

NetComm Wireless Limited
Appendix 4D
For The Half Year Ended 31 December 2014

1. Company details

Name of entity

NetComm Wireless Limited

ABN or equivalent company reference	Half year ended ('current period')	Half year ended ('previous period')
85 002 490 486	31 December 2014	31 December 2013

2. Results for announcement to the market

\$A'000's

2.1	Revenues from ordinary activities	Up	0.15% to	30,515
2.2	EBITDA	Up	16.3% to	2,292
2.3	Profit/(Loss) from ordinary activities after tax attributable to members	Up	124.5% to	363
2.4	Net (Loss)/Profit for the period attributable to members	Up	124.5% to	363
2.5	Dividends	Amount per security	Franked amount per security	
		N/a	N/a	
2.6	⁺ Record date for determining entitlements to the dividend.	N/a		

2.7 Brief explanation

Revenue for the six months ended 31 December 2014 (1H15) was \$30.5 million, marginally higher than 1H14. However, the composition of revenue continued to evolve, with a substantial increase in revenue from the company's Ericsson NBN contract offsetting previous revenues from the Ericsson SP AusNet smart metering contract that was substantially completed in FY14.

The M2M business accounted for 44% of total sales (1H14: 48%).

Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 16% to \$2.3 million. This was after business reinvestment of \$1.2 million in additional workforce and infrastructure to further enhance the company's global capabilities as it pursues substantial attractive global M2M opportunities.

EBITDA for 2H15 is expected to improve further due to the expected growth in revenues, particularly from the Ericsson NBN contract.

Based on current projections, NetComm Wireless expects FY15 EBITDA to be in excess of the \$5.2 million generated in FY14. This forecast result includes a planned \$1.6 million increase in the company's total cost base (mainly investment in people) as the business positions itself for its planned revenue growth in FY16 and subsequent years.

3. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per ⁺ ordinary security	10.62 cents	10.55 cents

4. Control gain over entities/Loss of control over entities

4.1 Control gained over entities

Name of entity (or group of entities)

N/a

Date control gained

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

N/a

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

N/a

4.2 Loss of control over entities

Name of entity (or group of entities)

N/a

Date control lost

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

N/a

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

N/a

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5 Dividends

Individual dividends per security

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

6 Dividend Reinvestment Plans

The ⁺dividend or distribution plans shown below are in operation.

N/a

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

--

7 Details of associates and joint venture entities

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

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7 Details of associates and joint venture entities (continued)

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

8 Foreign entities

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

9 Dispute or qualification if audited or not yet audited

Not applicable.

Sign here:


 (Managing Director)

Date: 23 February 2015

Print name:

David P.J. Stewart

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NETCOMM WIRELESS LIMITED

ACN 002 490 486

HALF YEAR FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2014**

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CORPORATE INFORMATION

Directors

Justin Milne	(Non-Executive Director & Chairman)
Ken Boundy	(Non-Executive Director)
Stuart Black AM	(Non-Executive Director)
David P J Stewart	(CEO & Managing Director)
Kenneth J P Sheridan	(CFO & Executive Director)

Company Secretary

Mr Kenneth J P Sheridan

Registered Office

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

Bankers

National Australia Bank

Share Registry

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

Auditor

Grant Thornton Audit Pty Limited
Chartered Accountants
Level 17, 383 Kent Street
Sydney NSW 2000

Solicitors

Maddocks
Angel Place
123 Pitt St, Sydney NSW 2000

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DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the half-year ended 31 December 2014.

1. DIRECTORS

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

Justin Milne	(Non-Executive Director & Chairman)
Ken Boundy	(Non-Executive Director)
Stuart Black AM	(Non-Executive Director)
David P J Stewart	(CEO & Managing Director)
Kenneth J P Sheridan	(CFO & Executive Director)

2. PRINCIPAL ACTIVITIES

NetComm Wireless Limited is a leading developer of innovative broadband products sold globally to major telecommunications carriers, core network providers and system integrators. For 32 years NetComm Wireless 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 carriers, Machine to Machine (M2M) and Rural Broadband markets. NetComm's products are designed to meet the growing needs of today's diverse home, business and industrial broadband applications and designed to optimise the performance of global network advancements. Headquartered in Sydney, Australia, NetComm has offices in the US, UK, New Zealand, the Middle East and Japan.

