

# NETCOMM ANNUAL REPORT 2008/9

*NetComm*<sup>®</sup>



# NETCOMM ANNUAL REPORT 2008/9

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# SUMMARY

## A TRANSFORMATIONAL YEAR

NetComm has successfully implemented its concerted strategy over the past 12 months

As a result, the Company has achieved significant revenue and earnings growth

NetComm has positioned itself to capitalise on its product advantages and exploit further market opportunities globally

Dividend declared of  
1 cent per share

No debt  
**or**  
refinancing issues

Revenues →

305%

\$78.5  
million

EBITDA →

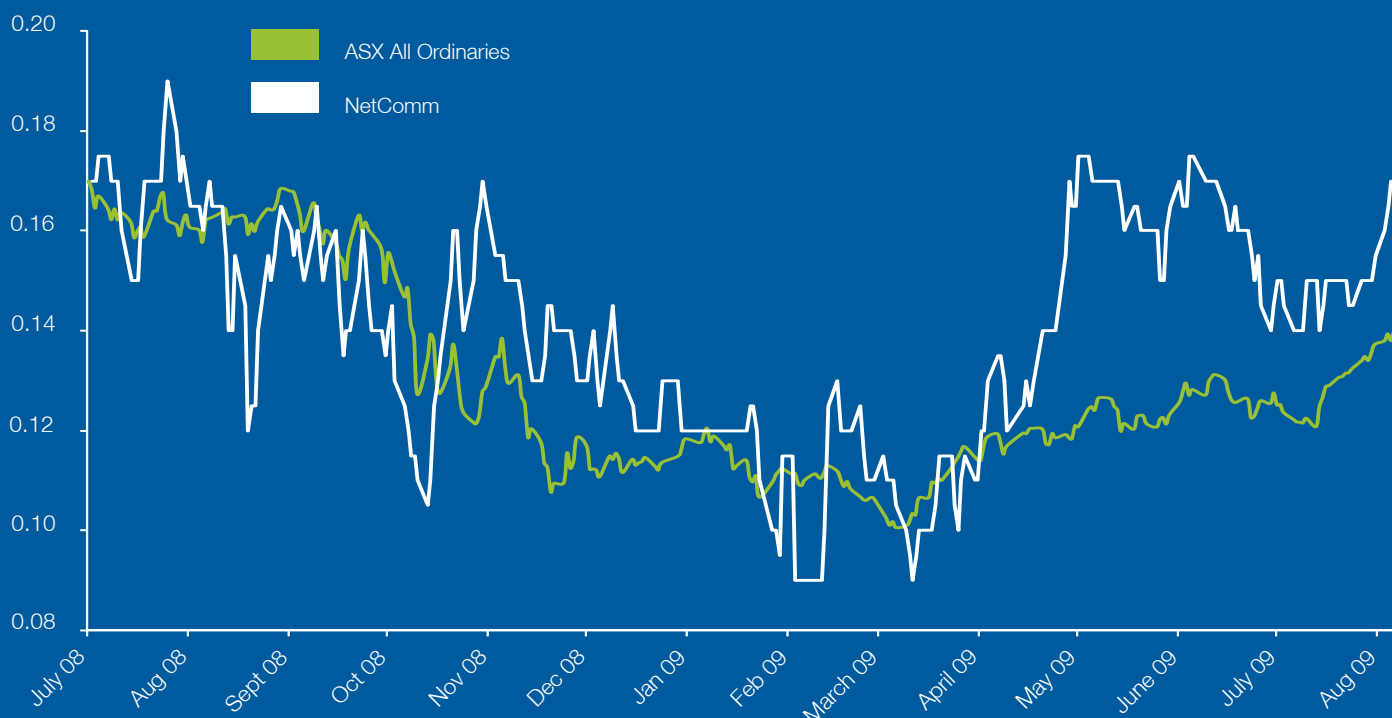
575%

\$6.2  
million

NPAT →

175%

\$5.9  
million



Whilst NetComm's share price has been effected by global movements in equity prices, the company has largely outperformed the broader market in Australia

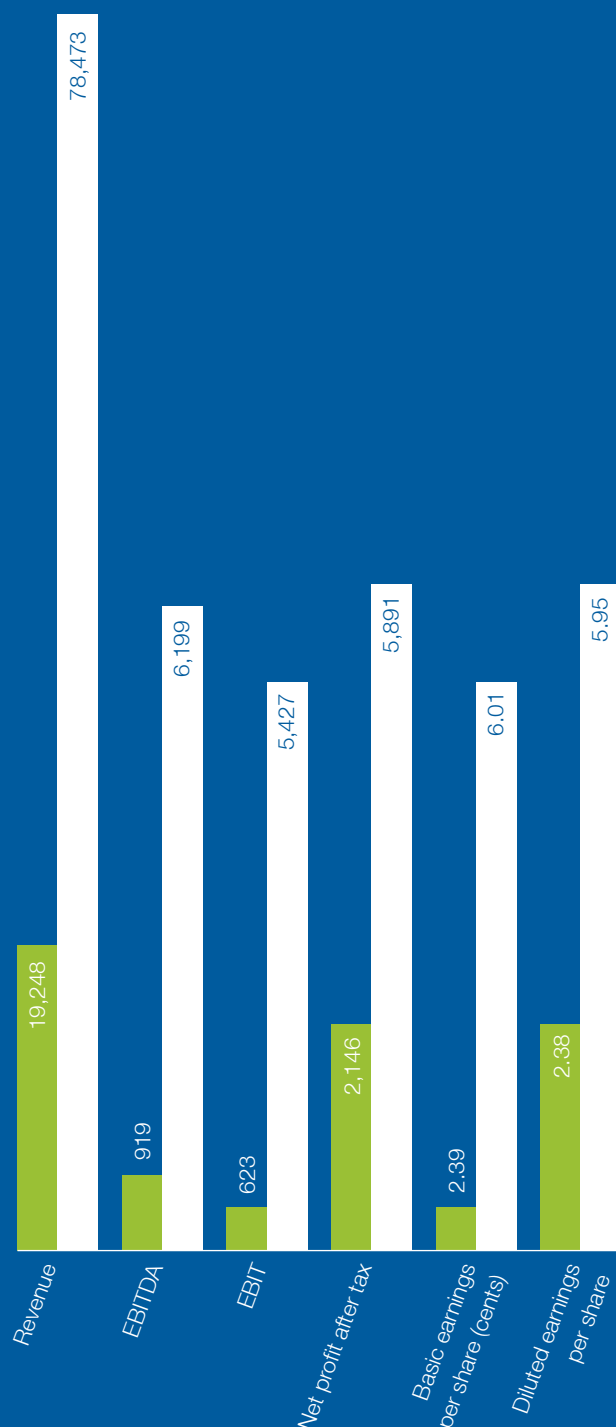
Note

1. NetComm is graphed on a moving average basis.

2. ASX All Ordinaries is rebased to NetComm share price.

# INCOME STATEMENT

12 MONTHS TO 30 JUNE (\$'000)



NetComm has achieved an increase in revenue of 305% over FY2008

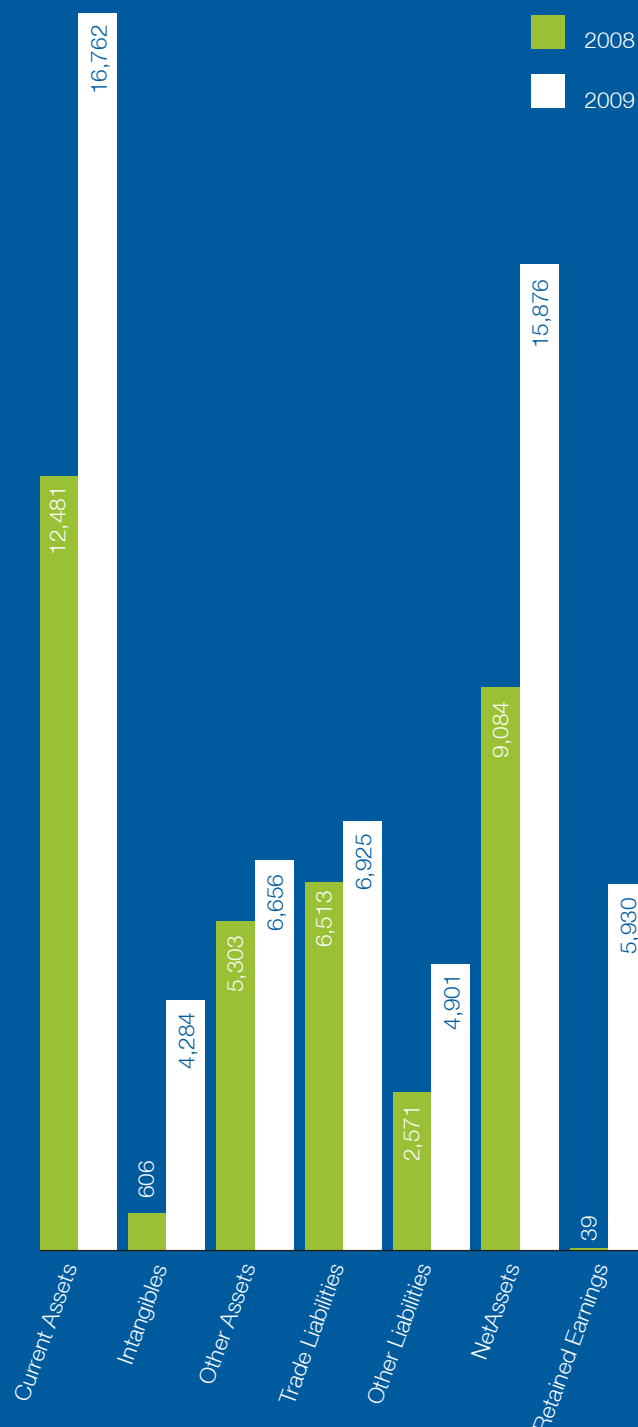
EBITDA has increased by 575% over FY2008

Net profit after tax has increased by 175% over FY2008

Earnings per share has grown by 151% over FY2008

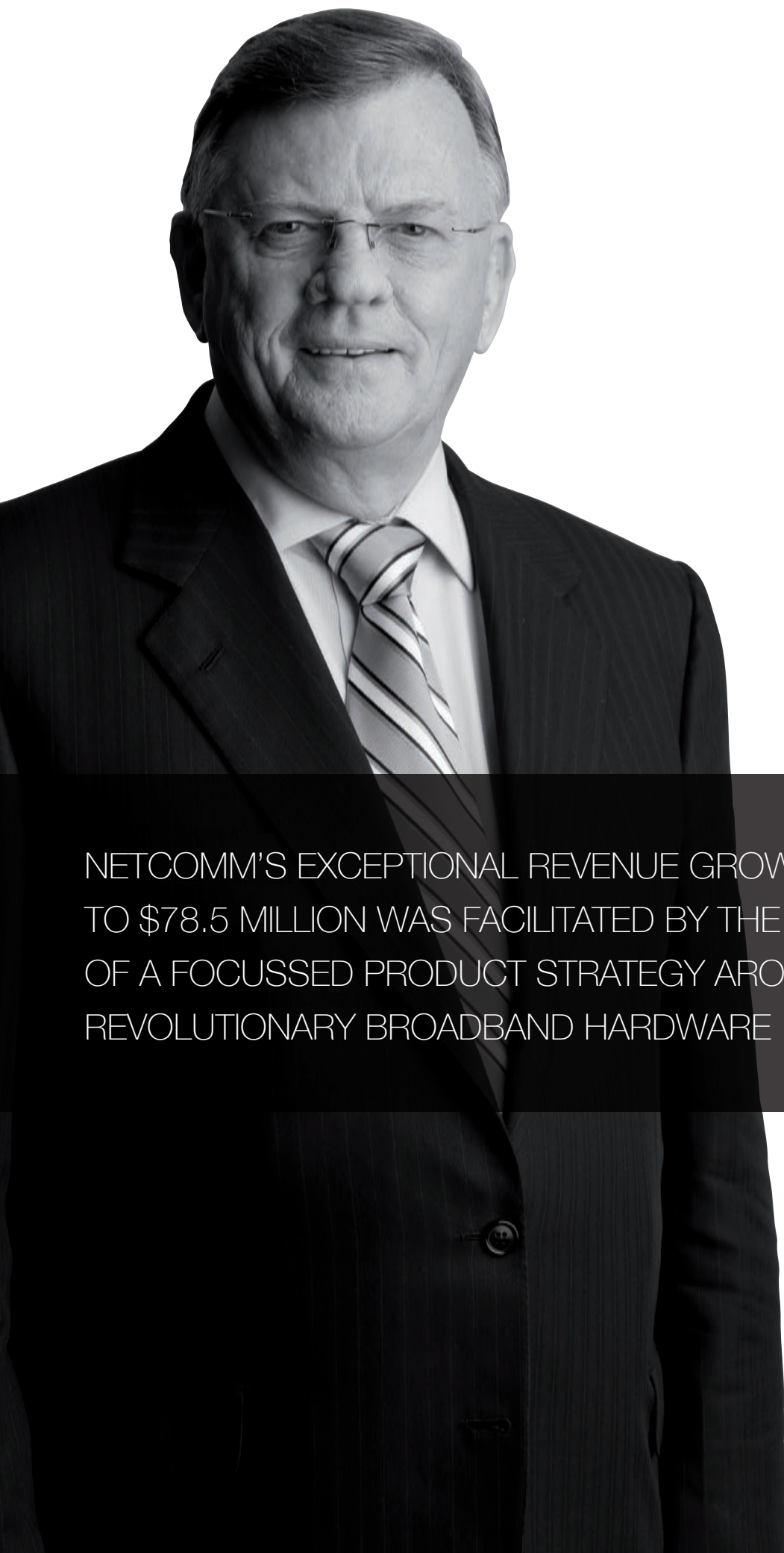
# FINANCIAL POSITION

AS AT 30 JUNE (\$'000)



NetComm's cash position as at 30 June 2009 is \$4.8m, representing an increase of 1583% over FY08

NetComm's working capital position has improved 138% over FY08



NETCOMM'S EXCEPTIONAL REVENUE GROWTH OF 305% TO \$78.5 MILLION WAS FACILITATED BY THE ADOPTION OF A FOCUSSED PRODUCT STRATEGY AROUND REVOLUTIONARY BROADBAND HARDWARE

# CHAIRMAN'S LETTER

## Dear Shareholders

We are delighted to announce record revenues and earnings for NetComm in 2009. The company's strong financial growth this year is the result of a concerted strategy to transform the company over previous periods.

