilities, as if they continue to be a separate taxable entity in their own right, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity.

#### (f) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods, including communications and networking devices, are recognised at the time goods are dispatched to customers.

Revenue from a contract to provide services is recognised on a pro-rata basis over the term of the service agreement.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

# NetComm Wireless Limited

Notes to the financial statements  
For the year ended 30 June 2012

## 1 Statement of Significant Accounting Policies (continued)

### (g) Share-based Payments

Equity settled compensation benefits are provided to employees via the Employee Option Plan and the NetComm Wireless Limited Executive Employee Share Plan. Information relating to these plans is set out in notes 22 & 24. The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial Approximation option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The fair value of the options granted excludes the impact of any non market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance date, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Equity-settled share based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

### (h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

The carrying amount of property, plant and equipment is reviewed annually by directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised.

#### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

# NetComm Wireless Limited

## Notes to the financial statements

For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (h) Property, Plant and Equipment (continued)

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Useful Life
Plant and equipment	2-6 years
Leasehold improvements	Over the term of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss.

#### (i) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any 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 asset's carrying value over its recoverable amount is recognised in profit or loss. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Impairment of goodwill is not reversed. Refer also to note 1(x) on goodwill.

#### (j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. The interest expense is recognised in the profit or loss so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are recognised in profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease.

# NetComm Wireless Limited

## Notes to the financial statements

For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (k) Derivative Financial Instruments

The fair value of all derivative financial instruments outstanding at reporting date are recognised in the statement of financial position as either financial assets or financial liabilities. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity, with any ineffective portion being recognised in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives embedded in other financial instruments, or other non financial host contracts, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

#### (l) Financial Assets

Financial assets are classified into the following specified category: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

#### (m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, deposits held at call with banks and financial institutions, investments in money market instruments with maturities of three months or less from the date of acquisition, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

# NetComm Wireless Limited

## Notes to the financial statements

For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (n) Inventories

Finished goods and raw materials are valued at the lower of cost and net realisable value. Cost is the direct cost of purchase, plus freight and duty and any other costs directly attributable to acquisition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventory is recognised on a weighted average cost basis.

#### (o) Intangibles

##### *Research and development costs*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will generate future benefits considering its commercial and technical feasibility and its cost can be measured reliably. The expenditure capitalised consists of all directly attributable costs. Capitalised development costs are amortised from the point at which the product is ready for use but no longer than 3 years.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment costs.

##### *Computer software*

Computer software is measured on a cost basis less amortisation and impairment losses. Computer software is amortised on a straight line basis over 3.3 years, commencing from the time the software is ready for use.

#### (p) Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (q) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date, including wages and salaries, annual leave and long service leave. Employee benefits 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. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Group to employee superannuation funds which are of the defined contribution type. Contributions to these defined contribution superannuation schemes are recognised as an expense in the period they are payable.

#### (r) Financial instruments

##### *Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.



# NetComm Wireless Limited

## Notes to the financial statements For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (r) Financial instruments (continued)

##### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### *Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

#### (s) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (t) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (u) Dividends

A liability is recorded for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of financial year but not distributed at balance date.

# NetComm Wireless Limited

## Notes to the financial statements

For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (v) Standards and Interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June, 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

##### (i) AASB 9 Financial Instruments (effective from 1 January, 2015)

AASB 9 aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. The amendments require that any changes in fair value attributable to the liability's credit risk be recognised in other comprehensive income instead of profit or loss.

The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

##### (ii) AASB 10 Consolidated Financial Statements (effective from 1 January, 2014)

AASB 10 establishes a revised control model which broadens the situations when an entity is considered to be controlled by another entity. The effect of this change may lead to more entities being consolidated into the Group. The Company does not expect that this change will have any impact on the financial statements due to there currently not being any entities or investment within the group that are not currently consolidated.

##### (iii) AASB 13 Fair Value Measurement (effective from 1 January, 2014)

Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognized at fair value in the statement of financial position or disclosed in the notes in the financial statements. The Company has not yet conducted a detailed analysis of the differences between the current fair value calculation methodologies used and those required by AASB 13. The Group's management have yet to assess the impact of this new standard.

##### (iv) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income (effective 1 July, 2013).

The AASB 101 amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

# NetComm Wireless Limited

## Notes to the financial statements For the year ended 30 June 2012

### 1 Statement of Significant Accounting Policies (continued)

#### (v) Standards and Interpretations issued not yet effective (continued)

(v) AASB 119 Employee Benefits (effective 1 January, 2013).

The Company currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement.

When this standard is first adopted for the 30 June, 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

(vi) AASB 12 Disclosure of Interests in Other Entities (effective from 1 January, 2014)

AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. Its aim is to provide more transparency on 'borderline' consolidation decisions and includes enhanced disclosures centred on significant judgements and assumptions made around determining control, joint control and significant influence.

The Company does not expect that this change will have any impact on the financial statements other than to add additional disclosure.

#### (w) Critical accounting estimates and judgements

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

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### ***Inventories***

Note 8 sets out the categories of inventories carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### ***Impairment of assets***

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

# NetComm Wireless Limited

Notes to the financial statements  
For the year ended 30 June 2012

## 1 Statement of Significant Accounting Policies (continued)

### (w) Critical accounting estimates and judgements (continued)

#### *Deferred Tax Asset*

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 profit or loss 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 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.

The amount of benefits brought to account or which may be realised in the future is based 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.

#### *Internally generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### (x) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

# NetComm Wireless Limited

Notes to the financial statements  
For the year ended 30 June 2012

## 1 Statement of Significant Accounting Policies (continued)

### (x) Goodwill (continued)

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

### (y) Discontinued operations

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 2 Revenue and other income from continuing operations

	2012 \$	2011 \$
<b>Revenue</b>		
Sales revenue	59,186,120	67,567,200
	<u>59,186,120</u>	<u>67,567,200</u>
<b>Other income</b>		
Interest revenue	95,388	31,588
Other revenue	79,969	3,697
	<u>175,357</u>	<u>35,285</u>
<b>Total revenue and other income</b>	<u>59,361,477</u>	<u>67,602,485</u>

### 3 Expenses

Included in expenses are the following specific items

	2012 \$	2011 \$
<b>Other expenses comprising:</b>		
Advertising and marketing	(168,200)	1,038,133
Property expenses	832,115	998,515
Distribution and selling costs	952,478	892,944
Insurance expenses	267,437	257,261
Legal & professional fees	526,588	670,804
Travel expenses	739,287	786,624
Contractor costs	608,299	1,075,348
Other expenses	1,548,576	2,015,350
	<u>5,306,580</u>	<u>7,734,979</u>

**Depreciation, amortisation and impairments:**

Depreciation of property, plant and equipment (note 10(b))	574,225	462,907
Amortisation of intangible assets (note 12(b))	2,048,242	2,100,588
	<u>2,622,467</u>	<u>2,563,495</u>

**Auditors of NetComm Wireless Limited**

Auditing or reviewing the financial statements	51,510	-
Taxation services	12,750	-
	<u>64,260</u>	<u>-</u>

	2012 \$	2011 \$
<b>Other auditors:</b>		
<b>BDO Audit (NSW-VIC) Pty Limited</b>		
Auditing or reviewing the financial statements	56,999	-
Taxation services	14,275	2,700
Other services - consulting	35,681	-
Other assurance services	-	15,500
	<u>106,955</u>	<u>18,200</u>

