

Appendix 4E

Preliminary final report

1. Company details

NETCOMM WIRELESS LIMITED

ABN or equivalent company reference	Financial year ended ('current period')	Financial year ended ('previous period')
85 002 490 486	30 June 2014	30 June 2013

2. Results for announcement to the market

				\$A'000's
2.1	Revenue	Up	50.7%	to 64,593
2.2	Profit after tax	Up	287.6%	to 1,017
2.3	Net profit for the period attributable to members	Up	287.6%	to 1,017
2.4 Dividends				
		Amount per security	Franked amount per security	
Final dividend proposed		Nil ¢	Nil ¢	
Interim dividend		Nil ¢	Nil ¢	
Record date for determining entitlements to the final dividend		NA	NA	

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

The financial result for FY14 saw a substantial improvement in NetComm Wireless' performance as the Company continued its transition away from consumer based technologies toward the global Machine to Machine (M2M) market.

The Group generated substantial growth in FY14 with total revenues of \$64.6 million and EBITDA of \$5.2 million during FY14. This is slightly above the EBITDA guidance range previously provided to the market, and also compares to revenues of \$42.9 million and EBITDA of \$0.8 million in FY13. The FY14 Net Profit After Tax was \$1.0 million compared to a loss of \$0.5 million in the previous year.

Reflecting the Group's strategy and successful transition to the global M2M market, the M2M business represented approximately 51.5% of total Group revenue in FY14 compared to 20% in FY13.

Key revenue growth in the M2M business related to:

- Smart metering revenues which had a zero base in FY13, rising to approximately \$14 million in FY14
- Higher Ericsson/NBN revenues compared to FY13 as the rollout of this project increased in pace in the second half of FY14 together with a higher customer take up rate.
- Higher Cubic Transportation revenues in relation to the Opal Card project in NSW, particularly in the second half of FY14.

The result for the year is slightly above the EBITDA guidance range provided to the market by the Company of between \$4.6 and \$5.1 million.

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3. Consolidated Statement of Profit or Loss and Comprehensive Income

	Note	30 June 2014 \$A'000	30 June 2013 \$A'000
Revenues from operations	3.1	64,593	42,858
Expenses from operations	3.2	(59,372)	(42,055)
Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)		5,221	803
Depreciation & amortisation	3.3	(3,668)	(2,902)
Finance costs	3.3	(727)	(582)
Profit/(Loss) before income tax		826	(2,681)
Income tax benefit	3.4	191	2,139
Profit/(Loss) after income tax		1,017	(542)
Net Profit/(Loss) for the financial year attributable to members of NetComm Wireless Limited		1,017	(542)
Other comprehensive Income/(Loss)			
Exchange differences arising on translation of foreign operations		242	178
Reclassification of cash flow hedging to profit and loss		984	-
Foreign exchange hedging		(5)	(984)
Income tax relating to components of other comprehensive income		(294)	295
Total comprehensive Income/(Loss) attributable to members of NetComm Wireless Limited		1,944	(1,053)

Earnings/(loss) per share		
Basic EPS – cents	0.79	(0.51)
Diluted EPS - Cents	0.79	(0.51)

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Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

3.1 Revenue from continuing operations

	30 June 2014 \$A'000	30 June 2013 \$A'000
Revenue		
Sales Revenue	64,527	42,780
Interest Received	66	78
Total	64,593	42,858

3.2 Expenses from continuing operations

	30 June 2014 \$A'000	30 June 2013 \$A'000
Cost of sales	45,142	28,452
Distribution and selling costs	904	813
Employee benefits expense	8,035	7,017
Contractor costs	665	506
Advertising & marketing	343	615
Property expenses	928	934
Legal & professional fees	603	713
Travel expenses	1,136	834
Insurance	355	332
Foreign exchange loss	48	504
Other	1,213	1,335
Total	59,372	42,055

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3.3 Profit before income tax from continuing operations includes the following specific expenses