Today, NetComm is positioned as a leader in communication technologies, and in the past 12 months we have continued to take advantage of market opportunities for growth both organically and through acquisitions.

NetComm's exceptional revenue growth of 305% to \$78.5 million was facilitated by the adoption of a focussed product strategy around revolutionary broadband hardware, as well as NetComm's acquisition of two quality businesses throughout the 2009 financial year.

NetComm's acquisition of Call Direct in November 2008 and C10 in April 2009 have been exceptional additions to NetComm. Both acquisitions have proven to be earnings accretive whilst also strengthening our high quality product offering. Importantly, both Call Direct and C10 have expanded NetComm's internal development capabilities, aligned with the company's strategy to be at the forefront of product innovation.

The Board believes that adherence to a strong Corporate Governance framework is paramount, particularly given the backdrop of weak economic conditions experienced globally. Whilst NetComm has achieved strong financial results in these challenging times, we have been conscious of the need to retain strong risk management processes.

We are confident that NetComm's strategic positioning today will allow the company to leverage further market opportunities both in the domestic and international broadband communications arena. We look forward to your continued support as NetComm continues on its growth path.



Terry Winters



NETCOMM IS UNIQUELY PLACED TO TAKE ADVANTAGE OF THE COMPANY'S RECENT SUCCESS WITH ITS BROADBAND WIRELESS PRODUCT OFFERINGS, AND GAIN FURTHER MARKET SHARE IN KEY INTERNATIONAL MARKETS



# MANAGING DIRECTOR'S LETTER

## Dear Shareholders

The 2009 financial year was an exciting time for NetComm. The past 12 months has seen the company successfully execute its strategy to develop its business beyond its traditional core product offerings. The results have been encouraging both financially, and also in terms of technical acclaim within the international communications industry.

NetComm's strong operating cash flows have allowed the company to strategically commit capital towards growth opportunities. In the past year NetComm has successfully acquired and integrated the Call Direct and C10 businesses. These acquisitions have proven to be an excellent fit for NetComm both culturally and in terms of providing a complimentary product offering.

NetComm continues to place great importance on product development. Both C10 and Call Direct bring with them strong research and development teams which complement NetComm's existing R&D infrastructure. In particular, NetComm's development schedule and pipeline of 3G products is robust, placing the company in an enviable position to capitalise on market opportunities in the broadband wireless arena in new offshore markets.

We believe NetComm is uniquely placed to take advantage of the company's recent success with its broadband wireless product offerings, and gain further market share in key international markets. To this end, NetComm has strengthened its human capital base over the past 12 months to facilitate greater market presence in key regions identified globally.

We are confident that our sustained hard work and perseverance will lead to continued strong growth for NetComm in coming periods.

A handwritten signature in black ink, appearing to read 'D Stewart', is positioned above the name David Stewart.

David Stewart

# BOARD AND MANAGEMENT



**MR TERRY WINTERS,**  
FAICD, Non-Executive Chairman

The founder and former CEO of Link Telecommunications and visionary behind the formation of Optus Communications Pty Ltd, Mr Winters has over 30 years experience in the telecommunications and technology industry. Mr Winters is currently Global Chairman of Opportunity International Network Inc, Australian Home Care Services Pty Ltd and a Director of Future Fibre Technologies Pty Ltd and Aerospace Engineering Services Pty Ltd.



**MR DAVID P J STEWART,**  
Managing Director

Mr Stewart is an experienced CEO and successful entrepreneur with more than 30 years in management and business leadership roles. 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 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.

Mr Stewart 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, he also focuses on the strategic direction of the company.



**MR JOHN A BRENNAN,**  
FAICD, Non-Executive Director

Mr Brennan is Managing Director of John David Cooper and Associates Pty Ltd, 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,**  
Non-Executive Director

With over 35 years' experience in the information technology industry Mr Burton has an in-depth understanding of technical, commercial and strategic issues. His previous activities involved him in senior management roles with Telstra, DSC Communications and KPMG. He is also the Chairman of Spatial Vision Innovations Pty Ltd which focuses on digital solutions to address business and environmental problems.

He has also provided consulting services to a range of federal and state organisations on technical, regulatory and strategic aspects of new telecommunications networks including the National Broadband Network (NBN).



**MR WAYNE TRATTLES,**  
Financial Director

Wayne Trattles has over 15 years experience in Telecoms and IT financial management in the area of strategic planning, project financing and merger and acquisitions. The majority of Mr Trattles experience comes from 8 years with SingTel Optus in the capacity of Carrier Relations Manager and Strategy Manager for Optus' Consumer division. Previous experience also includes COO of an ASX listed IPTV company; consulting and audit areas of public accounting; and Senior Consultant at Deloitte Touché Tohmatsu.

He earned a Bachelor degree in Accounting & Mandarin from Bond University Australia and is a Chartered Accountant.



**MR CHRIS COUGHLAN,**  
General Manager 3G

Mr Coughlan has 30 years experience in the telecommunications industry in both engineering and marketing telecommunications. Mr Coughlan previously held the position of Vice President, Wireless Networks Australasia at Alcatel-Lucent. Prior to that Mr Coughlan acted as marketing manager for Hutchison Telecommunications, where he successfully launched their Orange CDMA product in December 1999.

Furthermore, Mr Coughlan has provided extensive consulting services to a number of participants in the telecommunications industry including Unwired by assisting them with their business plans for a next generation wireless access network, Access Economics, and the NZ Commerce Commission on wireless technologies, business plans and spectrum issues.



**MR PETER BEVERIDGE,**  
Company Secretary

With over 25 years experience in financial management, marketing and accounting, Peter's broad business background includes managerial roles for companies such as IBM Australia and Xerox where he performed the role of Financial Planning Manager.

Before joining NetComm, Peter was the Divisional Manager of Nilfisk-Advance and brings with him a wealth of experience in improving business process and reporting systems.



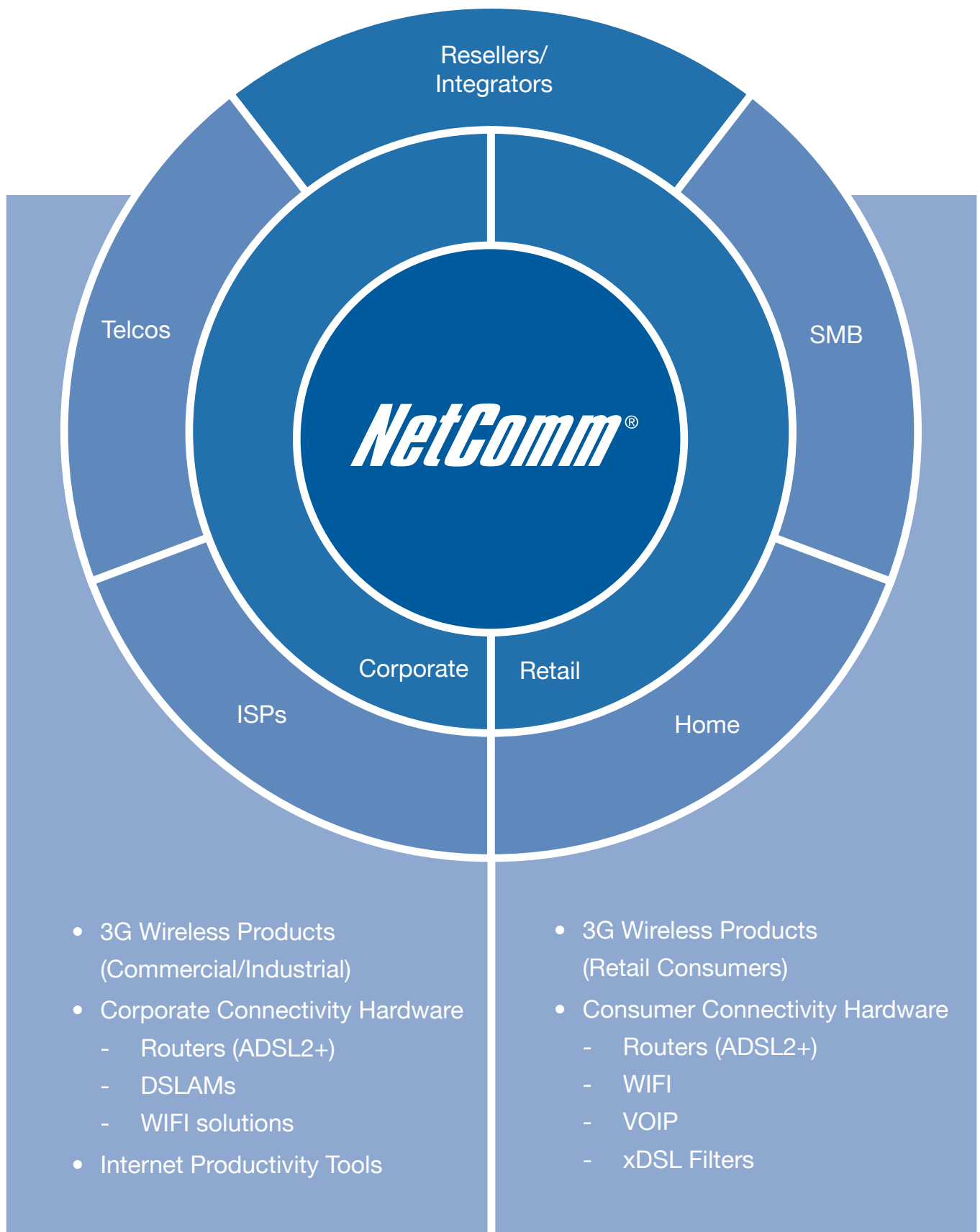
**MR DANNY MORRISON,**  
General Manager Sales

Mr Morrison has over 20 years experience in commercial and technical roles for companies including Lion Nathan, Fletcher Challenge Forests and Askey Australia. Mr Morrison began his career in business analysis and information systems before taking on General Management roles with particular focus on sales and business development.

In his current position at NetComm, Mr Morrison is directly responsible for business development and sales of domestic retail, commercial, channel and ISP. Mr Morrison has a bachelor in Technology (first class Hons) and a Post Graduate Diploma in Finance from Massey University New Zealand.

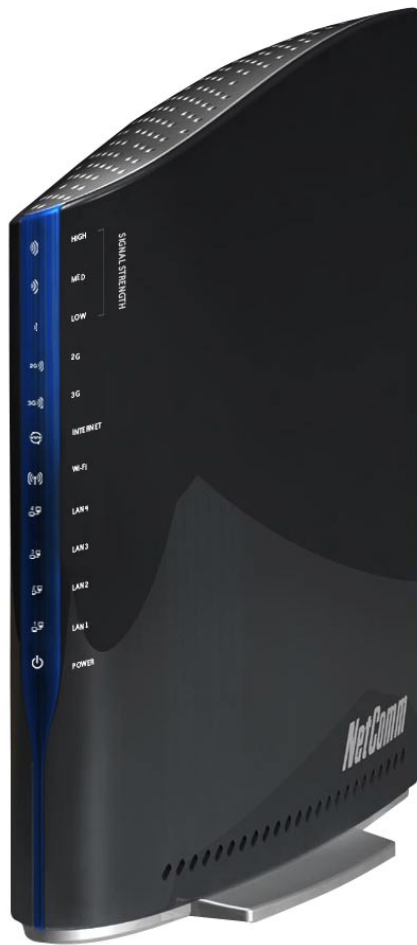
# NETCOMM TODAY IS STRATEGICALLY STRUCTURED FOR GROWTH

NetComm is Australia's largest integrated developer and supplier of high quality broadband communications hardware. The company's commercialisation channels are tailored to facilitate a responsive approach to technology requirements in the market place.



# NETCOMM'S OPERATIONS

NetComm's concerted product strategy has placed the company in a unique position to capitalise on emerging technology opportunities both domestically and on a global basis.



### 3G

NetComm today has emerged as Australia's largest producer and supplier of high quality 3G hardware products. NetComm's 3G product range incorporates a comprehensive suite of embedded and non-embedded 3G devices for home, business or industrial applications.

Underscoring NetComm's success in the 3G arena has been the company's ongoing leadership in hardware design and technological innovation. Most recently, NetComm announced the release of its 21Mbps HSPA+ wireless router, a world first for the industry.

NetComm's considerable success in the local market places it in a favourable position to capitalise on 3G opportunities globally. NetComm has identified key strategic global markets where its technology and product suite is ideally suited, and has continued to develop a strong presence amongst international wireless technology participants over the past year.



### CALL DIRECT

In November 2008 NetComm announced the acquisition of Call Direct, a specialist developer of industrial 3G wireless data and voice devices and services for industrial and commercial applications. Call Direct's industrial 3G wireless products incorporate remote wireless fire safety monitoring devices and other unmanned safety systems.

The acquisition of Call Direct has strengthened NetComm's product development faculty by adding a team of highly specialised engineers with capabilities in the design and development of advanced industrial 3G connectivity hardware and custom firmware.

The Call Direct acquisition has been earnings accretive for NetComm and has added new sales channels to the company including access to the markets of security, surveillance, public infrastructure, agribusiness and mining.



## AIRLINK

NetComm has recently secured the opportunity to distribute the Sierra Wireless Airlink range of products in Australasia. These are rugged intelligent in-vehicle platforms and M2M gateways that provide customers with solutions for a wide variety of applications such as public safety and energy management.