**Deloitte**

Auditing or reviewing the financial report	-	119,935
Taxation services	1,641	16,735
	<u>1,641</u>	<u>136,670</u>

	2012 \$	2011 \$
<b>Rental expenses on operating leases</b>		
Minimum lease payments	645,208	615,856

**Finance Costs**

Trade finance and deferred acquisitions	407,682	428,366
Finance leases	52,404	46,880
	<u>460,086</u>	<u>475,246</u>

Cost of sales	41,221,500	46,777,629
(Reversal)/impairment of doubtful receivables	(98,429)	114,987
Defined contribution superannuation expenses	634,003	566,780
Loss on sale of property, plant and equipment	15,393	613
Research & development costs	569,276	923,673
Share-based payments - equity settled benefit	43,332	64,965

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 4 Income tax expense

(a) Income tax recognised in profit or loss	2012 \$	2011 \$
Tax expense comprises		
Current tax expense	332,970	548,501
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	68,441	221,630
Under/(over) provision for tax in prior year	(199,541)	317,970
<b>Total tax expense</b>	<b>201,870</b>	<b>1,088,101</b>

The nature of the evidence supporting the recognition of tax losses incurred in prior periods includes forecast taxable income that is expected to arise in the next 2 years as a result of new supply and distribution agreements entered into by the Group in prior years.

**(b) The prima facie income tax expense on pre-tax accounting profit from continuing operations reconciles to the income tax expense in the financial statements as follows:**

	2012 \$	2011 \$
Net profit/(loss) before tax	1,772,049	2,145,565
Tax at the Australian tax rate of 30%	531,615	643,669
- Share based payments	13,000	19,490
- Entertainment	4,500	13,216
- Tax rate Difference in NZ - 28%	(22,514)	-
- Other items	31,844	(51,862)
- Non-deductible amortisation of intangibles	158,500	244,202
Benefit from previously unrecognised tax losses or temporary differences of a prior period applied in the current period	-	(98,584)
Under/(over) provision for tax in prior years - NZ	48,080	-
Under/(over) provision for tax in prior years	(247,621)	317,970
Research & Development tax concession	(315,534)	-
<b>Income tax expense</b>	<b>201,870</b>	<b>1,088,101</b>

**(c) Deferred tax assets/(liabilities) arise from the following:**

	Opening balance \$	Charged to income \$	Closing balance \$
<b>2012</b>			
Unused tax losses	1,707,372	841,507	2,548,879
<b>Temporary differences</b>			
Accrued expenses	44,200	(36,181)	8,019
Provisions	343,417	(30,617)	312,800
Inventory	243,364	(60,602)	182,762
Intangibles and Other	(379,675)	(645,666)	(1,025,341)
	<b>1,958,678</b>	<b>68,441</b>	<b>2,027,119</b>
<b>2011</b>			
Unused tax losses	1,143,299	564,073	1,707,372
<b>Temporary differences</b>			
Accrued expenses	60,815	(16,615)	44,200
Provisions	430,611	(87,194)	343,417
Inventory	224,995	18,369	243,364
Intangibles and Other	320,588	(700,263)	(379,675)
	<b>2,180,308</b>	<b>221,630</b>	<b>1,958,678</b>

The directors believe Deferred tax asset should only be recognised if and when:

- (i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) The conditions for deductibility imposed by tax legislation are complied with; and
- (iii) No changes in tax legislation adversely affect the consolidated entity's ability to realise the benefits.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 5 Dividends

No dividends were paid during the year ended 30 June 2012 (2011: \$0.005, unfranked).

#### (a) Balance of franking account

Balance of franking account at period end adjusted for franking credits arising from dividends recognised as receivables, and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years

2012	2011
\$	\$
591,961	536,257

### 6 Cash and cash equivalents

#### (a) Cash on hand

Cash on hand  
Cash at bank

2012	2011
\$	\$
1,735	1,228
7,047,994	4,646,703
<u>7,049,729</u>	<u>4,647,931</u>

#### (b) Effective interest rate

These funds are bearing floating interest rates of between 0.05% and 2% (2011: 0.05% to 1.0%).

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents

2012	2011
\$	\$
7,049,729	4,647,931
<u>7,049,729</u>	<u>4,647,931</u>

### 7 Trade and other receivables

Trade receivables (i)  
Income tax receivable  
Allowance for doubtful debts

2012	2011
\$	\$
9,227,923	10,611,810
148,888	-
(43,517)	(145,544)
<u>9,333,294</u>	<u>10,466,266</u>

- (i) The average credit period on sales of goods and rendering of services is 30 days, although a few customers have 45 day terms. No interest is charged on overdue receivables. An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience. The Group will also consider any change in the quality of the trade receivable from the date credit was initially granted up to the reporting date.

Before accepting any new customers, the Group will obtain third party references to assess the potential customer's credit quality and define the credit limits by customer. Included in the Group's trade receivable balance are debtors with a carrying amount of \$2,422,346 (2011: \$3,262,259) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 53 days (2011: 53 days).

#### Aging of past due but not impaired

0-30 Days  
30-60 Days  
60+ Days

2012	2011
\$	\$
1,804,177	2,876,167
605,290	68,152
12,879	317,940
<u>2,422,346</u>	<u>3,262,259</u>



# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 7 Trade and other receivables (continued)

#### Movement in the allowance for doubtful debts

	2012	2011
	\$	\$
Balance at the beginning of the year	145,544	109,065
Increase/(decrease) in allowance for impairment	(98,357)	114,987
Amounts written off as uncollectible	(3,670)	(78,508)
Balance at the end of the year	<u>43,517</u>	<u>145,544</u>

#### Aging of impaired receivables

	2012	2011
	\$	\$
0-30 Days	-	-
30-60 Days	30,638	-
60+ Days	12,879	145,544
	<u>43,517</u>	<u>145,544</u>

### 8 Inventories

#### Current

	2012	2011
	\$	\$
Raw materials and stores	298,266	169,540
Finished goods	7,876,173	5,930,034
NetAssure inventories - components	-	263,700
Goods in transit	1,689,256	341,626
	<u>9,863,695</u>	<u>6,704,900</u>

#### Non - Current

NetAssure inventories - components	-	529,079
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#### Total Inventories

	<u>9,863,695</u>	<u>7,233,979</u>
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### 9 Other assets

#### Current

	2012	2011
	\$	\$
Prepayments	424,125	183,272
Deposits and bonds	663,191	395,885
	<u>1,087,316</u>	<u>579,157</u>

#### Non - Current

Deposits and bonds	302,143	302,143
	<u>302,143</u>	<u>302,143</u>

### 10 Property, Plant and Equipment

#### (a) Summary of property, plant and equipment

	2012	2011
	\$	\$
<b>Plant and equipment</b>		
At cost	4,047,817	3,619,695
Less accumulated depreciation	(2,733,378)	(2,384,013)
Total plant and equipment	<u>1,314,439</u>	<u>1,235,682</u>
<b>Leased plant and equipment</b>		
At cost	912,800	931,487
Less accumulated amortisation	(437,867)	(234,031)
Total leased plant and equipment	<u>474,933</u>	<u>697,456</u>
<b>Leasehold improvements</b>		
At cost	226,886	226,741
Less accumulated amortisation	(174,629)	(155,327)
Total leasehold improvements	<u>52,257</u>	<u>71,414</u>
<b>Total property, plant and equipment</b>	<u>1,841,629</u>	<u>2,004,552</u>