3. REVIEW AND RESULTS OF OPERATIONS

Revenue for the six months ended 31 December 2014 (1H15) was \$30.5 million, marginally higher than 1H14. However, the composition of revenue continued to evolve, with a substantial increase in revenue from the company's Ericsson NBN contract offsetting previous revenues from the Ericsson SP AusNet smart metering contract that was substantially completed in FY14.

The M2M business accounted for 44% of total sales (1H14: 48%).

Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 16% to \$2.3 million. This was after business reinvestment of \$1.2 million in additional workforce and infrastructure to further enhance the company's global capabilities as it pursues substantial attractive global M2M opportunities.

EBITDA for 2H15 is expected to improve further due to the expected growth in revenues, particularly from the Ericsson NBN contract.

Based on current projections, NetComm Wireless expects FY15 EBITDA to be in excess of the \$5.2 million generated in FY14. This forecast result includes a planned \$1.6 million increase in the company's total cost base (mainly investment in people) as the business positions itself for its planned revenue growth in FY16 and subsequent years.

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4. AUDITOR'S INDEPENDENCE DECLARATION

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

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

A handwritten signature in blue ink, appearing to read "D. P. J. Stewart".

Managing Director
Sydney, 23 February 2015

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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 review of NetComm Wireless Limited for the half-year ended 31 December 2014, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S M Coulton
Partner - Audit & Assurance

Sydney, 23 February 2015

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Consolidated Statement of Profit or Loss & Other Comprehensive Income
For the half year ended 31 December 2014

	Note	Consolidated	
		Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Revenue from the sale of goods		30,515,141	30,468,696
Other income		30,287	28,946
Change in inventories of finished goods and work in progress		1,807,481	1,500,110
Raw materials consumed		(22,427,517)	(23,444,702)
Employee benefits		(4,371,878)	(3,197,636)
Administrative expenses	3a	(2,018,042)	(1,852,671)
Other expenses	3b	(1,243,393)	(1,532,592)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		2,292,079	1,970,151
Depreciation and amortisation expense		(1,801,569)	(1,796,136)
Finance costs		(302,147)	(348,744)
Profit/(Loss) before income tax		188,363	(174,729)
Income tax benefit		174,640	336,422
Profit after income tax		363,003	161,693
Attributable to equity holders of the parent		363,003	161,693
Other comprehensive income			
Exchange differences arising on translation of foreign operations		55,622	201,192
Net change in the fair value of cash flow hedges recognised in equity		20,983	885,149
Income tax relating to components of other comprehensive income		(6,295)	(265,545)
Other comprehensive income for the period (net of tax)		70,310	820,796
Total comprehensive income for the period		433,313	982,489
Attributable to equity holders of the parent		433,313	982,489
Earnings per share:			
Basic profit per share (cents per share)		0.28	0.13
Diluted profit per share (cents per share)		0.28	0.13