The Airlink range suitable for Australasia consists of the following:

- Raven X and Raven XE: HSPA equipped devices supporting fixed applications with Serial and Ethernet connectivity
- PinPoint X: Providing additional analogue and digital interfaces with GPS to support mobile applications
- MP: A Mil spec device that can also provide 802.11b/g connectivity.

All products can be managed through the suite of AceWare Tools and Utilities including AceNet, a one-to-many device management application.

The Airlink products complement NetComm's existing Call Direct industrial products by having additional certification for use in hazardous conditions and enhanced remote management capabilities.



## C10

In April 2009 NetComm announced the acquisition of C10, an Australian designer and manufacturer of premium telecommunications products.

C10's product portfolio includes a range of premium DSL micro filter products including patented VDSL filter technology. The acquisition of C10 has placed NetComm in an exceptional position to capitalise on strong growth for VDSL and VDSL2 technology in world markets over the short to medium term.

Additionally, C10's product development capabilities in the area of Optical Network Terminals (ONT) further positions NetComm to capitalise on emerging market opportunities in the area of domestic and international broadband cable networks.

C10's acquisition has proved to be earnings accretive for NetComm, whilst the purchase has also allowed NetComm to strengthen its relationships with recognised telecommunications carriers and Internet Service Providers (ISPs).





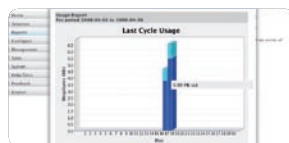
### CHANNEL/ ISP/ COMMERCIAL (CIC)

NetComm's CIC operating unit provides a range of connectivity hardware for business and consumer customers. Products offered within CIC include the following:

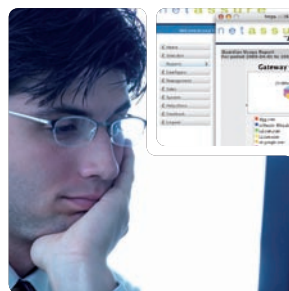
- Wireless routers (eg. ADSL2+, 11n series)
- Wireless Hotspot (WiFi) technology products as utilised in the hospitality industry
- Voice over Internet (VoIP) technology products
- Hardware for corporate connectivity solutions such as Digital Subscriber Line Access Multiplexers (DSLAMs) and Internet Access Controllers (IACs)
- Wireless adaptors and Power Line (Home Plug) hardware

NetComm's comprehensive product presence will allow the company to take advantage of future market opportunities as a result of the construction of the national broadband network in Australia.

**Connect**  
your network simply and securely  
via the Internet



**Protect**  
your entire network from threats



**Control**  
access and usage of the Internet

### NETASSURE

NetAssure is NetComm's managed network service which provides businesses with security and control over their information technology infrastructure. NetAssure provides:

- Network monitoring
- Bandwidth control
- Web content filtering
- Secure firewall infrastructure
- Improved operational efficiency and workplace productivity

Under the NetAssure model, customers pay a monthly service fee for the service allowing for a recurring revenue stream for NetComm.

Data security will be a considerable concern as a result of increased bandwidth achieved under any future national broadband network. NetComm believes NetAssure offers significant market opportunity as a data security measure for consumers and business clients adopting data access under any such network.

# CORPORATE GOVERNANCE

## Adoption of ASX Principles Recommendations

A summary of the main provisions of the Code of Conduct for directors and key executives and the main provisions of the Securities Dealing Policy are available in the corporate governance section of NetComm Limited's website.

### **PRINCIPLE 1 – Lay solid foundations for management and oversight**

The Company has adopted Principle 1. A performance evaluation for senior executives has taken place during the reporting period in accordance with this principle. The Board Charter describes the matters that are the reserve of the Board. Responsibility for other matters is delegated to the CEO / Managing Director. A summary of the Board Charter is available on the Company's website.

### **PRINCIPLE 2 – Structure the Board to add value**

Board policy is that the Board will constantly review and monitor its performance. As part of this process the Board may seek to appoint persons who, in the opinion of the Board, will provide specialist expertise required for the Board to adequately perform its role. Additionally, the Board will also review its composition and advise Board members where it is felt that a Director's skills are different from those required by the Company.

The skills, experience and expertise of each director in office at the date of this report and their period of office are detailed in the Directors Report. This also identifies the independent directors. None of the independent directors have any relationship with the company (as defined in accordance with the ASX recommendations) which may affect their independent status. Directors are entitled to obtain independent external advice on matters relating to accounting, law and other relevant provisional matters at the expense of the company.

The Board has established a Nominations and Remuneration Committee. The members and attendance at meetings of the committee are detailed

in the Directors' Report. The independence of directors is reviewed annually prior to completion of the Annual Report. Independence is defined in accordance with the definitions contained within the ASX recommendations. Relevant disclosure is then made in the Annual Report. Directors are entitled to obtain independent external advice on matters relating to accounting law or other relevant professional matters.

The procedures for selecting and nominating new candidates for the Board are more fully described in the Corporate Governance Statement and are available on the Company's website.

### PRINCIPLE 3 – Promote ethical and responsible decision-making

The Board has approved a Code of Conduct a summary of which is available on the Company's website. All directors, executives and employees are required to comply with that Code. Failure to comply will result in disciplinary action and may include reprimand, formal warning, demotion or, in extreme cases, termination of employment. The Code of Conduct addresses expectations for conduct in the following areas;

- Confidential information
- Rights of Security Holders
- Privacy
- Security trading
- Conflicts of interest
- Responsibility to suppliers and customers
- Employment policies and procedures

Copies of the main provisions of the Code of Conduct and Security Dealing Guidelines are available on the Company's website. The Company has not adopted the so called "whistle blower" recommendations as this is considered unnecessary at this stage of the Company's operations.

The Company's policy regarding directors and employees trading in its securities is set out in Dealing Rules. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities prices.

### PRINCIPLE 4 – Safeguard integrity in financial reporting

The Board Charter provides for the formation of an Audit Committee the Charter of which is available on the Company's website. The members, number of meetings and attendance at meetings of the audit committee are detailed in the Directors' Report. The Committee reviews annually the Group's relationship with its external auditors including receipt of the audit independence statement on behalf of the Board. The Chief Executive Officer / Managing Director and Company Secretary provide semi annually to the Board in writing a statement to the effect that the financial statements including the accompanying notes:

- Are in accordance with the Corporation Act 2001 and the relevant accounting standards; and
- Present a true and fair view, in all material respects, of the Group's financial position and performance.

### PRINCIPLE 5 – Make timely and balanced disclosure

The Company has adopted policies concerning shareholder communication and continuous disclosure. The policies are designed to promote investor confidence by providing full and timely information to all security holders and market participants about the Group's activities, so as to comply with the requirements of the Corporations Act 2001 and the ASX Listing Rules. A summary of the continuous disclosure policy and the communications policy are available on the Company's website.

### PRINCIPLE 6 – Respect the rights of shareholders

The Company has established a link to the ASX website listing all of the Company's announcements to the market. Shareholders and market participants registering their email addresses with the Company are provided with a copy of each announcement.

### PRINCIPLE 7 – Recognise and manage risk

The Board has adopted a detailed risk management policy a summary of which is available on the Company's website. It is a policy of companies in the Group to adopt a common sense approach to the management of risk. This approach involves a clear strategy defining the risks that the Company is in a business to take and those that it is not.

The basis of this policy is the obligation and desire to protect:

- a) the Company's people and customers;
- b) the environment in which the Group operates;
- c) the Company's position as a provider of the highest quality services and products.

The Company's policy in respect of these foundations attributes that its physical, financial and human resources will be applied to ensure that the Company's standards of products and services achieve and exceed expectations. To do this the entity must pursue opportunities that involve some degree of risk. Shareholders and stakeholders must expect that optimisation of such rewards are only gained from this degree of risk taking.

Management reported to the Board during the relevant reporting period as to the effectiveness of the Company's management of its material business risk. The Board received assurance from the managing director and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act was founded on a sound system of risk management and internal control – and that the system is operating effectively in all material respects in relation to financial report risks.

### PRINCIPLE 8 – Remunerate fairly and responsibly

The Company has established a Nominations and Remuneration Committee the Charter of which is available on the Company's website. The members, number of meetings and attendance at meetings of the committee are detailed in the Directors' Report. The Committee's Charter includes the following duties:

1. Reviewing the remuneration guidelines for senior management, including base salary, bonuses, share options, salary packaging and final contractual agreements.
2. Reviewing non-executive fees and costs by seeking external benchmarks.
3. Reviewing the Managing Director's remuneration, allowances and incentives and final package in consultation with both independent and external reference.

During the relevant reporting period, remuneration for the Company's managing director and key executives included a fixed salary component, superannuation and performance based participation in the employee share scheme. Non-executive directors' remuneration has in the past consisted solely of fees. However, at the Annual General Meeting held on 30 October 2008, shareholders also decided to reward non-executive directors for improvements in the Company's results by approving the issue of performance based options to them. Further information is contained in the Remuneration report tables within the Directors' Report.

Equity components of remuneration, including the issue of options, are required to be approved by shareholders prior to award.

# FINANCIAL STATEMENTS

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# DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2009

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

## 1. General information

### a Directors

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

T R Winters ..... Independent Non Executive Chairman

D P J Stewart ..... Managing Director

J A Brennan ..... Independent Non Executive Director

J M Burton ..... Independent Non Executive Director

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

### b Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Peter Beveridge..... Appointed 13 June 2008

### c Principal Activities

The principal activities during the financial year include the development of broadband communication devices, which include ADSL, VDSL and HSPA (3G) technologies. Distribution of these products is via a national and international network of leading resellers, ISPs and telecommunication carriers.

## 2. Business review

### a Operating Results

The consolidated profit of the Group after providing for income tax amounted to \$5,891,378 (2008: \$2,146,404).

Results and Dividends	Consolidated	
	2009 \$	2008 \$
Total Revenue from Continuing Operations	78,473,388	19,368,090
EBITDA from Continuing Business	6,199,161	888,112
Operating Profit/(Loss) from Continuing Business before Taxation	5,296,429	512,850
Income Tax Income attributable to all activities	594,949	1,633,554
Loss Attributable to Minority interest	-	-
Net Profit/(Loss) for the year after tax	5,891,378	2,146,404
Dividend (cents per share)	1.0cps	-

On 2 September 2009, the directors of NetComm Ltd announced an interim dividend of \$0.01 per share.

### b Review of operations

In the 2008 Annual Report, it was noted in the Review of Operations that NetComm had invested heavily in 2007/08 HSPA (3G) technologies, with one of the first products being the Telstra Turbo Wireless Gateway. The Supplier Agreement with Telstra Corporation Limited will be one of many, with NetComm experiencing strong overseas interest in a product which is 6-12 months ahead of the world.

NetComm's extremely strong performance reflects the success of the company's strategy to position itself as a world-leading supplier of 3G mobile broadband technologies. This focus on 3G product development is part of a concerted international marketing push.

Domestically, NetComm's sales growth has been facilitated through strong supplier relationships with a number of reputable customers such as Telstra. Over the past 12 months in particular, recognition of NetComm's position as a global leader in emerging higher speed 3G network technology has been validated through increased sales revenue to domestic customers.

In addition to this product development focus, NetComm has also made some strategic acquisitions of specialist businesses that add to the group's overall capabilities. In October 2008 NetComm acquired Call Direct, a specialist developer of industrial 3G wireless data and voice solutions for diverse industrial and commercial applications. This was followed in May 2009 with the acquisition of C10 Communications.

### c Significant Changes in State of Affairs

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

### d Subsequent events

Since the end of the financial year NetComm has implemented an on-market share buyback scheme, and announced an interim 1c dividend to be paid at the end of September 2009.

No other 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.

### 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.

### 3. Directors' Information

#### a Information on Directors

MR TERRY R WINTERS ..... FAICD, INDEPENDENT NON EXECUTIVE CHAIRMAN

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 a director of Commander Communications Limited and is Global Chairman of Opportunity International Network Inc. (In office since - 13/10/93)

MR DAVID P J STEWART ..... 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 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. 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. (In office since - 14/11/97)

MR JOHN A BRENNAN ..... FAICD, FAIM, INDEPENDENT NON EXECUTIVE DIRECTOR

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. (In office since - 29/9/2000)

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. (In office since - 29/9/2000)

#### b Meetings of Directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
T R Winters	12	12	2	2	1	1
DP J Stewart	12	12	-	-	1	1
J A Brennan	12	12	2	2	-	-
J M Burton	12	12	2	2	1	1

## 4. Remuneration Report

This remuneration report, which forms part of the directors' report, sets out the information about the remuneration of NetComm Limited's directors and its senior management for the financial year ended 30 June 2009.

The following persons acted as directors and senior management of the company during or since the end of the financial year:

T R Winters .....	Independent Non Executive Chairman
D P J Stewart .....	Managing Director
J A Brennan .....	Independent Non Executive Chairman
J M Burton .....	Independent Non Executive Chairman
D Morrison .....	General Manager
W Trattles .....	Chief Financial Officer

### 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 remuneration committee, consisting of two non executive directors and one executive director, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors.
- The remuneration committee reviews the remuneration packages of all directors and other key management personnel on an annual basis and makes recommendations to the Board. 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 Remuneration Committee.

### 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 2009

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
	\$	\$	\$	\$	\$*
Revenue	78,473,388	19,368,090	21,340,932	22,352,875	20,865,483
Net Profit before tax	5,296,429	512,850	(1,339,640)	(1,258,181)	918,411
Net Profit after tax	5,891,378	2,146,404	(1,337,485)	(1,258,181)	918,411

\*NetComm Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2004, which resulted in various changes to its accounting policies from that date. The results for the year ended 30 June 2004 are reported in accordance with NetComm Limited's previous accounting policies as permitted under Australian accounting standards as applicable at that time.