	30 June 2014 \$A'000	30 June 2013 \$A'000
Depreciation and amortisation of Property, Plant and equipment (including Leasehold Improvements)	(965)	(915)
Amortisation of intangible assets (including capitalised development costs, software and other intangible assets)	(2,703)	(1,987)
Total	(3,668)	(2,902)
Finance Costs paid or payable on :		
Finance leases	(9)	(29)
Trade finance	(718)	(553)
Total	(727)	(582)

3.4 Income tax benefit/(expense) from continuing operations

	30 June 2014 \$A'000	30 June 2013 \$A'000
Profit/(Loss) before income tax	826	(2,681)
Income tax (expense)/benefit at the Australian tax rate 30% (2013: 30%)	(248)	804
Differential in overseas tax rates	2	16
Non-deductible expenses	(24)	(7)
Estimated R&D claim	480	597
(Under)/over provision of income tax in prior years	(19)	734
Other	-	(5)
Total income tax benefit	191	2,139

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4. Consolidated Statement of Financial Position

	30 June 2014 \$A'000	30 June 2013 \$A'000
Current assets		
Cash and cash equivalents	4,307	3,882
Trade and other receivables	10,665	4,700
Inventories	7,402	9,857
Other current assets	1,319	1,253
Total current assets	23,693	19,692
Non-current assets		
Other non-current assets	332	302
Property, plant and equipment	1,179	1,877
Deferred tax assets	4,515	4,441
Goodwill	896	896
Other intangible assets	7,174	6,217
Total non-current assets	14,096	13,733
Total assets	37,789	33,425
Current liabilities		
Trade and other payables	9,299	5,899
Borrowings	4,733	7,067
Provisions	911	634
Other liabilities	393	203
Total current liabilities	15,336	13,803
Non-current liabilities		
Borrowings	25	80
Provisions	238	313
Total non-current liabilities	263	393
Total liabilities	15,599	14,196
Net assets	22,190	19,229
Equity		
Issued capital	15,349	14,332
Reserves	728	(199)
Retained earnings	6,113	5,096
Total equity	22,190	19,229

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Foreign Exchange Hedging Reserve	Option Reserve	Total
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
Balance at 1 July 2013	14,332	5,096	95	(689)	395	19,229
Profit for the period	-	1,017	-	-	-	1,017
Exchange difference on translation of foreign operations	-	-	242	-	-	242
Foreign exchange hedging (Net of tax)	-	-	-	(4)	-	(4)
- Current year loss	-	-	-	(4)	-	(4)
- Reclassified to profit and loss account	-	-	-	689	-	689
Total comprehensive income for the period	-	1,017	242	685	-	1,944
Contributions of equity (net of transaction costs)	931	-	-	-	-	931
Exercise of options	86	-	-	-	-	86
Balance at 30 June 2014	15,349	6,113	337	(4)	395	22,190

Issued Capital	2014	2013
	No. of Shares	No of Shares
At the beginning of the reporting period	124,339,890	104,833,864
Shares issued during the year	4,000,000	18,543,526
Exercise of options	560,000	962,500
At reporting date	128,899,890	124,339,890

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For the year ended 30 June 2013

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Foreign Exchange Hedging Reserve	Option Reserve	Total
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
Balance at 1 July 2012	9,877	5,638	(83)	-	395	15,827
Loss for the period	-	(542)	-	-	-	(542)
Exchange difference on translation of foreign operations	-	-	178	-	-	178
Foreign exchange hedging (Net of tax)	-	-	-	(689)	-	(689)
Total comprehensive income/(loss) for the period	-	(542)	178	(689)	-	(1,053)
Contributions of equity (net of transaction costs)	4,343	-	-	-	-	4,343
Exercise of options	112	-	-	-	-	112
Balance at 30 June 2013	14,332	5,096	95	(689)	395	19,229

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5. Consolidated Statement of Cash Flows