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 10 Property, Plant and Equipment (continued)

#### (b) Movements in carrying amounts

	Plant and equipment	Leased plant and equipment	Leasehold improvements	Total
	\$	\$	\$	\$
<b>2012</b>				
Balance at the beginning of the year	1,235,682	697,456	71,414	2,004,552
Additions	425,436	-	-	425,436
Disposals	(750)	(13,798)	-	(14,548)
Net foreign currency translation differences	252	53	109	413
Depreciation expenses	(346,180)	(208,778)	(19,266)	(574,223)
<b>Carrying amount at the end of the year</b>	<b>1,314,439</b>	<b>474,933</b>	<b>52,257</b>	<b>1,841,629</b>
<b>2011</b>				
Balance at the beginning of the year	1,072,358	240,961	60,166	1,373,485
Additions	480,149	592,407	33,871	1,106,427
Disposals	(10,263)	-	-	(10,263)
Net foreign currency translation differences	(1,421)	(302)	(467)	(2,189)
Depreciation expenses	(305,141)	(135,610)	(22,156)	(462,908)
<b>Carrying amount at the end of the year</b>	<b>1,235,682</b>	<b>697,456</b>	<b>71,414</b>	<b>2,004,552</b>

### 11 Goodwill

	2012	2011
	\$	\$
<b>Gross carrying amount</b>		
Balance at beginning of financial year	895,999	895,999
Balance at end of financial year	895,999	895,999
<b>Net book value</b>		
At the beginning of the financial year	895,999	895,999
At the end of the financial year	895,999	895,999
<b>Goodwill has been allocated as follows:</b>		
	2012	2011
	\$	\$
Call Direct Cellular Solutions 2003 Pty Limited	766,023	766,023
C10 Communications Pty Limited	129,976	129,976
	895,999	895,999

All Goodwill has arisen from acquisitions made during prior financial years.

During the financial year, the Group assessed the recoverable amount of goodwill by applying a value in use model for each identified cash generating unit. It was determined that goodwill associated with the Group's activities was not impaired and there was no other circumstances in the performance of acquired entities indicating impairment. Both businesses have continued to operate and perform in accordance with the expectations of the Group. Goodwill has been allocated for impairment testing purposes to the following cash-generating units representing the goodwill that arose in the acquisition of each business: Call Direct Cellular Solutions 2003 Pty Limited and C10 Communications Pty Limited.

#### Call Direct Cellular Solutions 2003 Pty Limited

The primary assumptions underlying the cash flow projections include revenue growth in excess of 10% in FY2013 due to increased focus on M2M wireless opportunities, followed by a continuous revenue growth of 10% for the following two years.

#### C10 Communications Pty Limited

The primary assumptions underlying the cash flow projections include flat to modest revenue growth of 1% for FY2013 and 0% for the next two years.

The forecasted future cash flows for both cash-generating units are discounted by the weighted average cost of capital of Netcomm Wireless Limited of 12% (2011: 12%).

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 12 Other intangible assets

#### (a) Summary of intangible assets

	2012 \$	2011 \$
<b>Product Development costs</b>		
Cost	8,137,019	4,529,028
Accumulated amortisation	<u>(3,425,795)</u>	<u>(2,005,963)</u>
Net carrying value	<u>4,711,224</u>	<u>2,523,065</u>
<b>Computer software</b>		
Cost	792,008	781,093
Accumulated amortisation	<u>(753,194)</u>	<u>(656,331)</u>
Net carrying amount	<u>38,814</u>	<u>124,762</u>
<b>Other intangibles</b>		
Cost	2,470,140	2,457,582
Accumulated amortisation	<u>(2,443,264)</u>	<u>(1,914,333)</u>
Net carrying amount	<u>26,876</u>	<u>543,249</u>
<b>Total</b>	<u>4,776,914</u>	<u>3,191,076</u>

#### (b) Movements in carrying amounts

	Product development costs \$	Computer software \$	Other intangibles \$	Total \$
<b>2012</b>				
Balance at the beginning of the year	2,523,065	124,762	543,247	3,191,074
Additions	3,607,990	10,180	28,140	3,646,310
Disposals	-	-	(12,317)	(12,317)
Net foreign currency translation differences	-	88	-	88
Amortisation	<u>(1,419,831)</u>	<u>(96,216)</u>	<u>(532,194)</u>	<u>(2,048,241)</u>
Carrying amount at year end	<u>4,711,224</u>	<u>38,814</u>	<u>26,876</u>	<u>4,776,914</u>
<b>2011</b>				
Balance at the beginning of the year	2,280,557	223,350	1,342,333	3,846,240
Additions	1,418,018	12,800	15,580	1,446,398
Disposals	-	-	-	-
Net foreign currency translation differences	-	(975)	-	(975)
Amortisation	<u>(1,175,510)</u>	<u>(110,413)</u>	<u>(814,666)</u>	<u>(2,100,589)</u>
Carrying amount at year end	<u>2,523,065</u>	<u>124,762</u>	<u>543,247</u>	<u>3,191,074</u>

### 13 Trade and other payables

	2012 \$	2011 \$
<b>Current unsecured liabilities</b>		
Trade payables (i)	5,201,100	4,505,197
Sundry payables and accrued expenses	1,833,916	2,590,351
Letter of credit (ii)	<u>204,444</u>	<u>2,104,830</u>
<b>Total current trade and other payables</b>	<u>7,239,460</u>	<u>9,200,378</u>

(i) The average credit period on purchases of certain goods from various Asian countries is 30 days, although some request payment in advance of shipment. No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) The letter of credit facility is secured by a mortgage debenture with a fixed and floating charge over all assets and liabilities of NetComm Wireless Limited.

### 14 Borrowings

	2012 \$	2011 \$
<b>Current - Secured</b>		
Finance lease	322,738	308,966
Trade refinance	<u>11,996,943</u>	<u>5,223,033</u>
	<u>12,319,681</u>	<u>5,531,999</u>
<b>Non-Current - Secured</b>		
Finance lease	<u>116,017</u>	<u>443,467</u>
<b>Total borrowings</b>	<u>12,435,698</u>	<u>5,975,466</u>

The trade refinance facility is secured by a mortgage debenture with a fixed and floating charge over all assets and liabilities of NetComm Wireless Limited. The trade receivables finance facility is secured against the Group's trade receivables. The finance lease is secured against the underlying finance lease asset. Refer to Note 20 for further details of this borrowing.