	30 June 2009 \$	30 June 2008 \$	30 June 2007 \$	30 June 2006 \$	30 June 2005 \$
Share price at start of the year	0.18	0.06	0.09	0.13	0.26
Share price at end of the year	0.17	0.18	0.06	0.09	0.13
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	0.75cps
Basic earnings per share <sup>1</sup> (cents)	6.01	2.39	(1.70)	(1.59)	1.25
Diluted earnings per share <sup>1</sup> (cents)	5.95	2.38	(1.70)	(1.58)	1.24

- 1 NetComm Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2004, which resulted in various changes to its accounting policies from that date. The basic and diluted earnings per share for the year ended 30 June 2004 were calculated in accordance with NetComm Limited's previous accounting policies as permitted under Australian accounting standards as applicable at that time.



## Details of remuneration for year ended 30 June 2009.

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

### Year ended 30 June 2009:

	Short-term employee benefits			Post-employment benefits	Share based payments	Other Benefits	Total \$
	Salary and Fees \$	Other Benefits \$	Bonus \$	Superannuation \$	Options \$	Termination benefits \$	
Independent Non-Executive Directors							
T R Winters	78,000	-	-	-	22,313	-	100,313
J A Brennan	48,000	-	-	-	18,358	-	66,358
J M Burton	48,000	-	-	-	18,358	-	66,358
Total	174,000	-	-	-	59,029	-	233,029
Executive Directors							
D P J Stewart	366,972	20,000	345,000	33,028	114,426	-	879,426
Total	366,972	20,000	345,000	33,028	114,426	-	879,426
Other Key Management Personnel							
D Morrison	145,000	15,000	37,000	13,050	7,499	-	217,549
W Trattles*	169,615	-	40,000	15,266	24,290	-	249,171
Total	314,615	15,000	77,000	28,316	31,789	-	466,720
Total Remuneration							1,579,175

\* W Trattles commenced on 21 July 2008.

### Year ended 30 June 2008:

	Short-term employee benefits		Post-employment benefits	Share based payments	Other Benefits	Total
	Salary and Fees	Other Benefits	Superannuation	Options	Termination benefits	
	\$	\$	\$	\$	\$	\$
Independent Non-Executive Directors						
T R Winters	51,780	-	-	-	-	51,780
J A Brennan	22,000	-	-	-	-	22,000
J M Burton	27,168	-	-	-	-	27,168
Total	100,948	-	-	-	-	100,948
Executive Directors						
D P J Stewart	295,000	20,000	15,000	-	-	330,000
Total	295,000	20,000	15,000	-	-	330,000
Other Key Management Personnel						
D Morrison	159,999	-	13,049	1,073	-	174,121
S Van Es	103,063	-	8,171	2,636	-	113,870
Total	263,062	-	21,220	3,709	-	287,991
Total Remuneration						718,939

## Service Agreements and Bonus Schemes

The following directors and key management personnel have service agreements with NetComm Limited:

### D P J Stewart, Managing Director

- Term of agreement: Commenced 13 October 1999 for an initial 12 month period and automatically renewed for successive periods of 12 months.
- Salary package at commencement of contract \$295,000 p.a. reviewed annually, and paid in equal fortnightly instalments. Current package is \$420,000 p.a.
- A bonus is payable based on the achievement of pre determined financial and operational criteria agreed upon by the remuneration committee. The bonus is payable every 6 months at the discretion of the remuneration committee.
- The agreement may be terminated by 12 months written notice by either party. In the event that employment ceased on termination of the agreement 12 months salary would be payable by the company.

### W Trattles, Chief Financial Officer

- Term of agreement: Commenced 21 July 2008 for an initial 12 month period and automatically renewed for successive periods of 12 months.
- Salary package at commencement of contract \$196,200 p.a. reviewed annually, and paid in equal fortnightly instalments.
- A bonus of \$40,000 p.a. is payable based on the achievement of agreed upon financial and operational criteria. The bonus is payable at the discretion of the remuneration committee.
- The agreement may be terminated by 2 months written notice by either party. In the event that employment ceased on termination of the agreement 2 months salary would be payable by the company.

### D Morrison, General Sales Manager

- Term of agreement: Commenced 3 March 2006 for an initial 12 month period and automatically renewed for successive periods of 12 months.
- Current salary package of \$158,050 p.a. reviewed annually, and paid in equal fortnightly instalments.
- A bonus of \$40,000 p.a. is payable based on the achievement of agreed upon financial and operational criteria. The bonus is payable at the discretion of the remuneration committee.
- The agreement may be terminated by 2 months written notice by either party. In the event that employment ceased on termination of the agreement 2 months salary would be payable by the company.

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

- 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

2,000,000 options issued in 2009 to W Trattles will vest in the following time periods:

- At the end of year 1 from the date of the relevant option issue, 25% of the option issued will vest
- At the end of year 2 from the date of the relevant option issue, 25% of the option issued will vest
- At the end of year 3 from the date of the relevant option issue, 25% of the option issued will vest
- At the end of year 4 from the date of the relevant option issue, 25% of the option issued will vest

4,000,000 options issued in 2009 to D P J Stewart will vest in the following time periods:

- i. At the end of year 1 from the date of the relevant option issue, 25% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 25% of the option issued will vest
- iii. At the end of year 3 from the date of the relevant option issue, 50% of the option issued will vest

480,000 options issued to each Director J A Brennan and J M Burton will vest in the following time periods:

- i. At the end of year 1 from the date of the relevant option issue, 50% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 50% of the option issued will vest

780,000 options issued to Director T R Winters will vest in the following time periods:

- i. At the end of year 1 from the date of the relevant option issue, 25% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 25% of the option issued will vest
- iii. At the end of year 3 from the date of the relevant option issue, 50% of the option issued will vest

Vesting of 4,000,000 options issued to D P J Stewart and 1,740,000 options issued to non-executive directors is subject to the following preconditions:

- i. At the end of year 1 market share price \$0.205 and EBIT \$704,593
- ii. At the end of year 2 market share price \$0.240 and EBIT \$845,512
- iii. At the end of year 3 market share price \$0.280 and EBIT \$1,014,614

Where preconditions are not met at the vesting date, the non-vested options will be added to the next vesting date where the performance hurdle will be tested again.

During the financial year, the following share-based payment arrangements were in existence:

	Grant Date	Expiry Date	Exercise Price	Value per Option at Grant Date
			\$	\$
Issued 13 December 2004	13/12/2004	13/12/2009	0.200	0.066
Issued 24 June 2005	24/06/2005	24/06/2010	0.140	0.060
Issued 24 August 2006	24/08/2006	24/08/2011	0.090	0.045
Issued 26 April 2007	26/04/2007	26/04/2012	0.064	0.045
Issued 19 July 2007	19/07/2007	19/07/2012	0.060	0.030
Issued 17 December 2007	17/12/2007	17/12/2012	0.070	0.039
Issued 31 July 2008	31/07/2008	31/07/2013	0.185	0.084
Issued 30 October 2008	30/10/2008	30/10/2014	0.162	0.075
Issued 30 October 2008	30/10/2008	30/10/2015	0.162	0.081
Issued 30 October 2008	30/10/2008	30/10/2016	0.162	0.086
Issued 27 November 2008	27/11/2008	27/11/2013	0.143	0.064

At 30 June 2009, there are 9,882,500 options (2008: 2,360,000) issued to 22 employees and directors (2008: 20) to acquire ordinary shares. These options progressively vest on an annual basis commencing 12 months from the date of issue, details as follows:

Number of Options	Exercise Price \$	Expiry Date \$
50,000	0.200	13-Dec-09
37,500	0.140	24-Jun-10
650,000	0.090	24-Aug-11
705,000	0.064	26-Apr-12
50,000	0.060	19-Jul-12
450,000	0.070	17-Dec-12
200,000	0.185	31-Jul-13
2,000,000	0.143	27-Nov-13
1,675,000	0.162	30-Oct-14
1,675,000	0.162	30-Oct-15
2,390,000	0.162	30-Oct-16
9,882,500		

292,500 (2008: 592,500) options issued to employees expired during the financial year in accordance with the rules of the Share Option Plan. There were options 125,000 (2008: 72,500) exercised during the year ended 30 June 2009.

The following grants of share-based compensation to directors and senior management relate to the current financial year and prior financial years:

During the Financial Year						% of compensation for the year consisting of options
Name	Date granted	No. granted	No. vested	% of grant vested	% of grant forfeited	
2009						
D Morrison	31/07/2008	100,000	-	0%	0%	3.45%
W Trattles	27/11/2008	2,000,000	-	0%	0%	9.75%
D P J Stewart	30/10/2008	4,000,000	-	0%	0%	13.01%
J A Brennan	30/10/2008	480,000	-	0%	0%	27.67%
J M Burton	30/10/2008	480,000	-	0%	0%	27.67%
T R Winters	30/10/2008	780,000	-	0%	0%	22.53%
2008						
D Morrison	17/12/2007	100,000	-	0%	0%	0.62%
SJ Van Es	17/12/2007	50,000	-	0%	100%	2.31%

The names of all holders of options are entered in the Company's Register of Option Holders, inspection of which may be made free of charge.

### Directors' Shareholdings

At the date of this report, the interests of the Directors in the ordinary shares and options of the Company were:

	Ordinary Shares	Options
T R Winters	206,250	780,000
D P J Stewart	22,647,063	4,000,000
J M Burton	377,795	480,000
J A Brennan	222,795	480,000

Other than this, none of the Directors have any direct or indirect interest in any material contracts with the Group.

## 5. 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 2009 has been received and can be found on page 12 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.

The following fees for non audit services were paid/payable to the external auditors during the year ended 30 June 2009:

	2009	2008
	\$	\$
Tax compliance services	14,526	13,000
Due diligence services	-	1,500
Other non audit services	-	-
Total	14,526	14,500

### e Corporate Governance

The Directors of NetComm 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 Limited reaffirm their support for the principles of corporate governance and transparency and have reviewed their policies with regard to current best practice.

This 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:



T R Winters Chairman Sydney, 30 September 2009

Director:



D P J Stewart Managing Director Sydney, 30 September 2009



Deloitte Touche Tohmatsu  
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The Board of Directors  
NetComm Limited  
Unit 1, 2-6 Orion Road  
Lane Cove NSW 2066

Dear Board Members

**NetComm Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of NetComm Limited.

As lead audit partner for the audit of the financial statements of NetComm Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

Gaile Pearce  
Partner  
Chartered Accountants  
Sydney, 30 September 2009

Member of  
**Deloitte Touche Tohmatsu**

Liability limited by a scheme approved under Professional Standards Legislation.

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# INCOME STATEMENT

For the Year Ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	2	78,473,388	19,368,090	72,244,994	16,265,377
Change in inventories of finished goods and work in progress		(1,579,408)	198,891	(2,848,431)	92,045
Raw materials consumed		(57,797,235)	(11,502,122)	(53,126,025)	(9,700,593)
Employee benefits expense		(6,762,412)	(3,513,342)	(5,425,047)	(2,919,256)
Depreciation and amortisation expense		(772,221)	(296,301)	(436,448)	(261,857)
Other expenses	3	(6,135,172)	(3,632,356)	(5,748,988)	(3,160,027)
Finance costs	3	(130,511)	(110,010)	(127,924)	(108,334)
Profit before income tax		5,296,429	512,850	4,532,131	207,355
Income tax benefit	4	594,949	1,633,554	775,385	1,633,554
Profit after income tax		5,891,378	2,146,404	5,307,516	1,840,909

Attributable to					
Equity holders of the parent	5,891,378	2,146,404	5,307,516	1,840,909	
Total	5,891,378	2,146,404	5,307,516	1,840,909	

## Earnings per share:

Basic earnings per share (cents per share)	27	6.01	2.39	-	-
Diluted earnings per share (cents per share)	27	5.95	2.38	-	-

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



# NETCOMM LIMITED

## BALANCE SHEET

30 June 2009:

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	6	4,762,135	282,639	2,994,687	106,382
Trade and other receivables	7	4,181,370	2,674,540	2,279,387	2,446,451
Inventories	8	7,695,750	9,336,861	5,775,796	8,685,929
Other current assets	10	123,206	187,046	1,184,549	185,316
Total current assets		16,762,461	12,481,086	12,234,419	11,424,078
Non-current assets					
Investments in controlled entities	9	-	-	6,302,368	1,092,732
Property, plant and equipment	11	950,919	520,284	813,638	473,042
Deferred tax assets	4(c)	2,493,436	1,633,554	2,408,939	1,633,554
Goodwill	12	840,101	-	-	-
Other intangible assets	13	3,443,721	605,629	1,078,982	575,630
Other non current inventories	8	3,211,604	3,149,901	3,211,604	3,149,901
Total non-current assets		10,939,781	5,909,368	13,815,531	6,924,859
TOTAL ASSETS		27,702,242	18,390,454	26,049,950	18,348,937
LIABILITIES					
Current liabilities					
Trade and other payables	14	6,925,265	6,513,237	7,223,457	6,941,696
Borrowings	15	1,514,725	2,163,242	1,509,819	2,158,953
Short-term provisions	16	1,350,084	449,547	949,380	413,439
Income tax liability		159,377	-	-	-
Other current liabilities	17	1,403,313	114,400	974,413	46,000
Total current liabilities		11,352,764	9,240,426	10,657,069	9,560,088
Non-current liabilities					
Borrowings	15	261,854	52,441	261,411	47,124
Long-term provisions	16	76,608	13,971	28,273	13,971
Other Non-current liabilities	17	135,223	-	135,223	-
Total non-current liabilities		473,685	66,412	424,907	61,095
TOTAL LIABILITIES		11,826,449	9,306,838	11,081,976	9,621,183
NET ASSETS		15,875,793	9,083,616	14,967,974	8,727,754
EQUITY					
Issued capital	18	9,656,257	7,770,904	9,656,257	7,770,904
Reserves	19	289,192	1,273,746	361,716	1,314,365
Retained earnings/ (Accumulated losses)		5,930,344	38,966	4,950,001	(357,515)
TOTAL EQUITY		15,875,793	9,083,616	14,967,974	8,727,754