	30 June 2014 \$A'000	30 June 2013 \$A'000
Cash flows related to operating activities		
Receipts from customers	64,385	52,154
Payments to suppliers and employees	(57,895)	(49,580)
Finance costs	(727)	(582)
Income taxes paid	(107)	-
Net cash inflow from continuing operations	5,656	1,992
Cash flows related to investing activities		
Interest received	66	78
Acquisition of property, plant and equipment	(266)	(557)
Acquisition of intangible assets	(3,660)	(3,846)
Net cash (used in) by investing activities	(3,860)	(4,325)
Cash flows related to financing activities		
Proceeds from issues of shares & options (net of transaction costs & tax)	1,017	4,455
Proceeds from borrowings	39,917	48,510
Repayment of borrowings	(42,305)	(53,800)
Net cash (used in) financing activities	(1,371)	(835)
Net increase/(decrease) in cash and cash equivalents	425	(3,168)
Cash and cash equivalents at beginning of financial year	3,882	7,050
Cash and cash equivalents at end of financial year	4,307	3,882

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6.1 Non-cash financing and investing activities

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

N/A

6.2 Reconciliation of cash

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

	30 June 2014 \$A'000	30 June 2013 \$A'000
Cash on hand and at bank	4,307	3,882
Total cash at end of financial year	4,307	3,882

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

	30 June 2014 \$A'000	30 June 2013 \$A'000
Profit/(Loss) after income tax	1,017	(542)
Depreciation & amortisation	3,668	2,902
Interest received	(66)	(78)
Change in the fair value of cash flow hedges	685	(689)
Foreign exchange translation differences	242	178
Changes in operating assets & liabilities		
Receivables	(5,965)	4,638
Inventories	2,455	7
Other assets	(98)	(166)
Deferred taxes	(74)	(2,414)
Trade and other payables	3,400	(1,339)
Other liabilities	190	(320)
Provisions	202	(185)
Net cash inflow from operating activities	5,656	1,992

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7. Dividends

7.1 Individual dividends per security

No dividends were paid or provided during the year-ended 30 June 2014 (2013: Nil).

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

	30 June 2014 \$A'000	30 June 2013 \$A'000
Ordinary securities	0	0

7.3 Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

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

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

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

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

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

N/A

8. Consolidated retained profits

	30 June 2014 \$A'000	30 June 2013 \$A'000
Retained profits at the beginning of the financial period	5,096	5,638
Net profit/(loss) attributable to members	1,017	(542)
Dividends paid or payable	-	-

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Retained earnings at end of financial period	6,113	5,096
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9. NTA backing

	30 June 2014	30 June 2013
Net tangible asset backing per ordinary security	10.96 cents	9.51 cents

10. Control gained over entities

Name of entity (or group of entities)	NetComm Wireless (UK) Limited.	
Date Control gained	25th October 2013	
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	

10.1 Loss of control over entities

Name of entity (or group of entities)	N/A	
Date control lost		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material).	\$	
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	\$	

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11. Details of associates and joint venture entities

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

Group's aggregate share of associates' and joint venture entities' profits/(losses) (where material):	30 June 2014 \$A'000	30 June 2013 \$A'000
Profit/(loss) from ordinary activities before tax		
Income tax on ordinary activities		
Profit/(loss) from ordinary activities after tax		
Extraordinary items net of tax		
Net profit/(loss)		
Adjustments		
Share of net profit/(loss) of associates and joint venture entities		

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12. Commentary on results for the period

\$A'000's	1H 2014	2H 2014
Revenue	30,469	34,124
EBITDA	1,970	3,251
Net profit after tax	162	855
Total profit attributable to members	162	855

Revenues in the second half of the year reflected a continued increase in M2M sales.

EBITDA was better in the second half which was a result of the operating leverage in our business model. The gross margin impact of the increase in revenue in the second half substantially flows through to EBITDA, given that our cost base is fairly fixed.

The improvement in Net Profit After Tax is as a result of the higher EBITDA offset by slightly higher depreciation and amortisation and interest costs in the 2H.

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

(Tick one)

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

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

N/A

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

N/A

Sign here:



Managing Director

Date: 26 August 2014

Print name:

David P J Stewart

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