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

		Consolidated	
	Note	31 December 2014 \$	30 June 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,777,410	4,307,490
Trade and other receivables		10,196,492	10,665,140
Inventories		9,209,342	7,401,861
Other assets		1,129,594	1,319,357
Total current assets		25,312,838	23,693,848
Non-current assets			
Property, plant and equipment		1,328,720	1,178,597
Deferred tax assets		4,905,228	4,515,004
Goodwill		895,999	895,999
Other intangible assets		8,109,811	7,173,580
Other assets		332,143	332,143
Total non-current assets		15,571,901	14,095,323
TOTAL ASSETS		40,884,739	37,789,171
LIABILITIES			
Current liabilities			
Trade and other payables		8,846,428	9,298,662
Borrowings		7,508,233	4,733,301
Provisions		923,970	910,723
Income tax liability		90,788	-
Other current liabilities		304,955	393,257
Total current liabilities		17,674,374	15,335,943
Non-current liabilities			
Borrowings		215,103	24,539
Provisions		287,930	237,920
Total non-current liabilities		503,033	262,459
TOTAL LIABILITIES		18,177,407	15,598,402
NET ASSETS		22,707,332	22,190,769
EQUITY			
Issued capital	5	15,432,272	15,349,022
Reserves		798,135	727,825
Retained earnings		6,476,925	6,113,922
TOTAL EQUITY		22,707,332	22,190,769

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2014

		Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Foreign Exchange Hedging Reserve	Options and Share Rights Reserve	Total
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014		15,349,022	6,113,922	335,600	(3,583)	395,808	22,190,769
Profit for the period		-	363,003	-	-	-	363,003
Exchange difference on translation of foreign operations		-	-	55,622	-	-	55,622
Foreign exchange hedging (Net of tax)		-	-	-	14,688	-	14,688
Total comprehensive income for the period		-	363,003	55,622	14,688	-	433,313
Issue of ordinary shares (Net of transaction costs and tax)	5	-	-	-	-	-	-
Recognition of share based payments	5	83,250	-	-	-	-	83,250
Payment of dividends	4	-	-	-	-	-	-
Exercise of options	5	-	-	-	-	-	-
Balance at 31 December 2014		15,432,272	6,476,925	391,222	11,105	395,808	22,707,332
Balance at 1 July 2013		14,331,878	5,096,133	94,035	(689,087)	395,808	19,228,767
Profit for the period		-	161,693	-	-	-	161,693
Exchange difference on translation of foreign operations		-	-	201,192	-	-	201,192
Foreign exchange hedging (Net of tax)		-	-	-	619,604	-	619,604
Total comprehensive income for the period		-	161,693	201,192	619,604	-	982,489
Issue of ordinary shares (Net of transaction costs and tax)		931,324	-	-	-	-	931,324
Payment of dividends		-	-	-	-	-	-
Exercise of options		58,320	-	-	-	-	58,320
Balance at 31 December 2013		15,321,522	5,257,826	295,227	(69,483)	395,808	21,200,900

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2014

	Consolidated	
	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$	\$
Cash flows from operating activities:		
Receipts from customers	34,109,034	31,943,366
Payments to suppliers and employees	(33,350,105)	(24,944,270)
Finance costs	(302,147)	(348,744)
Income taxes paid	(83,257)	(170,468)
Net cash provided by operating activities	373,525	6,479,884
Cash flows from investing activities:		
Interest received	30,287	28,946
Acquisition of property, plant and equipment	(221,258)	(200,118)
Acquisition of intangible assets	(2,314,631)	(1,828,352)
Net cash used in investing activities	(2,505,602)	(1,999,524)
Cash flows from financing activities:		
Proceeds from issue of shares & options (net of transaction costs & tax)	-	989,644
Proceeds from borrowings	18,807,408	16,150,785
Repayment of borrowings	(16,205,411)	(22,075,086)
Net cash provided by/(used in) financing activities	2,601,997	(4,934,657)
Net increase/(decrease) in cash and cash equivalents held	469,920	(454,297)
Cash and cash equivalents at beginning of financial period	4,307,490	3,882,067
Cash and cash equivalents at end of financial period	4,777,410	3,427,770

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Note 1 – Significant Accounting Policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014. The accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

Note 2 – Segment Information

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

Information reported to the chief decision maker for the purposes of resource allocation and assessment of segment performance focuses of:

- Broadband Business
- M2M Business

The Broadband business segment supplies communication devices, including, but not limited to, ADSL/VDSL routers, internet gateways, powerline devices and ADSL filters, designed and manufactured for use primarily by consumer and small medium enterprises (SME) in the Australian and New Zealand market.