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

# STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 30 June 2009

2009	Parent					
	Note	Ordinary Shares \$	Retained Earnings \$	Option Reserve \$	Share Rights Reserve \$	Total \$
Balance at 1 July 2008		7,770,904	(357,515)	77,490	1,236,875	8,727,754
Profit attributable to members of the parent entity		-	5,307,516	-	-	5,307,516
Total recognised income and expense		7,770,904	4,950,001	77,490	1,236,875	14,035,270
Contributions of equity net of transaction costs	18 (a)	1,885,353	-	-	-	1,885,353
Recognition of share based payments	25	-	-	284,226	-	284,226
Settlement of share rights		-	-	-	(1,236,875)	(1,236,875)
Balance at 30 June 2009		9,656,257	4,950,001	361,716	-	14,967,974
2008						
Balance at 1 July 2007		6,580,314	(2,198,424)	63,078	-	4,444,968
Profit attributable to members of the parent entity		-	1,840,909	-	-	1,840,909
Total recognised income and expense		-	1,840,909	-	-	1,840,909
Contributions of equity net of transaction costs	18 (a)	1,190,590	-	-	1,236,875	2,427,465
Recognition of share based payments	25	-	-	14,412	-	14,412
Balance at 30 June 2008		7,770,904	(357,515)	77,490	1,236,875	8,727,754

2009	Consolidated						
	Note	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Share Rights Reserve \$	Total \$
Balance at 1 July 2008		7,770,904	38,966	(40,619)	77,490	1,236,875	9,083,616
Exchange difference on retranslation of foreign operations		-	-	(31,905)	-	-	(31,905)
Net income recognised directly in equity		-	-	(31,905)	-	-	(31,905)
Profit attributable to members of the parent entity		-	5,891,378	-	-	-	5,891,378
Total recognised income and expense		-	5,891,378	(31,905)	-	-	5,859,473
Contributions of equity net of transaction costs	18 (a)	1,885,353	-	-	-	-	1,885,353
Recognition of share based payments	25	-	-	-	284,226	-	284,226
Settlement of share rights		-	-	-	-	(1,236,875)	(1,236,875)
Balance at 30 June 2009		9,656,257	5,930,344	(72,524)	361,716	-	15,875,793
2008							
Balance at 1 July 2007		6,580,314	(2,107,438)	(14,970)	63,078	-	4,520,984
Exchange difference on retranslation of foreign operations		-	-	(25,649)	-	-	(25,649)
Net income recognised directly in equity		-	-	(25,649)	-	-	(25,649)
Profit attributable to members of the parent entity		-	2,146,404	-	-	-	2,146,404
Total recognised income and expense		-	2,146,404	(25,649)	-	-	2,120,755
Contributions of equity net of transaction costs	18 (a)	1,190,590	-	-	-	1,236,875	2,427,465
Recognition of share based payments	25	-	-	-	14,412	-	14,412
Balance at 30 June 2008		7,770,904	38,966	(40,619)	77,490	1,236,875	9,083,616

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

# CASH FLOW STATEMENTS

For the Year Ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities:					
Receipts from customers		85,981,545	21,667,487	79,444,640	17,879,315
Payments to suppliers and employees		(76,811,080)	(22,616,686)	(70,913,906)	(18,628,600)
Finance costs		(130,511)	(110,010)	(127,924)	(108,334)
Income taxes paid		(105,557)	-	-	-
Net cash provided by / (used in)					
operating activities	22	8,934,397	(1,059,209)	8,402,809	(857,619)
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		-	13,160	-	13,160
Interest received		36,923	31,049	12,638	17,247
Advances to related parties		-	-	(1,085,087)	-
Acquisition of property, plant and equipment		(488,497)	(87,581)	(493,481)	(87,581)
Acquisition of intangible assets		(970,260)	(551,206)	(786,915)	(510,618)
Acquisition of subsidiaries		(2,589,057)	-	(2,589,057)	-
Net cash used in					
investing activities		(4,010,891)	(594,578)	(4,941,902)	(567,792)
Cash flows from financing activities:					
Proceeds from issue of shares		-	5,590	-	5,590
Proceeds from borrowings		414,648	895,678	262,753	895,678
Repayment of borrowings		(858,658)	(9,489)	(839,275)	(5,252)
Net cash (used in) / provided by					
financing activities		(444,010)	891,779	(576,522)	896,016
Net increase / (decrease) in cash and cash equivalents held		4,479,496	(762,008)	2,884,385	(529,395)
Cash and cash equivalents at beginning of financial year		282,639	1,009,167	106,382	635,777
Effect of exchange rates on cash holdings in foreign currencies		-	35,480	3,920	-
Cash and cash equivalents at end of financial year	6(a)	4,762,135	282,639	2,994,687	106,382

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

## 1. Statement of Significant Accounting Policies

### General information

The financial report is a general purpose financial report that has 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 report covers the consolidated Group of NetComm Limited and controlled entities ("the Group" or the "consolidated entity"), and NetComm Limited as an individual parent entity ("the company" or "NetComm Limited"). NetComm Limited is a listed public company, incorporated and domiciled in Australia.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with AIFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 30 September 2009.

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

## Basis of Preparation

The financial report has been prepared on an accruals basis and is 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.

## 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 not early adopted any 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.

### (a) Principals of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NetComm Limited as at 30 June 2009 and the results of all subsidiaries for the year then ended.

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

A list of subsidiaries is contained in Note 9(b) to the financial statements. All subsidiaries have a 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. Minority equity interests in the entity and results of the entities that are controlled are shown as a separate item in the consolidated report.

The purchase method of accounting is used to account for acquisitions of subsidiaries and businesses. Cost is measured as the fair value of the assets given, equity instruments issued (net of transaction costs) or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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.

## (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, plus any costs directly attributable to the business combination. 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.

## (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 the income statement, except in the period in which they arise except for:

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

### 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 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 balance sheet. These differences are recognised in the income statement 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 A-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, it is recognised as part of the cost of acquisition of an asset or part of an item of expenses; or for receivables and payables in the balance sheet which are shown inclusive of GST. 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 cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## (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 using the balance sheet liability method 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 liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is

able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 the income statement 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.

## **(f) Revenue Recognition**

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, 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, which is when the risks and rewards of ownership have passed.

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).

## **(g) Share-based payments**

Equity settled compensation benefits are provided to employees via the Employee Option Plan. Information relating to this scheme is set out in note 25.

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. Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

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.

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

Class of Asset	Useful life
Plant and equipment	2-4 years
Leasehold improvements	6 years

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

### (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 expensed to the income statement. 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 as income in the income statement. Impairment of goodwill is not reversed.

### (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 income statement 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 charged to the income statement 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.

### (k) Derivative Financial Instruments and Hedge Accounting

The fair value of all derivative financial instruments outstanding at the balance sheet date are recognised in the balance sheet 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 the income statement.

If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-monetary asset, then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

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

### Investments

Investments in subsidiaries are recognised at cost, less impairment losses, in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity investments', 'available for sale' financial assets, and '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 balance sheet.

## (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 over a period no longer than 3 years.

### Computer software

Computer software is measured on the 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.

### 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.

If the recoverable amount of the cash-generating units (or group of cash-generating units), is less than the carrying amount of the cash-generating units (or group of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or group of cash-generating units) and then to the other assets in the cash-generating units (or group of cash-generating units) pro-rata on the basis of the carrying amount of each asset in the cash generating unit (or group 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.



**(p) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement 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 issued by the company****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.

**Financial guarantee contract liabilities**

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- The amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- The amount initially recognised less, where appropriate, cumulative amortisation in accordance with the Group's revenue recognition policies.

**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 in 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.

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

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009 30	June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	30 June 2010
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
AASB 2009-6 'Amendments to Australian Accounting Standards'	1 January 2009	30 June 2010
AASB 2009-7 'Amendments to Australian Accounting Standards'	1 July 2009	30 June 2010
AASB 1 'First-time Adoption of Australian Accounting Standards'	1 July 2009	30 June 2010
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010

## (w) Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report 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.

### Fair value of goods acquired

During the year the Group acquired goods in exchange for consideration paid in cash and in equity. Estimating the fair value of the goods acquired, and therefore the value of the component of consideration recognised in equity, required the use of management judgement.

### 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.

### Deferred Tax Asset

During the year the Group recognised tax losses which had not previously been brought to account. Losses have been booked to the extent that the Group considers it probable of recoupment with reference to taxable income forecasts. Taxable income forecasts incorporate a number of key judgements and estimates.

# Notes to the Financial Statements

For the Year Ended 30 June 2009

## 2. Revenue and other Income

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Revenue</b>				
Sales revenue	78,415,889	19,247,534	72,057,581	16,064,308
Interest revenue	36,923	31,049	12,638	17,247
<b>Total</b>	<b>78,452,812</b>	<b>19,278,583</b>	<b>72,070,219</b>	<b>16,081,555</b>
<b>Other revenue</b>				
Management fees	-	-	168,000	168,000
Other revenue	20,576	89,507	6,775	15,822
<b>Total</b>	<b>20,576</b>	<b>89,507</b>	<b>174,775</b>	<b>183,822</b>
<b>Total revenue and other income</b>	<b>78,473,388</b>	<b>19,368,090</b>	<b>72,244,994</b>	<b>16,265,377</b>

## 3. Expenses

Included in expenses are the following specific items

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Other expenses comprising:</b>				
Advertising and marketing	1,523,923	488,757	1,436,478	456,985
Property expenses	494,068	421,441	392,128	355,340
Distribution and selling costs	967,466	791,264	680,521	561,891
Insurance expenses	154,972	145,310	109,113	103,688
Legal & professional fees	697,691	333,379	651,265	311,133
Travel expenses	429,885	221,892	400,966	199,489
Contractor costs	454,751	313,245	441,751	313,245
Other expenses	1,412,416	917,068	1,636,766	858,256
<b>Total</b>	<b>6,135,172</b>	<b>3,632,356</b>	<b>5,748,988</b>	<b>3,160,027</b>

### Depreciation, amortisation and impairments:

Depreciation of property plant and equipment (note 11(b))	196,113	168,898	152,885	145,043
Amortisation of intangible assets (note 13(b))	576,108	127,403	283,563	116,814
<b>Total</b>	<b>772,221</b>	<b>296,301</b>	<b>436,448</b>	<b>261,857</b>
Remuneration of parent company auditor:				
Auditing or reviewing the financial report	104,074	83,142	89,795	83,142
Taxation services	14,526	13,000	14,526	13,000
Due diligence services	-	1,500	-	1,500
<b>Total</b>	<b>118,600</b>	<b>97,642</b>	<b>104,321</b>	<b>97,642</b>

The auditor of the parent and Group is Deloitte Touche Tohmatsu.

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Other auditors</b>				
Auditing or reviewing the financial report	2,522	20,606	-	-
Other assurance services	77,243	3,336	73,188	-
<b>Total</b>	<b>79,765</b>	<b>23,942</b>	<b>73,188</b>	<b>-</b>
<b>Rental expenses on operating leases</b>				
Minimum lease payments	390,735	325,347	301,869	274,432
<b>Finance Costs:</b>				
Bank loans and overdrafts	120,593	105,360	119,155	105,360
Finance leases	9,918	4,650	8,769	2,974
<b>Total</b>	<b>130,511</b>	<b>110,010</b>	<b>127,924</b>	<b>108,334</b>
Cost of sales	59,376,643	11,303,231	55,974,456	9,608,548
Provision for doubtful debts	150,283	51,179	131,020	50,999
Defined contribution superannuation expenses	494,716	242,068	437,016	236,898
Loss on sale of property, plant and equipment	1,674	2,725	263	2,725
Research & development costs	264,010	28,272	182,386	28,272
Share-based payments - equity settled benefit	284,226	14,412	284,226	14,412

## 4. Income tax benefit

### (a) Income tax recognised in profit or loss

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Tax benefit comprises</b>				
Current tax expense	1,786,895	-	1,473,108	-
Deferred tax expense (benefit) relating to the origination and reversal of temporary differences				
<b>Total</b>	<b>(109,474)</b>	<b>168,825</b>	<b>(24,977)</b>	<b>69,030</b>
Over-provision for tax in prior year	(67,425)	-	(18,571)	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce deferred tax expense				
<b>Total</b>	<b>(2,204,945)</b>	<b>(1,802,379)</b>	<b>(2,204,945)</b>	<b>(1,702,584)</b>
<b>Total tax benefit</b>	<b>(594,949)</b>	<b>(1,633,554)</b>	<b>(775,385)</b>	<b>(1,633,554)</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 the company entered into in the prior year.

Tax losses arising from the the reversal of timing differences recognised in the year are also expected to be recouped against forecast taxable income.