Banking Covenants: At 30 June 2012 the company was technically in breach of one of its banking covenants. This breach was rectified in mid July 2012. The Company obtained written confirmation indicating that the bank would take no further action.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 15 Provisions

	2012 \$	2011 \$
<b>Current</b>		
Employee entitlements	908,542	957,694
<b>Non - current</b>		
Employee entitlements	222,752	94,334
<b>Total provisions</b>	<b>1,131,294</b>	<b>1,052,028</b>

### 16 Other liabilities

	2012 \$	2011 \$
<b>Current</b>		
Deferred income - current	421,555	211,262
	<b>421,555</b>	<b>211,262</b>

### 17 Issued Capital

	2012 \$	2011 \$
104,833,864 (2011: 103,757,614) Ordinary shares - paid up no par value	9,877,073	9,796,773

#### (a) Movements in issued and paid up ordinary share capital of the company

	2012 No.	2011 No.	2012 \$	2011 \$
At the beginning of the reporting period	103,757,614	102,968,233	9,796,773	9,649,395
Shares issued during the year	-	656,881		133,628
Shares purchased under share buy-back scheme				
Exercise of options	1,076,250	132,500	80,300	13,750
<b>At reporting date</b>	<b>104,833,864</b>	<b>103,757,614</b>	<b>9,877,073</b>	<b>9,796,773</b>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value. Ordinary shares confer on their holders the right to participate in dividends and/or capital returns declared by the board and an entitlement to vote at any general meeting of the company.

### 18 Reserves

#### (a) Movements in share options & share rights reserve

	2012 \$	2011 \$
Balance at the beginning of the year	352,476	287,511
Recognition of share based payments	43,332	98,851
Exercise of options	-	(10,408)
Expiry of options	-	(23,478)
Balance at the end of the year	<b>395,808</b>	<b>352,476</b>

The option reserve is used to recognise the fair value of options and equity based share rights issued but not exercised.

#### (b) Movements in foreign exchange reserve

	2012 \$	2011 \$
Balance at the beginning of the year	(105,848)	(54,639)
Exchange difference on translation of foreign operations	22,125	(51,209)
Balance at the end of the year	<b>(83,723)</b>	<b>(105,848)</b>

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve. The reserve is recognised in profit or loss when the net investment is disposed of.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 19 Contingent liabilities

There were no contingent liabilities as at 30 June 2012 (2011 : Nil)

### 20 Expenditure commitments

#### Non-cancellable operating lease commitments

	2012	2011
	\$	\$
Not longer than 1 year	675,702	629,870
Longer than 1 year and not longer than 5 years	1,634,178	1,813,698
	<u>2,309,880</u>	<u>2,443,568</u>

The group leases its offices in Australia and New Zealand under operating leases. Leases generally provide the right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount and in some cases an incremental contingent rental. Contingent rents are normally based on movements in the CPI or market reviews. In the current year, the Parent company renewed the leases on its Melbourne and Toronto, Canada premises.

#### Finance lease liabilities

	2012	2011
	\$	\$
Not longer than 1 year	357,182	340,044
Longer than 1 year and not longer than 5 years	119,722	476,904
Minimum future lease payments	476,904	816,948
Less future finance charges	(38,149)	(64,515)
Present value of minimum lease payments	<u>438,755</u>	<u>752,433</u>
Included in the financial statements:		
Current borrowings (note 14)	322,738	308,966
Non - current borrowings (note 14)	116,017	443,467
	<u>438,755</u>	<u>752,433</u>

Finance leases relate to plant and equipment. The Group has the option to purchase the plant and equipment at the conclusion of the lease arrangements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

#### Commitments for the acquisition of property, plant and equipment by the parent entity

There is a commitment of \$200,000 for the acquisition of property, plant and equipment outstanding at the year end.

### 21 Cash flow information

#### Reconciliation of cash flow from operations with profit after income tax

	2012	2011
	\$	\$
(Loss)/Profit for the year	840,511	(1,202,147)
<b>Non-cash flows in profit</b>		
Depreciation and amortisation	2,622,465	2,563,495
Loss on sale of property, plant and equipment	-	1,277
Share based payments	43,332	64,965
Interest received	(95,388)	(31,588)
<b>Changes in operating assets and liabilities:</b>		
Decrease/(increase) in trade and other receivable	1,127,671	(2,207,298)
Decrease/(increase) in inventories	(2,629,716)	5,923,420
Decrease/(increase) in other assets	(508,159)	(551,644)
Decrease/(increase) in deferred tax assets	(68,441)	221,630
(Decrease)/increase in trade and other payables	(1,960,918)	(937,386)
(Decrease)/increase in deferred income & other liabilities	338,509	27,574
(Decrease)/increase in provisions	97,043	(643,425)
Net cash from operating activities	<u>(193,092)</u>	<u>3,228,873</u>

#### Non-cash financing and investing activities

Property, plant and equipment was acquired by the group by way of finance lease: NIL (2011: \$592,407)

Deferred payments arising from acquisitions recorded in other liabilities are investing related activities and thus have been excluded from this reconciliation.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 22 Key management personnel compensation

#### (a) Directors and other key management personnel

The directors and other members of key management personnel of the Group during the year were:

T R Winters	Independent Non Executive Chairman ( <i>Retired 13/12/11</i> )
J A Brennan	Independent Non Executive Director and Chairman
J M Burton	Independent Non Executive Director
J Milne	Independent Non Executive Director (Appointed 03/2012)
D P J Stewart	CEO & Managing Director
K J P Sheridan	CFO & Executive Director and Company Secretary
D Morrison	General Manager - Sales
J Lahey	General Manager - International Sales
S Collins	Head of Product Development
Brett Stevens	Chief Technology Officer
M Cornelius	Research & Development Director

#### (b) Remuneration of key management personnel

The aggregate compensation made to key management personnel of the Group is set out below:

	2012	2011
	\$	\$
Short term benefits	2,298,910	1,476,151
Post employment benefits	129,347	81,584
Other long term benefits	14,910	21,554
Termination benefits	127,832	30,000
Share based payments	-	73,106
<b>Total</b>	<b>2,570,999</b>	<b>1,682,395</b>

Further information on remuneration of key management personnel can be found in the remuneration report within the Directors' Report.

#### (c) Shares held by key management personnel

	Balance 1 July	Movement during the Year - on market transactions	Balance 30 June
	No.	No.	No.
<b>2012</b>			
T R Winters	-	-	-
J A Brennan	122,795	-	122,795
J M Burton	377,795	-	377,795
J Milne	-	-	-
D P J Stewart*	23,262,878	-	23,262,878
K J P Sheridan	174,000	-	174,000
M Cornelius	2,486,170	-	2,486,170
J Lahey	-	-	-
S Collins	-	-	-
B Stevens	-	350,000	350,000
D Morrison	-	250,000	250,000
	<b>26,423,638</b>	<b>600,000</b>	<b>27,023,638</b>
<b>2011</b>			
T R Winters	193,068	(193,068)	-
J A Brennan	122,795	-	122,795
J M Burton	377,795	-	377,795
J Milne	-	-	-
D P J Stewart*	22,958,313	304,565	23,262,878
K J P Sheridan	-	174,000	174,000
M Cornelius	2,486,170	-	2,486,170
J Lahey	-	-	-
S Collins	-	-	-
B Stevens	-	-	-
D Morrison	-	-	-
	<b>26,138,141</b>	<b>285,497</b>	<b>26,423,638</b>

\* The 23,262,878 shares held by D P J Stewart are split as follows:

- 22,944,008 shares held by Mr D P J Stewart's related entities.
- 317,620 shares held by his daughter Miss Stephanie Stewart.
- 1,250 shares held by his wife, Mrs Anne Stewart

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

(d) Options held by key management personnel

The following is a list of options issued, vested and exercisable as at the end of the reporting period for key management personnel