The M2M business segment specialises in the development of advanced industrial-grade and commercial 3G /4G wireless broadband products and solutions for business continuity (disaster recovery), mobile broadband and remote M2M connectivity. NetComm Wireless' M2M products, solutions and services are designed to support applications in areas such as transport, smart metering, security, surveillance, banking, health, mining and rural broadband.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Note 2 – Segment Information (continued)

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

	Revenue		Segment Profit	
	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Total segment revenue				
Broadband business	17,747,711	16,366,861	959,069	938,979
M2M business	13,968,581	14,965,999	1,302,723	1,002,226
	31,716,292	31,332,860	2,261,792	1,941,205
Intersegment revenue				
Broadband business	(744,107)	(564,104)	-	-
M2M business	(457,044)	(300,060)	-	-
	(1,201,151)	(864,164)	-	-
Segment result				
Broadband business	17,003,604	15,802,757	959,069	938,979
M2M business	13,511,537	14,665,939	1,302,723	1,002,226
Revenue from external customers	30,515,141	30,468,696	2,261,792	1,941,205
Other income			30,287	28,946
EBITDA			2,292,079	1,970,151
Depreciation and amortisation expense			(1,801,569)	(1,796,136)
Finance costs			(302,147)	(348,744)
Group profit/(loss) before income tax			188,363	(174,729)
Income tax benefit			174,640	336,422
Consolidated segment revenue and profit for the period	30,515,141	30,468,696	363,003	161,693

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

No Segment assets and liabilities are disclosed because there is no measure of segment assets or liabilities regularly reported to the chief decision maker.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Note 3 – Expenses

Included in expenses are the following specific items.

(a) Administrative expenses

	Consolidated	
	Half year ended 31 December 2014	Half year ended 31 December 2013
	\$	\$
Distribution and selling costs	343,914	405,491
Insurance expenses	236,748	182,328
Legal and professional fees	389,052	286,927
Travel expenses	690,704	582,947
Contractor costs	357,624	394,978
Total administrative expenses	2,018,042	1,852,671

(b) Other expenses

Advertising and marketing	207,301	141,196
Property expenses	493,900	521,639
Other expense	542,192	869,757
Total other expenses	1,243,393	1,532,592

Note 4 – Dividends

	Half Year Ended 31 December 2014		Half Year Ended 31 December 2013	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
Fully paid ordinary shares				
Interim dividend	-	-	-	-

No dividends were paid, recommended for payment nor declared during the reporting period.

Note 5 – Issuances, Repurchase and Repayments of Equity Securities

Issued capital at 31 December 2014 amounted to \$15,432,272 (129,049,890 ordinary shares). On 16 October 2014, the Group issued a total of 150,000 ordinary shares at nil consideration to the employees and an expense of \$83,250 was recognised based on a share price at issue date of \$0.555.

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Note 6 – Events Occurring After Reporting Date

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

Note 7 – Contingent Liabilities

There are no contingent liabilities as at 31 December 2014.

Note 8 – Acquisition of Subsidiary

There were no acquisitions of controlled entities during the period.

Note 9 - Fair Value Hierarchy

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy. Netcomm Wireless Limited's cash flow hedges are classed as level 2 as the inputs for fair value measurement are based on observable market data (observable inputs).

The Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2014 (31 December 2013: \$214,409) on a recurring basis are as follows:

Forward contracts \$15,864.

Measurement of fair value of forward contracts

The Group's foreign currency forward contracts are not traded in active markets. The fair values of most of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates and are included in Level 2 of the fair value hierarchy.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2014.

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DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



David Stewart
Managing Director

Sydney, 23 February 2015

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

We have reviewed the accompanying half-year financial report of NetComm Wireless Limited ("Company"), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the

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auditor of NetComm Wireless Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S M Coulton
Partner - Audit & Assurance

Sydney, 23 February 2015

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