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

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Net profit before tax	5,296,429	512,850	4,532,131	207,355
Tax at the Australian tax rate of 30% (2008: 30%)	1,588,929	153,855	1,359,639	62,207
- Share-based payments	85,283	4,323	85,283	4,323
- Entertainment	3,209	2,500	3,209	2,500
- Difference in overseas tax rates	-	8,147	-	-
- Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets (note 4d)	(2,204,945)	(1,802,379)	(2,204,945)	(1,702,584)
- Adjustment recognised in the current year in relation to the current tax of the prior period	(67,425)	-	(18,571)	-
<b>Income tax benefit</b>	<b>(594,949)</b>	<b>(1,633,554)</b>	<b>(775,385)</b>	<b>(1,633,554)</b>

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

	Consolidated		
	Opening balance \$	Charged to income \$	Closing balance \$
<b>2009</b>			
Unused tax losses	1,363,799	750,408	2,114,207
Temporary differences			
Accrued expenses	65,812	40,385	106,197
Provisions	134,058	83,147	217,205
Inventory	26,808	77,193	104,001
Other	43,077	(91,251)	(48,174)
<b>Total</b>	<b>1,633,554</b>	<b>859,882</b>	<b>2,493,436</b>

	Parent		
	Opening balance \$	Charged to income \$	Closing balance \$
<b>2009</b>			
Unused tax losses	1,363,799	750,408	2,114,207
Temporary differences			
Accrued expenses	65,812	40,385	106,197
Provisions	134,058	(1,350)	132,708
Inventory	26,808	77,193	104,001
Other	43,077	(91,251)	(48,174)
<b>Total</b>	<b>1,633,554</b>	<b>775,385</b>	<b>2,408,939</b>

<b>2008</b>	Consolidated and Parent		
	Opening balance	Charged to income	Closing balance
Unused tax losses	-	1,363,799	1,363,799
Temporary differences			
Accrued expenses	-	65,812	65,812
Provisions	-	134,058	134,058
Inventory	-	26,808	26,808
Other	-	43,077	43,077
<b>Total</b>	<b>-</b>	<b>1,633,554</b>	<b>1,633,554</b>

**(d) Future income tax benefits arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as probable.**

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Tax losses at 30% (2008: 30%)	28,870	2,233,815	-	2,204,945
Capital losses at 30% (2008: 30%)	170,904	170,904	170,904	170,904
Total	199,774	2,404,719	170,904	2,375,849

The directors believe the future income tax benefit 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.

### Tax consolidation

The company and its wholly owned Australian resident entities intend to form a tax consolidated group with effect from 1 July 2007 and will therefore be taxed as a single entity from that date. The head entity within the tax consolidated group is intended to be NetComm Limited.

## 5. Dividends

No dividends have been proposed or paid in the year-ended 30 June 2009 (2008: \$nil). Subsequent to balance date, the directors of NetComm Ltd announced an interim unfranked dividend of \$0.01 per share.

### (a) Balance of franking account

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
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	-	-	-	-

## 6. Cash and cash equivalents

(a)	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash on hand	1,781	1,053	500	520
Cash at bank	4,760,354	281,586	2,994,187	105,862
Total	4,762,135	282,639	2,994,687	106,382

### (b) Effective interest rate

These funds are bearing floating interest rates of between 0.05% to 3.0% (2008: 1.25% to 7.0%).

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	4,762,135	282,639	2,994,687	106,382
Total	4,762,135	282,639	2,994,687	106,382

## 7. Trade and other receivables

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade receivables (i)	4,362,823	2,705,710	2,441,577	2,477,621
Allowance for doubtful debts	(181,453)	(31,170)	(162,190)	(31,170)
<b>Total</b>	<b>4,181,370</b>	<b>2,674,540</b>	<b>2,279,387</b>	<b>2,446,451</b>

- (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 irrecoverable 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 \$1,702,729 (2008: \$757,080) 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 47 days (2008: 47 days).

Aging of past due but not impaired	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
30 - 60 days	1,622,556	728,704	910,371	696,321
60 - 90 days	51,254	6,854	5,830	292
90+ days	28,919	21,522	12,436	674
<b>Total</b>	<b>1,702,729</b>	<b>757,080</b>	<b>928,637</b>	<b>697,287</b>

Movement in the allowance for doubtful debts	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance at the beginning of the year	31,170	51,195	31,170	51,195
Increase in allowance for impairment	154,566	51,179	135,303	50,999
Amounts written off as uncollectible	(4,283)	(71,204)	(4,283)	(71,024)
<b>Balance at the end of the year</b>	<b>181,453</b>	<b>31,170</b>	<b>162,190</b>	<b>31,170</b>

Aging of impaired receivables	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
30 - 60 days	-	-	-	-
60 - 90 days	-	-	-	-
90+ days	154,565	51,179	135,303	50,999
<b>Total</b>	<b>154,565</b>	<b>51,179</b>	<b>135,303</b>	<b>50,999</b>

## 8. Inventories

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current</b>				
Raw materials and stores	689,239	371,167	445,189	371,167
Finished goods	4,996,552	3,721,240	3,477,221	3,202,602
NetAssure inventories - components	120,960	146,527	120,960	146,527
Goods in transit (*)	1,888,999	5,097,927	1,732,426	4,965,633
<b>Total</b>	<b>7,695,750</b>	<b>9,336,861</b>	<b>5,775,796</b>	<b>8,685,929</b>
<b>Non - Current</b>				
NetAssure inventories - components	3,211,604	3,149,901	3,211,604	3,149,901

(\*) As at 30 June 2009, \$1,288,270 (2008: \$4,185,702) of the consolidated Goods In Transit were held exclusively for deliveries under a Customer Supply Agreement.



## 9. Other financial assets

### (a) Investments in controlled entities

	Parent	
	Balance at the beginning of year - at cost \$	Balance at the end of year - at cost \$
Askey Australia Pty Ltd	922,461	922,461
Dynalink Modems Ltd	168,333	168,333
Banksia Technology Pty Ltd	2	2
Mike Boorne Electronics Pty Ltd	1	1
Spirit Technology (HK) Ltd	1,935	1,935
Call Direct Cellular Solutions 2003 Pty Ltd	-	2,209,223
C10 Communications Pty Ltd	-	3,000,413
<b>Total</b>	<b>1,092,732</b>	<b>6,302,368</b>

### (b) Subsidiaries

Name of subsidiary	Country of incorporation	Percentage owned %	Percentage owned %
		2009	2008
Askey Australia Pty Ltd	Australia	100	100
Dynalink Modems Ltd	New Zealand	100	100
Banksia Technology Pty Ltd	Australia	100	100
Mike Boorne Electronics Pty Ltd	Australia	100	100
Spirit Technology (HK) Ltd	Hong Kong	100	100
Call Direct Cellular Solutions 2003 Pty Ltd (i)	Australia	100	nil
C10 Communications Pty Ltd (ii)	Australia	100	nil

(i) Acquired on 3rd November 2008 - refer to Note 28 for further details

(ii) Acquired on 30th April 2009 - refer to Note 28 for further details

## 10. Other assets

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Prepayments	123,206	187,046	99,462	185,316
Receivable from controlled entities	-	-	1,085,087	-
<b>Total</b>	<b>123,206</b>	<b>187,046</b>	<b>1,184,549</b>	<b>185,316</b>

# 11. Property, Plant and Equipment

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

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Plant and equipment</b>				
At cost	2,527,706	1,878,610	1,814,676	1,618,196
Less accumulated depreciation	(1,956,044)	(1,469,464)	(1,372,347)	(1,244,107)
Total plant and equipment	571,662	409,146	442,329	374,089
<b>Leased plant and equipment</b>				
At cost	342,120	80,257	328,844	66,090
Less accumulated amortisation	(24,902)	(8,754)	(19,094)	(5,508)
Total leased plant and equipment	317,218	71,503	309,750	60,582
<b>Leasehold improvements</b>				
At cost	176,062	142,870	172,791	140,763
Less accumulated amortisation	(114,023)	(103,235)	(111,232)	(102,392)
Total leasehold improvements	62,039	39,635	61,559	38,371
Total property, plant and equipment	950,919	520,284	813,638	473,042

## (b) Movements in carrying amounts

	Consolidated			
	Plant and equipment \$	Leased plant and equipment \$	Leasehold improvements \$	Total \$
<b>2009</b>				
Balance at the beginning of the year	409,146	71,503	39,635	520,284
Additions	222,876	262,754	32,106	517,736
Acquisitions through business combinations	109,419	-	-	109,419
Disposals	(2,439)	-	-	(2,439)
Net foreign currency translation differences	2,165	(87)	(46)	2,032
Depreciation/amortisation expenses	(169,505)	(16,952)	(9,656)	(196,113)
Carrying amount at the end of the year	571,662	317,218	62,039	950,919
<b>2008</b>				
Balance at the beginning of the year	495,215	-	53,817	549,032
Additions	87,581	80,257	-	167,838
Disposals	(17,893)	-	-	(17,893)
Net foreign currency translation differences	(9,705)	-	(90)	(9,795)
Depreciation/amortisation expenses	(146,052)	(8,754)	(14,092)	(168,898)
Carrying amount at the end of the year	409,146	71,503	39,635	520,284

**(b) Movements in carrying amounts (continued)**

	Parent			
	Plant and equipment \$	Leased plant and equipment \$	Leasehold improvements \$	Total \$
<b>2009</b>				
Balance at the beginning of the year	374,089	60,582	38,371	473,042
Additions	198,699	262,754	32,028	493,481
Disposals	-	-	-	-
Net foreign currency translation differences	-	-	-	-
Depreciation/amortisation expenses	(130,459)	(13,586)	(8,840)	(152,885)
Carrying amount at the end of the year	442,329	309,750	61,559	813,638
<b>2008</b>				
Balance at the beginning of the year	430,666	-	51,641	482,307
Additions	87,581	66,090	-	153,671
Disposals	(17,893)	-	-	(17,893)
Depreciation/amortisation expenses	(126,265)	(5,508)	(13,270)	(145,043)
Carrying amount at the end of the year	374,089	60,582	38,371	473,042

## 12. Goodwill

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Gross carrying amount				
Balance at beginning of financial year	-	-	-	-
Additional amounts recognised from business combinations occurring during the period (note 28)	840,101	-	-	-
Balance at end of financial year	840,101	-	-	-
Net book value				
At the beginning of the financial year	-	-	-	-
At the end of the financial year	840,101	-	-	-

All Goodwill has arisen from acquisitions made within the current financial year.

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 were 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, being Call Direct Cellular Solutions 2003 Pty Limited and C10 Communications Pty Limited.

## 13. Other intangible assets

### (a) Summary of intangible assets

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Development costs				
Cost	1,244,845	546,914	1,065,797	546,914
Accumulated amortisation	(273,969)	(64,495)	(267,461)	(64,495)
Net carrying value	970,876	482,419	798,336	482,419
Computer software				
Cost	701,977	429,648	657,091	389,059
Accumulated amortisation	(404,506)	(306,438)	(376,445)	(295,848)
Net carrying amount	297,471	123,210	280,646	93,211
Other intangibles				
Cost	2,442,000	-	-	-
Accumulated amortisation	(266,626)	-	-	-
Net carrying amount	2,175,374	-	-	-
Total	3,443,721	605,629	1,078,982	575,630

### (b) Movements in carrying amounts

	Consolidated			
	Development costs \$	Computer software \$	Other intangibles \$	Total \$
2009				
Balance at the beginning of the year	482,419	123,210	-	605,629
Additions	697,931	274,639	2,442,000	3,414,570
Net foreign currency translation differences	-	(370)	-	(370)
Amortisation	(209,474)	(100,008)	(266,626)	(576,108)
Carrying amount at year end	970,876	297,471	2,175,374	3,443,721
2008				
Balance at the beginning of the year	43,132	138,694	-	181,826
Additions	464,124	87,082	-	551,206
Amortisation	(24,837)	(102,566)	-	(127,403)
Carrying amount at year end	482,419	123,210	-	605,629

	Parent			
	Development costs \$	Computer software \$	Other intangibles \$	Total \$
2009				
Balance at the beginning of the year	482,419	93,211	-	575,630
Additions	518,883	268,032	-	786,915
Amortisation	(202,966)	(80,597)	-	(283,563)
Carrying amount at year end	798,336	280,646	-	1,078,982
2008				
Balance at the beginning of the year	43,132	138,694	-	181,826
Additions	464,124	46,494	-	510,618
Amortisation	(24,837)	(91,977)	-	(116,814)
Carrying amount at year end	482,419	93,211	-	575,630

## 14. Trade and other payables

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Current Unsecured liabilities				
Trade payables (i)	3,303,999	6,380,535	2,860,842	5,892,893
Sundry payables and accrued expenses	1,516,081	132,702	1,023,476	103,179
Payable to controlled entities	-	-	1,233,954	945,624
Letter of credit	2,105,185	-	2,105,185	-
<b>Total current trade and other payables</b>	<b>6,925,265</b>	<b>6,513,237</b>	<b>7,223,457</b>	<b>6,941,696</b>

- (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.

## 15. Borrowings

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Current - Secured				
Finance lease	94,207	17,999	89,301	13,710
Trade receivable finance	486,852	1,303,183	486,852	1,303,183
Trade refinance	933,666	842,060	933,666	842,060
	1,514,725	2,163,242	1,509,819	2,158,953
Non-Current - Secured				
Finance lease	261,854	52,441	261,411	47,124
<b>Total borrowings</b>	<b>1,776,579</b>	<b>2,215,683</b>	<b>1,771,230</b>	<b>2,206,077</b>

The trade refinance facility is secured by a mortgage debenture with a fixed and floating charge over all assets and liabilities of NetComm 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 21 for further details of this borrowing.

## 16. Provisions

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Current				
Employee entitlements	1,350,084	449,547	949,380	413,439
Non - current				
Employee entitlements	76,608	13,971	28,273	13,971
<b>Total provisions</b>	<b>1,426,692</b>	<b>463,518</b>	<b>977,653</b>	<b>427,410</b>

## 17. Other liabilities

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Current				
Deferred income - current	428,900	114,400	-	46,000
Deferred acquisition consideration (i)	974,413	-	974,413	-
<b>Total</b>	<b>1,403,313</b>	<b>114,400</b>	<b>974,413</b>	<b>46,000</b>
Non-current				
Deferred acquisition consideration (i)	135,223	-	135,223	-
<b>Total Provisions</b>	<b>1,538,536</b>	<b>114,400</b>	<b>1,109,636</b>	<b>46,000</b>

- (i) Deferred acquisition consideration represents deferred consideration for the Call Direct Cellular Solutions 2003 Pty Ltd and C10 Communications Pty Ltd acquisitions.

## 18. Issued Capital

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
103,142,267 (2008: 91,111,066) Ordinary shares - paid up no par value	9,656,257	7,770,904	9,656,257	7,770,904

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

	2009	2008	2009	2008
	No.	No.	\$ Value	\$ Value
At the beginning of reporting period	91,111,066	79,188,566	7,770,904	6,580,314
Shares issued during the year:				
3 Nov 2008 (i)	8,074,534	-	1,300,000	-
17 Dec 2007 (ii)	-	11,850,000	-	1,185,000
20 Jan 2009 (ii)	3,831,667	-	574,753	-
Exercise of Options	125,000	72,500	10,600	5,590
At reporting date	103,142,267	91,111,066	9,656,257	7,770,904

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.