	Balance 1 July	Granted during the year	Exercised during the year	Lapsed/Forfeited during the year	Balance 30 June
<b>2012</b>					
T R Winters	780,000	-	-	(780,000)	-
D P J Stewart	4,000,000	-	-	(2,500,000)	1,500,000
J A Brennan	360,000	-	-	-	360,000
J M Burton	360,000	-	-	-	360,000
M Cornelius	-	-	-	-	-
J Milne	-	-	-	-	-
J Lahey	-	-	-	-	-
S Collins	-	-	-	-	-
B Stevens	450,000	-	(350,000)	-	100,000
D Morrison	450,000	-	(250,000)	-	200,000
K J P Sheridan	-	-	-	-	-
	<b>6,400,000</b>	<b>-</b>	<b>(600,000)</b>	<b>(3,280,000)</b>	<b>2,520,000</b>
Weighted Average Exercise Price	<b>0.154</b>		<b>0.081</b>	<b>0.162</b>	<b>0.156</b>
<b>2011</b>					
T R Winters	780,000	-	-	-	780,000
D P J Stewart	4,000,000	-	-	-	4,000,000
J A Brennan	480,000	-	-	(120,000)	360,000
J M Burton	480,000	-	-	(120,000)	360,000
M Cornelius	-	-	-	-	-
J Milne	-	-	-	-	-
J Lahey	-	-	-	-	-
S Collins	-	-	-	-	-
B Stevens	450,000	-	-	-	450,000
D Morrison	450,000	-	-	-	450,000
K J P Sheridan	-	-	-	-	-
	<b>6,640,000</b>	<b>-</b>	<b>-</b>	<b>(240,000)</b>	<b>6,400,000</b>
Weighted Average Exercise Price	<b>0.154</b>			<b>0.162</b>	<b>0.154</b>

	Balance 30 June	Total vested	Total exercisable	Total unexercisable
<b>2012</b>				
T R Winters	-	-	-	-
D P J Stewart	1,500,000	1,500,000	1,500,000	-
J A Brennan	360,000	360,000	360,000	-
J M Burton	360,000	360,000	360,000	-
M Cornelius	-	-	-	-
J Milne	-	-	-	-
J Lahey	-	-	-	-
S Collins	-	-	-	-
B Stevens	100,000	80,000	80,000	20,000
D Morrison	200,000	180,000	180,000	20,000
K J P Sheridan	-	-	-	-
	<b>2,520,000</b>	<b>2,480,000</b>	<b>2,480,000</b>	<b>40,000</b>
<b>2011</b>				
T R Winters	780,000	292,500	292,500	487,500
D P J Stewart	4,000,000	1,500,000	1,500,000	2,500,000
J A Brennan	360,000	360,000	360,000	-
J M Burton	360,000	360,000	360,000	-
M Cornelius	-	-	-	-
J Milne	-	-	-	-
J Lahey	-	-	-	-
S Collins	-	-	-	-
B Stevens	450,000	400,000	400,000	50,000
D Morrison	450,000	380,000	380,000	70,000
K J P Sheridan	-	-	-	-
	<b>6,400,000</b>	<b>3,292,500</b>	<b>3,292,500</b>	<b>3,107,500</b>

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan. During the financial year 600,000 options (2011: NIL) were exercised by key management personnel. Further details on the employee share option plan and share options granted during the 2012 and 2011 financial years are contained at note 24.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 22 Key management personnel compensation (continued)

#### (e) Share Rights held by key management personnel

Details of share rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

PARTICIPANTS	Balance on 1 July 2011	Share Rights to Granted during the year as compensation	Fair Value at grant date	Rights Exercised	Balance at 30 June 2012	Total Vested at 30 June 2012	Type of Share Right
David Stewart	-	1,500,000	\$ 195,000	-	1,500,000	-	Cash
Ken Sheridan	-	450,000	\$ 58,500	-	450,000	-	Cash
Danny Morrison	-	250,000	\$ 32,500	-	250,000	-	Shares
Steve Collins	-	250,000	\$ 32,500	-	250,000	-	Shares
Brett Stevens	-	250,000	\$ 32,500	-	250,000	-	Shares
Michael Cornelius	-	250,000	\$ 32,500	-	250,000	-	Shares
<b>Total</b>	<b>-</b>	<b>2,950,000</b>	<b>\$ 383,500</b>	<b>-</b>	<b>2,950,000</b>	<b>-</b>	

Implicit Share Price used in determining value of initial share rights

\$ 0.20

Actual share price on 1 July 2011 (the date of grant)

\$ 0.13

Actual share price on 1 July 2012 (the first Vesting Date)

\$ 0.13

Number of share rights

2,950,000

On July 1, 2011 NetComm Wireless Limited Executive Employee Share Plan" ("EESP") was introduced for invited Participants selected on the basis of their capability to be able to directly impact the Company's performance. Under this Plan, a Participant is made an offer of a number of Share Rights, as determined by the Board. A Share Right is an entitlement to a cash (for cash participants) or equity (for equity participants) amount equivalent to the value of one fully paid ordinary share in the Company for nil consideration, subject to the achievement of vesting conditions which include service and company performance over a 3-year period. The Share Rights will vest when the Company meets or exceeds a "performance hurdle" based on a specific EBITDA target as at the end of years 1, 2 and 3 respectively, if the Participant remains employed with the Company at that time. If the Company does not meet a performance hurdle at a given year (either year 1 or year 2), the hurdle can be "re-tested" in the subsequent year. The "re-test" would be based on a comparison of the cumulative actual EBITDA results for the current and past years compared to the targeted EBITDA results. Although participants didn't fully meet the first year hurdle in respect of the EBITDA achievement, an expense of \$127,832 has still been recognised as the company expects to meet the cumulative EBITDA hurdles in the years 2 and 3. The Board has resolved that any entitlements to shares in NetComm Wireless resulting from the EESP will be purchased on market.

### 23 Related party transactions

There are no related party transactions except as per Note 22.

### 24 Share-based Payments

#### Employee Option Plan

An employee share scheme was established in 1993 and current details are noted below.

The board of directors may at its discretion offer options to employees in such numbers and at such times as it thinks fit, having regard to:

- each employee's length of service;
- the contribution to the group which has been made by the employee;
- the potential contribution of the employee to the group; and
- any other matters which the board considers relevant.

The Board has decided to discontinue using the Options Plan in favour of the new Share Rights Plan.

#### Entitlement

Each option entitles the holder to subscribe for and be allotted one share in the capital of the company at the exercise price per share.

Shares issued on the exercise of options will rank pari passu with all existing shares in the capital of the company from the date of issue.

#### Vesting

Any option, except for the ones mentioned in the following paragraphs, issued to an employee in a particular year will vest in the following time periods:

- At the end of year 1 from the date of the relevant option issue, 30% of the option issued will vest
- At the end of year 2 from the date of the relevant option issue, 20% of the option issued will vest
- At the end of year 3 from the date of the relevant option issue, 30% of the option issued will vest
- At the end of year 4 from the date of the relevant option issue, 20% of the option issued will vest



# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 24 Share-based Payments (continued)

#### Exercise of Options

An option may be exercised:

- i. After an option has vested in accordance with the rules outlined above, but before expiry of the option, provided the participant is at the time of exercise an employee or director of the Group.
- ii. Within 180 days:
  - Of the death, disablement or retirement of the participant; or
  - After an option has vested in accordance with the rules outlined above and the participant resigns or is retrenched.
- iii. If the Board otherwise permits it.
- iv. If any person or that person's associate has acquired or become entitled to 40% or more of the company's voting shares.