- (i) This represents issue of shares to the shareholders of Call Direct Solutions 2003 Pty Ltd as part of the consideration of the purchase acquisition.
- (ii) This represented share rights issued to YellowTuna Holdings Limited for the purchase of inventory. 3,831,667 shares with a value of \$574,753 were issued on 20 January 2009. A cash consideration was provided for the balance of the share rights issued in the prior year.

## 19. Reserves

### Share rights reserve

The share rights reserve was used to recognise the fair value of shares rights provided to pay suppliers for the purchase of inventory. The shares were issued in the current financial year.

### Option reserve

The option reserve is used to recognise the fair value of options issued but not exercised.

### Foreign exchange reserve

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

Refer to the Statement of Changes in Equity for movements in reserves.

## 20. Contingent liabilities

There is a contingent liability in respect of the service contract of one executive of NetComm Limited totalling \$420,000 (2008: \$330,000). Details of the contracts can be found in the Directors' Remuneration Report.

## 21. Expenditure commitments

### Non-cancellable operating lease commitments

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Not longer than 1 year	323,154	47,007	290,460	-
Longer than 1 year and not longer than 5 years	222,047	19,586	222,047	-
Total	545,201	66,593	512,507	-

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 consumer price index, or market reviews. In the current year, the Parent renewed its lease on its Australian offices.

### Finance lease liabilities

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Not longer than 1 year	101,208	25,700	95,840	19,751
Longer than 1 year and not longer than 5 years	295,702	60,774	294,808	54,329
Minimum future lease payments	396,910	86,474	390,648	74,080
Less future finance charges	(40,849)	(16,034)	(39,936)	(13,246)
Present value of minimum lease payments	356,061	70,440	350,712	60,834
Included in the financial statements:				
Current borrowings	94,207	17,999	89,301	13,710
Non - current borrowings	261,854	52,441	261,411	47,124
Total	356,061	70,440	350,712	60,834

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.

## 22. Cash flow information

Reconciliation of cash flow from operations with profit/(loss) after income tax

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Profit for the year	5,891,378	2,146,404	5,307,516	1,840,909
Non-cash flows in profit/(loss)				
Depreciation and amortisation	772,220	296,301	436,448	261,857
(Gain)/loss on sale of property, plant and equipment	1,674	2,725	263	2,725
Share based payments	284,226	14,412	284,226	14,412
Interest received	(36,923)	(31,049)	(12,638)	(17,247)
Changes in operating assets and liabilities:				
(Increase)/decrease in trade and other receivable	(156,740)	432,253	167,064	175,107
(Increase)/decrease in inventories	2,981,434	(58,023)	2,848,431	(291,381)
(Increase)/decrease in other assets	67,413	(66,371)	(107,123)	(149,016)
(Increase)/decrease in deferred tax assets	(700,506)	(1,633,554)	(775,385)	(1,633,554)
Increase/(decrease) in trade and other payables	(1,197,967)	(1,131,346)	(250,236)	(1,093,240)
(Increase)/decrease in deferred income & other liabilities	314,500	(1,062,770)	(46,000)	-
Increase/(decrease) in provisions	713,688	31,809	550,243	31,809
Net cash from operating activities	8,934,397	(1,059,209)	8,402,809	(857,619)

### Non-cash financing and investing activities

The Group acquired property plant and equipment totalling \$262,754 (2008: \$80,257) by way of finance lease. The company acquired property plant and equipment totalling \$262,754 (2008: \$66,090) by way of finance lease.

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

## 23. 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
D P J Stewart	Managing Director
J A Brennan	Independent Non Executive Director
J M Burton	Independent Non Executive Director
D Morrison	General Manager
W Trattles	Chief Financial Officer

### (b) Remuneration of key management personnel

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

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Short term benefits	1,312,587	679,010	1,312,587	679,010
Post employment benefits	61,344	36,220	61,344	36,220
Share based payments	205,244	3,709	205,244	3,709
Termination benefits	-	-	-	-
Total	1,579,175	718,939	1,579,175	718,939

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



## 24. Related party transactions

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

	Balance	Movement during the Year – on market transactions	Balance
	1 July 2008		30 June 2009
2009	\$	\$	\$
T R Winters	206,250	-	206,250
D P J Stewart	22,647,063	-	22,647,063
J A Brennan	222,795	-	222,795
J M Burton	377,795	-	377,795
D Morrison	200,000	-	200,000
2008			
T R Winters	206,250	-	206,250
D P J Stewart	22,647,063	-	22,647,063
J A Brennan	222,795	-	222,795
J M Burton	322,795	55,000	377,795
D Morrison	200,000	-	200,000

### (b) Options held by key management personnel

	Granted Balance 1 July	Granted during the year	Lapsed during the year	Balance 30 June
2009				
T R Winters	-	780,000	-	780,000
D P J Stewart	-	4,000,000	-	4,000,000
J A Brennan	-	480,000	-	480,000
J M Burton	-	480,000	-	480,000
D Morrison	350,000	100,000	-	450,000
W Trattles	-	2,000,000	-	2,000,000
2008				
S J Van Es	100,000	-	(100,000)	-
D Morrison	250,000	100,000	-	350,000

	Balance 30 June	Total vested	Total exercisable	Total unexercisable
2009				
T R Winters	780,000	-	-	780,000
D P J Stewart	4,000,000	-	-	4,000,000
J A Brennan	480,000	-	-	480,000
J M Burton	480,000	-	-	480,000
D Morrison	450,000	155,000	155,000	295,000
W Trattles	2,000,000	-	-	2,000,000
2008				
S J Van Es	-	-	-	-
D Morrison	350,000	75,000	75,000	275,000

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 nil options (2008: nil) were exercised by key management personnel. Further details on the employee share option plan and share options granted during the 2009 and 2008 financial years are contained at note 25.

**(c) Other transactions with key management personnel**

Details of key management personnel compensation are disclosed in note 23 to the financial statements.

During the year, the following transactions and the provision of services occurred between the entity and director related entities (these transactions took place on normal commercial terms and conditions as noted below):

**(i) Cove Industries Pty Limited**

An entity associated with Mr D Stewart has guaranteed the rental bond of \$64,700 for the office premises at Unit 1, 2-6 Orion Road, Land Cove. That entity receives a fee for the provision of this guarantee amounting to \$3,413 (2008: \$3,413) which is non-contractual and invoiced quarterly.

**(d) Transactions between NetComm Limited and its related parties****(i) Loans to and from related parties**

	2009 \$	2008 \$
Loans (to)/from subsidiaries		
Loans received/(advanced)- Dynalink Modems Ltd	46,851	(150,079)
Loans received - Askey Australia Pty Ltd	1,140,855	1,049,455
Loans received - Spirit Technology (HK) Ltd	17,180	17,180
Loans received - Mike Boorne Electronics Pty Ltd	29,068	29,068
Loans advanced - C10 Communications Pty Ltd	(1,004,669)	-
Loans advanced - Call Direct Cellular Solutions 2003 Pty Ltd	(80,418)	-
<b>Total</b>	<b>148,867</b>	<b>945,624</b>

All loans, payables and receivables are non-interest bearing and repayable at call.

**(ii) Revenue and expenses with related parties**

	2009 \$	2008 \$
Sales of goods and services		
Sales - Dynalink Modems Ltd	523,258	325,394
Sales - Call Direct	165,526	-
Sales - C10	-	-
<b>Total</b>	<b>688,784</b>	<b>325,394</b>

	2009 \$	2008 \$
Purchases of goods and services		
Purchases - Dynalink Modems Ltd	8,794	21,801
Purchases - Call Direct	-	-
Purchases - C10	9,086	-
<b>Total</b>	<b>17,880</b>	<b>21,801</b>
Management fees charged to/(from) subsidiaries		
Dynalink Modems Limited (note 2)	168,000	168,000
Call Direct	(480,877)	-
<b>Total</b>	<b>(312,877)</b>	<b>168,000</b>

Sales and purchases between NetComm Limited and its subsidiaries are at cost, or inclusive of a small mark-up.

## 25. 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:

- a) each employee's length of service;
- b) the contribution to the company or Group which has been made by the employee;
- c) the potential contribution of the employee to the company; and
- d) any other matters which the board considers relevant.

### Entitlement

Each option entitles the holder to subscribe for and be allotted one share in the capital of the company at an exercise price per share of the greater of the par value and the market value of a share on the date of grant of the option in respect of that 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:

- 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

2,000,000 options issued in 2009 to W Trattles will vest in the following time periods:

- i. At the end of year 1 from the date of the relevant option issue, 25% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 25% of the option issued will vest
- iii. At the end of year 3 from the date of the relevant option issue, 25% of the option issued will vest
- iv. At the end of year 4 from the date of the relevant option issue, 25% of the option issued will vest

4,000,000 options issued in 2009 to D P J Stewart will vest in the following time periods:

- i. At the end of year 1 from the date of the relevant option issue, 25% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 25% of the option issued will vest
- iii. At the end of year 3 from the date of the relevant option issue, 50% of the option issued will vest

480,000 options issued to each Director J A Brennan and J M Burton will vest in the following time periods:

- i. At the end of year 1 from the date of the relevant option issue, 50% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 50% of the option issued will vest

780,000 options issued to Director T R Winters will vest in the following time periods:

- i. At the end of year 1 from the date of the relevant option issue, 25% of the option issued will vest
- ii. At the end of year 2 from the date of the relevant option issue, 25% of the option issued will vest
- iii. At the end of year 3 from the date of the relevant option issue, 50% of the option issued will vest

Vesting of 4,000,000 options issued to D P J Stewart and 1,740,000 options issued to non-executive directors is subject to the following preconditions:

- i. At the end of year 1 market share price \$0.205 and EBIT \$704,593
- ii. At the end of year 2 market share price \$0.240 and EBIT \$845,512
- iii. At the end of year 3 market share price \$0.280 and EBIT \$1,014,614

## 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 2009, there are 9,882,500 options (2008: 2,360,000) issued to 22 employees (2008: 20) to acquire ordinary shares.

These options progressively vest on an annual basis commencing 12 months from the date of issue, details as follows:

Number of Options	Exercise Price \$	Expiry Date	Number of Options Exercisable	Number of Options Exercisable
			30 June 2009	30 June 2008
50,000	0.200	13-Dec-09	50,000	40,000
37,500	0.140	24-Jun-10	37,500	50,000
650,000	0.090	24-Aug-11	325,000	225,000
705,000	0.064	26-Apr-12	352,500	254,250
50,000	0.060	19-Jul-12	15,000	-
450,000	0.070	17-Dec-12	135,000	-
200,000	0.185	31-Jul-13	-	-
2,000,000	0.143	27-Nov-13	-	-
1,675,000	0.162	30-Oct-14	-	-
1,675,000	0.162	30-Oct-15	-	-
2,390,000	0.162	30-Oct-16	-	-
9,882,500			915,000	569,250

292,500 (2008: 592,500) options issued to employees expired during the financial year in accordance with the rules of the Share Option Plan.

7,940,000 (2008: 550,000) new options were issued in accordance with the rules of the Share Option Plan during the year. The weighted average fair value of options granted during the year was \$0.077 (2008: \$0.038). There were 125,000 (2008: 72,500) options exercised during the year ended 30 June 2009.

The 9,882,500 (2008: 2,360,000) options outstanding at 30 June 2009 have a weighted average exercise price of \$0.142 (2008: \$0.075) and a weighted average remaining contractual life of 5.26 years (2008: 3.62 years). Exercise prices range from \$0.06 to \$0.20 in respect of options outstanding at 30 June 2009.

There were no options exercised subsequent to year end.

At the date of this report, unissued shares under the above options totalled 9,882,500 ordinary shares. No person entitled to exercise these options had or has any right by virtue of the options, to participate in any share issue of any other body corporate. In December 2008 and February 2009 Netcomm issued 1,000,000 share options on each date to the Logged On Group. The options vest in 12 months, expire in 5 years, have a pre-condition market share price of \$0.36 and \$0.48 respectively, and an exercise price of \$0.162 and \$0.113 respectively. The options are part of a share based remuneration package, and Logged On Group has been engaged to assist NetComm in business development. None of these options have vested at 30 June 2009.

In May 2009 Netcomm issued 425,000 share options to SME Business Growth Consulting Pty Ltd. The options expire in 5 years and vest as follows: 30% at the end of year 1 from the date of issue; 20% at the end of year 2 from the date of issue; 30% at the end of year 3 from the date of issue and 20% at the end of year 4 from the date of issue. The exercise price for 250,000 of these share options is \$0.075, \$0.162 for 100,000 share options, and \$0.113 for the remaining 100,000 share options. The options are part of a share based remuneration package, and SME has been engaged to assist NetComm in business development. None of these options have vested at 30 June 2009.

## Valuations of Options

"The fair value at grant date of all options is independently determined using the Binomial Approximation pricing model. The model inputs for options granted during the year included:"

- (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: 43.67% (2008: 65.54%-71.52%),
- (c) The risk free interest rate is based on the 5 year Commonwealth Bond rate on date of issue: 3.37%-6.53% (2008: 6.3%-6.63%),
- (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% (2008: 0%).

\$284,226 (2008: \$14,412) has been recognised as a share based payments expense for the year ended 30 June 2009.