At 30 June 2012, there are 3,132,500 options (2011: 8,359,380) issued to 12 employees (2011: 20 employees) to acquire ordinary shares. These options progressively vest on an annual basis commencing 12 months from the date of issue, details as follows:

2012	Number of Options	Exercise Price \$	Expiry Date	Number of Options Exercisable 30 June 2012
	50,000	0.060	19-Jul-12	50,000
	105,000	0.070	17-Dec-12	105,000
	100,000	0.071	03-Mar-13	100,000
	100,000	0.185	31-Jul-13	80,000
	1,480,000	0.162	30-Oct-13	1,480,000
	740,000	0.162	30-Oct-13	740,000
	100,000	0.070	17-Dec-12	100,000
	100,000	0.185	31-Jul-13	80,000
	157,500	0.075	27-Feb-13	157,500
	100,000	0.162	10-Dec-13	80,000
	100,000	0.113	12-Feb-14	80,000
	<b>3,132,500</b>			<b>3,052,500</b>
2011	Number of Options	Exercise Price \$	Expiry Date	Number of Options Exercisable 30 June 2011
	430,000	0.090	24-Aug-11	430,000
	606,250	0.064	26-Apr-12	606,250
	50,000	0.060	19-Jul-12	40,000
	245,000	0.070	17-Dec-12	196,000
	157,500	0.075	27-Feb-13	126,000
	100,000	0.071	03-Mar-13	100,000
	200,000	0.185	31-Jul-13	100,000
	470,630	0.143	27-Oct-13	470,630
	400,000	0.143	27-Oct-13	400,000
	100,000	0.162	10-Dec-13	50,000
	100,000	0.113	12-Feb-14	50,000
	1,675,000	0.162	30-Oct-13	1,675,000
	1,435,000	0.162	30-Oct-13	837,500
	2,390,000	0.162	30-Oct-13	-
	<b>8,359,380</b>			<b>5,081,380</b>

4,150,630 (2011: 1,340,000) options issued to employees expired during the financial year in accordance with the rules of the Share Option Plan.

No new options were issued during the year.

There were options of 1,076,250 (2011: 132,500) exercised during the year ended 30 June 2012.

The 3,132,500 (2011: 8,359,380) options outstanding at 30 June 2012 have a weighted average exercise price of \$0.147 (2011: \$0.143) and a weighted average remaining contractual life of 1.20 years (2011: 3.46 years). Exercise prices range from \$0.06 to \$0.19 in respect of options outstanding at 30 June 2012.

Subsequent to year end 50,000 (2011: 461,250) options were exercised by employees.

#### Valuations of Options

The fair value at grant date of all options is independently determined using the Binomial Approximation pricing model.

- (a) Options are granted in accordance with the terms of the Employee Option Plan (refer above for detail),
- (b) The expected price volatility is based on a daily closing share price for NetComm Limited over the 12 months immediately prior to date of grant: N/A (2011: 43.67%),
- (c) The risk free interest rate is based on the 5 year Commonwealth Bond rate on date of issue: N/A
- (d) The expected dividend yield is based on the dividends received by shareholders of NetComm Limited during the 12 months prior to date of grant: 0% (2011: 0%).

On July 1, 2011 NetComm Wireless Limited Executive Employee Share Plan ("EESP") was introduced for invited Participants selected on the basis of their capability to be able to directly impact the Company's performance. More details of this plan are disclosed under Note 22 (e).

\$127,832 has been recognised as a share based payments expense for the year ended 30 June 2012.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 25 Retirement Benefit Obligations

#### Superannuation Commitments

The Group provides employees with access to external superannuation plans that provide benefits on retirement, resignation, disability or death. This is a defined contribution plan.

### 26 Earnings per Share

#### Earnings reconciliation

Net profit for the year  
Basic and diluted earnings

#### Continuing Operations

2012	2011
\$	\$
1,570,179	1,057,464
1,570,179	1,057,464

#### Weighted average number of ordinary shares used as the denominator

Number for basic earnings per share  
Effect of share options issued under the employee option plan not yet vested  
Number for diluted earnings per share

2012	No.	2011	No.
104,223,847		103,182,089	
	229,212		1,094,317
104,453,059		104,276,406	

#### Earnings per share

Basic earnings per share  
Diluted earnings per share

#### Continuing Operations

2012	2011
Cents	Cents
1.51	1.02
1.50	1.02

#### Earnings reconciliation

Net (loss)/profit for the year  
Basic and diluted earnings

#### Discontinued Operations

2012	2011
\$	\$
(729,668)	(2,259,611)
(729,668)	(2,259,611)

#### Weighted average number of ordinary shares used as the denominator

Number for basic earnings per share  
Effect of share options issued under the employee option plan not yet vested  
Number for diluted earnings per share

2012	No.	2011	No.
104,223,847		103,182,089	
	229,212		1,094,317
104,453,059		104,276,406	

#### Earnings per share

Basic earnings per share  
Diluted earnings per share

#### Discontinued Operations

2012	2011
Cents	Cents
(0.70)	(2.18)
(0.70)	(2.18)

EPS and DEPS for discontinued operations are the same as the Loss cannot be diluted

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 27 Financial Instruments

#### (a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Operating cash flows are used to maintain and expand the Group's assets as well as to pay for operating expenses, including tax liabilities.

#### (b) Financial Risk Management Objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and exchange rate markets and seeks to minimise potential adverse effects on the Group's performance. Risk management is carried out by the Board of Directors.

#### (c) Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In the last two financial years the Group has not used any derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

#### (d) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies that are different from the functional currency of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising natural hedging.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities holding the monetary assets and liabilities are as follows:

	Liabilities		Assets	
	2012	2011	2012	2011
US Dollars	16,428,388	4,030,358	8,502,482	5,924,395
Canadian Dollars	-	-	1,036,752	2,399,981
<b>Total</b>	<b>16,428,388</b>	<b>4,030,358</b>	<b>9,539,234</b>	<b>8,324,376</b>

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 27 Financial Instruments (continued)

#### (d) Foreign Currency Risk Management (continued)

##### Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD) and Canadian dollars (CAD).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies (arising from monetary assets and liabilities held at balance date in a currency different to the functional currency of the respective entities holding the assets or liabilities), which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (including liabilities for goods in transit) and adjusts their translation at a period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit and other equity where the Australian dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Profit or loss	
	2012	2011
US Dollars	(695,746)	230,501
Canadian Dollars	114,894	262,032

The foreign exchange impact in the table is attributable to the exposure outstanding on USD receivables and borrowings and CAD receivables at year end in the Group.

The Group includes a New Zealand subsidiary whose functional currency is different to the Group's presentation currency. As stated in the Group's Accounting Policies per Note 1(c), on consolidation the assets and liabilities of this entity is translated into Australian dollars at exchange rates prevailing on the reporting date. The income and expenses of this entity is translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The Group's future reported other comprehensive income could therefore be impacted by changes in rates of exchange between the Australian Dollar and the New Zealand Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies arising from translation of foreign operations. A positive number indicates an increase in other comprehensive income where the Australian dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on the other comprehensive income and other equity, and the balances below would be negative.

	Other comprehensive income	
	2012	2011
New Zealand Dollars	(8,364)	102,149

#### (e) Interest rate risk management

The Group is exposed to interest rate risk as the parent entity borrows funds at floating interest rates. The Group does not hedge this risk through derivatives such as interest rate swaps.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 27 Financial Instruments (continued)

#### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on a 50 basis point change in interest rates taking place at the beginning of the financial year and held constant throughout the reporting period, which represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/(decrease) by \$16,455 (2011: increase/(decrease) by (\$10,782)). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

#### (f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by counterparty limits that are reviewed and approved by the CFO & Executive Director. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. Refer further detail in note 7.

#### (g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group also uses a trade receivables and trade payables finance facility to manage its liquidity risk.

The table below details the company's and the Group's drawn and undrawn facilities.

	Consolidated	
	2012	2011
	\$	\$
<b>Letter of Credit &amp; Trade Refinance</b>	15,000,000	15,000,000
Used at balance date (note 13)	204,444	2,104,830
Used at balance date (note 14)	11,996,944	5,223,033
Unused at balance date	2,798,611	7,672,138
<b>Trade Receivables Finance</b>	2,000,000	2,000,000
Used at balance date (note 14)	-	-
Unused at balance date	2,000,000	2,000,000
<b>Floating Bill Facility</b>	2,000,000	2,000,000
Used at balance date (note 14)	-	-
Unused at balance date	2,000,000	2,000,000

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 27 Financial Instruments (continued)

#### (g) Liquidity risk management (continued)

##### Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	3 months-1 year \$	1-5 years \$	5+ years \$
<b>2012</b>						
Non-interest bearing	0.00%	2,965,675	2,205,520	-	-	-
Finance lease liability	8.77%	28,747	57,495	253,802	476,904	-
Variable interest rate instruments	4.30%	81,778	6,956,836	5,335,553	-	-
		<b>3,076,200</b>	<b>9,219,851</b>	<b>5,589,355</b>	<b>476,904</b>	<b>-</b>
<b>2011</b>						
Non-interest bearing	0.00%	3,333,186	311,937	-	-	-
Finance lease liability	8.77%	28,747	57,495	253,802	476,904	-
Variable interest rate instruments	4.70%	40,713	6,134,559	1,326,066	-	-
		<b>3,402,647</b>	<b>6,503,991</b>	<b>1,579,867</b>	<b>476,904</b>	<b>-</b>

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period based on the earliest date on which the Group can expect to receive. The table includes both interest and principal cash flows.

	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	3 months-1 year \$	1-5 years \$	5+ years \$
<b>2012</b>						
Non-interest bearing	0.00%	1,804,175	6,506,963	-	-	-
Variable interest rate instruments	1.66%	7,049,729	-	582,830	369,809	-
		<b>8,853,904</b>	<b>6,506,963</b>	<b>582,830</b>	<b>369,809</b>	<b>-</b>
<b>2011</b>						
Non-interest bearing	0.00%	2,875,149	7,736,661	-	-	-
Variable interest rate instruments	0.19%	4,647,931	-	366,154	327,666	-
		<b>7,523,080</b>	<b>7,736,661</b>	<b>366,154</b>	<b>327,666</b>	<b>-</b>

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 27 Financial Instruments (continued)

#### (h) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

### 28 Events after the reporting date

There has not arisen during the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature that has, in the opinion of the Directors of the Company, significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

### 29 Segment reporting

Information reported to the chief decision maker for the purposes of resource allocation and assessment of segment performance focuses on products and services for Australia and overseas. The Group's reportable segments under AASB 8 are therefore as follows:

- Product Australia - ISP
- Product Australia - Other
- Product - International
- Services – Australia

The product reportable segment supplies communication devices, including but not limited to Mobile 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.

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 29 Segment reporting (continued)

#### (a) Continuing and Discontinued Operations

	Revenue		Segment Profit	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Continuing and Discontinued Operations</b>				
<b>Revenue generated from external customers</b>				
Product Australia - ISP	16,848,602	11,330,110	1,321,787	1,304,722
Product Australia - Other	21,076,907	38,582,438	948,982	3,618,389
Product - International	21,260,610	17,654,652	2,408,474	225,909
<b>Discontinued operations</b>				
Services - Australia	134,524	112,078	(827,118)	(2,542,300)
<b>Intersegment Revenue</b>				
Product Australia - ISP	1,490,315	327,980	-	-
Product Australia - Other	1,864,322	909,589	-	-
Product - International	218,183	79,909	-	-
Services - Australia	-	-	-	-
Intersegment Eliminations	(3,572,820)	(1,317,478)	-	-
<b>Group revenue/operating profit</b>	<b>59,320,643</b>	<b>67,679,278</b>	<b>3,852,125</b>	<b>2,606,720</b>
Other income			175,357	35,285
Depreciation and amortisation expense			(2,622,465)	(2,563,495)
Finance costs			(460,086)	(475,246)
<b>Group Profit before tax</b>			<b>944,930</b>	<b>(396,736)</b>
Income tax (expense)/benefit			(104,420)	(805,411)
<b>Consolidated revenue and profit for the period</b>	<b>59,320,643</b>	<b>67,679,278</b>	<b>840,511</b>	<b>(1,202,147)</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-Australia segment.

Customer A	9,724,480
Total Revenue	59,320,643
Customer Share of Total	16%

Segment profit represents the profit earned by each segment without allocation of other income, finance costs and depreciation and amortisation.

#### (b) Reconciliation of Group's operating segments to financial statements

The totals presented for the group's operating segments reconcile to the key figures as presented in its financial statements as follows

	Revenue	
	30 June	30 June
	2012	2011
	\$	\$
<b>Revenue and other income</b>		
Total reportable segment revenues	59,320,643	67,679,278
Other Segment income	175,357	35,285
Discontinued operations	(134,524)	(112,078)
<b>Revenue &amp; other income</b>	<b>59,361,477</b>	<b>67,602,485</b>
<b>Profit or Loss</b>		
Total reportable segment operating profit	3,852,125	2,606,721
Other segment profit	175,357	35,285
Operating loss of discontinued operations	827,118	2,542,300
Operating profit from continuing operations	<b>4,854,600</b>	<b>5,184,306</b>
Depreciation and amortisation expense	(2,622,465)	(2,563,495)
Finance costs	(460,086)	(475,246)
Profit before tax	<b>1,772,049</b>	<b>2,145,565</b>



# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 30 Parent entity disclosures

#### (a) Financial position

	2012	2011
	\$	\$
<b>Assets</b>		
Current assets	19,996,043	17,256,224
Non-current assets	14,094,970	11,900,157
<b>Total assets</b>	<b>34,091,013</b>	<b>29,156,381</b>
<b>Liabilities</b>		
Current liabilities	24,824,037	20,402,331
Non-current liabilities	338,770	508,390
<b>Total liabilities</b>	<b>25,162,807</b>	<b>20,910,721</b>
<b>Equity</b>		
Issued capital	9,877,120	9,796,772
Retained earnings	(1,344,722)	(1,903,588)
<b>Reserves</b>		
General reserves	395,808	352,476
<b>Total equity</b>	<b>8,928,206</b>	<b>8,245,660</b>

#### (b) Financial performance

	2012	2011
	\$	\$
(Loss)/profit for the year	(2,200,238)	(4,870,344)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(2,200,238)</b>	<b>(4,870,344)</b>

#### (c) Commitments for the acquisition of property, plant and equipment by the parent entity

	2012	2011
<b>Finance lease liabilities</b>		
Not longer than 1 year	357,182	340,044
Longer than 1 year and not longer than 5 years	119,722	476,904
Longer than 5 years	-	-
	<b>476,904</b>	<b>816,948</b>

Finance leases relate to plant and equipment. The Company has the option to purchase the plant and equipment at the conclusion of the lease arrangements. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. At the year end company had a commitment of \$200,000 with NAB for leasing R&D equipment.

#### (d) Subsidiaries

Name of subsidiary	Country of incorporation	Percentage	Percentage
		owned	owned
		2012	2011
		%	%
NetComm Wireless (NZ) Limited, (formerly Dynalink Modems Ltd)	New Zealand	100	100
Call Direct Cellular Solutions 2003 Pty Ltd	Australia	100	100
C10 Communications Pty Ltd	Australia	100	100
NetComm Wireless (Canada) Limited, (formerly Canada NetComm Limited)	Canada	100	100

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 31 Discontinued Operations

#### (a) Income Statement

	2012 \$	2011 \$
<b>Revenue from the sale of goods</b>	134,524	112,078
Other income	-	-
Change in inventories	(905,525)	(2,577,278)
Raw materials consumed	-	-
Employee benefits	(26,015)	(48,300)
Administrative expenses	(30,102)	(28,801)
Other expenses	-	-
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<u>(827,118)</u>	<u>(2,542,301)</u>
Depreciation and amortisation expense	-	-
Finance costs	-	-
<b>Loss before income tax</b>	(827,118)	(2,542,301)
Income tax (expense)/benefit	97,450	282,690
Loss after income tax	<u>(729,668)</u>	<u>(2,259,611)</u>
Attributable to equity holders of the parent	(729,668)	(2,259,611)
Other comprehensive income		
<b>Exchange differences arising on translation of foreign operations</b>	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the period (net of tax)	-	-
Total comprehensive income for the period	<u>(729,668)</u>	<u>(2,259,611)</u>
Attributable to equity holders of the parent	<u>(729,668)</u>	<u>(2,259,611)</u>

#### (b) Financial position

	2012 \$	2011 \$
Current assets		
Trade and other receivables	5,300	-
Total current assets	<u>5,300</u>	<u>-</u>

#### (c) Cash Flows

	2012 \$	2011 \$
Operating Activities	78,406	34,978
<b>Net Cash Flows from discontinued operations</b>	<u>78,406</u>	<u>34,978</u>

# NetComm Wireless Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 32 Company details

The registered office and principal place of business of the company is:

NetComm Wireless Limited  
Level 2  
18-20 Orion Road  
Lane Cove NSW 2066

# NetComm Wireless Limited

## Directors' Declaration

In the opinion of the directors of NetComm Wireless Limited

- (a) the consolidated financial statements and notes of NetComm Wireless Limited are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of its financial position as at 30 June 2012
  - (ii) and of its performance for the financial year ended on that date; and
  - (iii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that NetComm Wireless Ltd will be able to pay its debts as and when they become due and payable.
- (c) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.
- (d) Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors

On behalf of the Directors



J A Brennan  
Director  
27 September 2012



D P J Stewart  
Director  
27 September 2012

## **Independent Auditor's Report To the Members of NetComm Wireless Limited**

### **Report on the financial report**

We have audited the accompanying financial report of NetComm Wireless Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion:

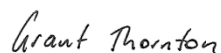
- a the financial report of NetComm Wireless Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 7 to 14 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of NetComm Wireless Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Simon Coulton  
Partner - Audit & Assurance

Sydney, 27 September 2012

## ASX Additional Information

The shareholder information set out below was applicable as at 25 September 2012.

### 1 Distribution of Shareholders

Analysis of number of shareholders by size of holding

Category of Holding	Number	Number of Shares
1 - 1,000	124	59,617
1,001 - 5,000	446	1,328,015
5,001 - 10,000	255	2,009,170
10,001 - 100,000	613	20,535,722
100,001 - share and over	146	80,901,340
<b>Total</b>	<b>1,584</b>	<b>104,833,864</b>

### 2 Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

Shareholder	Number of Shares	Percentage of total shares
Brad Industries Pty Ltd	22,944,008	21.89%
NBT Pty Ltd/ Janvin P/L/G&P Woods P/L	9,645,300	9.20%
Dr Colin Rose/Mathstatica Pty Ltd	5,005,394	4.77%
Michael John Cornelius	2,486,170	2.37%
Porttel Pty Limited /Robert & Mary Waldie	2,170,500	2.07%
Askey Computer Corp	2,053,528	1.96%
Yarradale Investments Pty Ltd	1,751,570	1.67%
Catch 88 Pty Ltd (Mitchell Super)	1,308,244	1.25%
Mrs Cher Suey Cheah /Mr Seuk-Liong Cheah	1,200,000	1.14%
Gordon Denby Coad / Miss Shirley Pratt	1,150,000	1.10%
Mr John Jackson & Ms Christine Gregg	934,534	0.89%
HSBC Custody Nominees (Australia) Limited	925,314	0.88%
Mr Darren Jacobus Jansen & Mrs Carolyn Jane Jansen	910,000	0.87%
Ms DG Leong / Mr RA Press	900,261	0.86%
William Charles Wheelahan	900,000	0.86%
Berne No. 132 Nominees P/L	828,000	0.79%
Mr Suthara Youhorn/Mrs Youhorn Chea	826,893	0.79%
Randy River Health & Beauty Aid Co P/L (Delplay Super)	821,241	0.78%
Thomas Chau Wa Zih / Virginia Man Chun Zih	755,255	0.72%
John Eldred Williams/ June Mabel Williams	712,119	0.68%
<b>Total</b>	<b>58,228,331</b>	<b>55.54%</b>

### 3 Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction

### 4 Substantial Shareholders

As at 25 September 2012 the substantial shareholders were as follows:

Shareholder	Number of Shares
Brad Industries Pty Ltd	22,944,008
NBT Pty Ltd/ Janvin P/L/G&P Woods P/L	9,645,300
Dr Colin Rose/Mathstatica Pty Ltd	5,005,394

# Corporate Directory

**30 June 2012**

## **Directors**

J A Brennan (Non Executive Chairman)  
J Milne (Non Executive Director)  
J M Burton (Non Executive Director)  
D P J Stewart (CEO & Managing Director)  
K J P Sheridan (CFO & Executive Director)

## **Company Secretary**

K J P Sheridan

## **Registered Office**

Level 2, 18-20 Orion Rd  
Lane Cove NSW 2066  
Telephone: +61 (2) 9424-2000  
Facsimile: +61 (2) 9427-9260

## **Auditor**

Grant Thornton Audit Pty Limited.  
Chartered Accountants  
Level 19  
2 Market Street, Sydney NSW 2000

## **Solicitors**

DLA Phillips Fox  
201 Elizabeth Street, Sydney NSW 2000

Maddocks  
Angel Place  
123 Pitt St, Sydney NSW 2000

## **Bankers**

National Australia Bank

## **Share Register**

Link Market Services  
Level 12  
680 George St  
Sydney NSW 2000  
Telephone: 8280 7552

## **Web Address**

[www.netcommwireless.com](http://www.netcommwireless.com)