## 26. 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.

## 27. Earnings per Share

	Consolidated	
	2009 \$	2008 \$
Earnings reconciliation		
Net profit for the year	5,891,378	2,146,404
Basic and diluted earnings	5,891,378	2,146,404

	Consolidated	
	2009	2008
Weighted average number of ordinary shares used as the denominator	No.	No.
Number for basic earnings per share	98,107,537	89,964,895
Effect of share options issued under the employee option plan not yet vested	967,937	291,071
Number for diluted earnings per share	99,075,474	90,255,966

	Consolidated	
	2009	2008
Earnings per share	Cents	Cents
Basic earnings per share	6.01	2.39
Diluted earnings per share	5.95	2.38

## 28. Acquisition of businesses

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition \$'000
Names of business acquired				
<b>2009</b>				
Call Direct Cellular Solutions 2003 Pty Ltd	Distribution	3-Nov-08	100%	2,209
C10 Communications Pty Ltd	Distribution	30-Apr-09	100%	3,000

### Call Direct Cellular Solutions 2003 Pty Ltd

On 3 November 2008, the Group acquired 100% of the issued share capital of Call Direct Cellular Solutions 2003 Pty Ltd for a cash consideration of \$400,000, deferred cash consideration with a discounted value of \$509,000 and issue of shares in the Group of \$1,300,000. Call Direct Cellular Solutions 2003 Pty Ltd's principal activity is the design and distribution of routers and modems specifically built for users of mobile 3G networks. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Book value	Fair value adjustment	Fair value acquisition
Net assets acquired	\$'000	\$'000	\$'000
Cash and cash equivalents	211	-	211
Trade and other receivables	282	-	282
Property, plant and equipment	66	-	66
Other assets	242	-	242
Trade and other receivables	(225)	-	(225)
Other liabilities	(33)	-	(33)
Intangible arising on acquisition	-	900	900
Goodwill	5	(5)	-
<b>Total</b>	<b>548</b>	<b>895</b>	<b>1,443</b>
Goodwill arising on acquisition			766
Total consideration, satisfied by cash and shares			2,209

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Call Direct Cellular Solutions 2003 Pty Limited. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Call Direct Cellular Solutions 2003 Pty Limited. These expected benefits are reflected in the goodwill arising on acquisition. In addition consideration was paid for separately identifiable items including non-recurring engineering works (NREs) and Customer Lists, Relationships and Specifications which have been attributed at fair value.

### C10 Communications Pty Ltd

On 30 April 2009, the Group acquired 100% of the issued share capital of C10 Communications Pty Ltd for cash consideration of \$1,500,000 and deferred cash consideration with a discounted value of \$1,500,413. C10 Communications Pty Ltd's principal activity is the design and distribution of ADSL2+ and ISDN filters for use by both residential and business users. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Book value	Fair value adjustment	Fair value acquisition
Net assets acquired	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	-
Trade and other receivables	1,218	-	1,218
Inventories	1,160	-	1,160
Property, plant and equipment	50	-	50
Other assets	93	-	93
Trade and other receivables	(887)	-	(887)
Other liabilities	(250)	-	(250)
Goodwill	-	1,542	1,542
<b>Total</b>	<b>1,384</b>	<b>1,542</b>	<b>2,926</b>
Goodwill arising on acquisition			74
Total consideration, satisfied by cash and shares			3,000

Goodwill assets arose in the business combination because the cost of the combination included a control premium paid to acquire C10 Communications Pty Limited. In addition consideration was paid for separately identifiable items including Customer Lists, Relationships and Specifications and Patented hardware technologies which have been attributed at fair value.

Included in the net profit for the period is \$465,174 and \$234,559 attributable to the purchase of the distribution businesses of Call Direct Cellular Solutions 2003 Pty Ltd and C10 Communications Pty Ltd respectively.

Had these business combinations been effected at 1 July 2008, the revenue of the Group would be \$87,543,521, and net profit \$7,897,177. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had these distribution businesses been acquired at the beginning of the current reporting period, the directors have applied the unadjusted revenue and profits in these businesses at the date of acquisition. Any adjustments are not considered to be materially significant in impacting the estimated 'pro-forma' revenue and profit of the Group.

## Net Cash flow on acquisitions

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Total purchase consideration	5,209	-	5,209	-
Less: deferred cash consideration for C10 Communications Pty Ltd	(814)		(814)	
Less: deferred cash consideration for Call Direct Cellular Solutions 2003 Pty Ltd	(295)		(295)	
Less: non-cash consideration Call Direct Cellular Solutions 2003 Pty Ltd settled by issue of shares	(1,300)	-	(1,300)	-
Consideration paid in cash	2,800	-	2,800	-
Less: cash and cash equivalent balances acquired	(211)	-	(211)	-
Total net cash outflow on acquisitions in the year	2,589	-	2,589	-

The cost of the acquisitions comprises cash for all of the acquisitions except for the acquisition of the Call Direct Cellular Solutions 2003 Pty Limited distribution business, which comprises cash of \$909 thousand and shares in the Group of \$1,300 thousand. In each acquisition, the Group has paid a premium for the acquiree as it believes the acquisitions will create synergistic benefits to its existing operations.

## 29. 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 2008.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. 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 to 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 forward foreign exchange contracts and natural hedging.

The carrying amount of the Parent and 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:

	US Dollars			
	Liabilities		Assets	
	2009	2008	2009	2008
	\$	\$	\$	\$
Parent	1,781,672	5,336,827	2,043,839	41,953
Consolidated	2,112,579	5,336,827	2,567,802	42,343

### (d) Foreign currency risk management (continued)

#### The Group is mainly exposed to US dollars (USD)

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 or loss and other equity where the Australian dollar strengthens against the respective currency. For a weakening 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.

	US Dollars			
	Consolidated		Parent	
	2009	2008	2009	2008
Profit or loss	50,580	590,436	29,130	590,479



The foreign exchange impact in the table is mainly attributable to the exposure outstanding on USD receivables and payables at year end in the parent and the Group. The Groups sensitivity to USD has decreased during the current period mainly due to the offsetting impact of USD payables and receivables. In the prior year the USD exposure mainly to payables not offset by receivables. In management's opinion, the above sensitivity analysis is representative of the inherent foreign exchange risk during the course of the year.

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 are translated into Australian dollars at exchange rates prevailing on the balance sheet date. The income and expenses of this entity are 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 profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the New Zealand Dollar.

### (e) Interest rate risk management

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

### 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 \$135 (2008: increase/decrease by \$4,559). 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 Chief Executive Officer. 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		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade Refinance	1,000,000	1,500,000	1,000,000	1,500,000
Used at balance date (note 15)	933,666	842,060	933,666	842,060
Unused at balance date	66,334	657,940	66,334	657,940
Trade Receivables Finance	2,000,000	2,000,000	2,000,000	2,000,000
Used at balance date (note 15)	486,852	1,303,183	486,852	1,303,183
Unused at balance date	1,513,148	696,817	1,513,148	696,817
Letter of Credit	16,000,000	8,300,000	16,000,000	8,300,000
Used at balance date (note 15)	2,105,185	-	2,105,185	-
Unused at balance date	13,894,815	8,300,000	13,894,815	8,300,000

### Liquidity and interest risk tables

The following tables detail the company's and 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.

	Consolidated					
	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	3 months-1 year \$	1-5 years \$	5+ years \$
2009						
Non-interest bearing	-	1,441,311	1,862,688	-	-	-
Finance lease liability	8.77%	8,434	16,868	75,906	295,702	-
Variable interest rate instruments	4.70%	3,042,631	498,820	-	-	-
Total		4,492,376	2,378,376	75,906	295,702	-
2008						
Non-interest bearing	-	1,244,631	4,860,220	-	-	-
Finance lease liability	11.25%	2,141	4,283	19,273	60,771	-
Variable interest rate instruments	6.50%	1,750,184	398,760	-	-	-
Total		2,996,956	5,263,263	19,273	60,771	-

	Parent					
	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	3 months-1 year \$	1-5 years \$	5+ years \$
2009						
Non-interest bearing	-	1,250,989	1,609,853	-	-	-
Finance lease liability	8.58%	7,987	15,973	71,880	294,807	-
Variable interest rate instruments	4.70%	3,042,631	498,820	-	-	-
Total		4,301,607	2,124,646	71,880	294,807	-
2008						
Non-interest bearing	-	1,243,046	4,490,845	-	-	-
Finance lease liability	11.25%	1,646	3,292	14,814	54,331	-
Variable interest rate instruments	6.50%	1,750,184	398,760	-	-	-
Total		2,994,876	4,892,897	14,814	54,331	-

The following tables detail the company's and 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 company/Group anticipates that the cash flow will occur in a different period based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Consolidated					
	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	3 months-1 year \$	1-5 years \$	5+ years \$
2009						
Non-interest bearing	-	1,622,556	2,740,267	-	-	-
Variable interest rate instruments	1.09%	4,760,354	-	-	-	-
Total		6,382,910	2,740,267	-	-	-
2008						
Non-interest bearing	-	899,765	1,774,775	-	-	-
Variable interest rate instruments	4.69%	281,586	-	-	-	-
Total		1,181,351	1,774,775	-	-	-

	Parent					
	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	3 months-1 year \$	1-5 years \$	5+ years \$
	2009					
Non-interest bearing	-	910,371	1,531,206	-	-	-
Variable interest rate instruments	0.50%	2,994,187	-	-	-	-
<b>Total</b>		<b>3,904,558</b>	<b>1,531,206</b>	<b>-</b>	<b>-</b>	<b>-</b>
2008						
Non-interest bearing	-	850,621	1,595,830	-	-	-
Variable interest rate instruments	4.93%	105,862	-	-	-	-
<b>Total</b>		<b>957,003</b>	<b>1,595,830</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (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.

## 30. Events after the balance sheet date

Since the end of the financial year NetComm has implemented an on-market share buyback scheme, and announced an interim 1c dividend to be paid at the end of September 2009.

## 31. Segment reporting

### (a) Industry and location

The public company operates predominantly in the computer hardware products business segment. The primary basis of segment reporting for the consolidated entity is presented in the geographical segment.

### (b) Business and Geographic Segments

#### Business segments

The Group operates in one business segment:

- Computer hardware products

#### Geographic segments

The Group's business segments are located in the following two countries:

- Australia
- New Zealand

### (c) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles, and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

### d) Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. These transfers are eliminated on consolidation.

## e) Primary reporting - Geographical segments (continued)

	Australia		New Zealand		Other Operations/ Eliminations		Consolidated	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<b>REVENUE</b>								
Sales and other revenue	74,820,804	15,776,392	3,652,584	3,591,698	-	-	78,473,388	19,368,090
Total revenue from external customers	74,820,804	15,776,392	3,652,584	3,591,698	-	-	78,473,388	19,368,090
Inter-segment revenue	1,346,747	493,394	8,794	21,801	(1,355,541)	(515,195)	-	-
Total segment revenue	76,167,551	16,269,786	3,661,378	3,613,499	(1,355,541)	(515,195)	78,473,388	19,368,090
<b>RESULT</b>								
Net profit/(loss) for the period	5,747,418	1,841,498	143,960	304,906	-	-	5,891,378	2,146,404
Segment result	5,747,418	1,841,498	143,960	304,906	-	-	5,891,378	2,146,404
<b>ASSETS</b>								
Segment assets	28,966,881	18,433,860	1,154,904	1,049,326	(2,419,543)	(1,092,732)	27,702,242	18,390,454
<b>LIABILITIES</b>								
Segment liabilities	(13,000,146)	(8,567,123)	(747,955)	(754,059)	1,921,653	14,344	(11,826,448)	(9,306,838)

<b>OTHER</b>								
Cash flows from operating activities	8,932,909	(870,830)	1,488	(188,379)		-	8,934,397	(1,059,209)
Cash flows from investing activities	(4,030,508)	(553,990)	19,617	(40,588)		-	(4,010,891)	(594,578)
Cash flows from financing activities	(439,754)	896,016	(4,257)	(4,237)		-	(444,011)	891,779

	Australia		New Zealand		Other Operations/ Eliminations		Consolidated	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Acquisition of non current segment asset	1,456,646	598,199	2,111	40,588		-	1,458,757	638,787
Depreciation and amortisation of segment assets	736,744	261,857	35,477	34,444		-	772,221	296,301
<b>segment assets</b>								
Other non cash segment expenses	439,055	14,412	1,411	-		-	440,466	14,412

## 32. Company details

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

**NetComm Limited**

**Unit 1**

**2-6 Orion Road**

**Lane Cove NSW 2066**

# Directors' Declaration

## The directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 58, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and economic entity;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. Assurance has been received from the Chief Executive Officer and Chief Financial Officer that this declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.
4. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



T R Winters 30 September 2009

Director



D P J Stewart 30 September 2009



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## Independent Auditor's Report to the Members of NetComm Limited

### Report on the Financial Report

We have audited the accompanying financial report of NetComm Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 as set out on pages 32 to 70.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we 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 entity's preparation and fair presentation of the financial report 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 entity'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.



# Deloitte.

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

## *Auditor's Independence Declaration*

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 Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

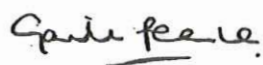
We have audited the Remuneration Report included in pages 24 to 28 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of NetComm Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Gaile Pearce  
Partner  
Chartered Accountants  
Sydney, 30 September 2009



# ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 31 August 2009.

## 1 DISTRIBUTION OF SHAREHOLDERS

Analysis of number of shareholders by size of holding

Category of Holding	Number	Number of Shares
1 - 1,000	105	62,810
1,001 - 5,000	445	1,354,579
5,001 - 10,000	247	2,069,229
10,001 - 100,000	555	19,248,843
100,001 - share and over	110	79,689,156
<b>Total</b>	<b>1,462</b>	<b>102,424,617</b>

## 2 TWENTY LARGEST SHAREHOLDERS

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

	Number of Shares	% of total shares
Brad Industries Pty Ltd	22,647,063	22.11%
YellowTuna Networks Limited	8,254,095	8.06%
Barry Anthony Mitchell	4,078,364	3.98%
Dr Colin Rose	3,865,535	3.77%
Michael John Cornelius	3,196,170	3.12%
Andrew Glackin	2,670,600	2.61%
Askey Computer Corp	2,053,528	2.00%
Garry Arthur Thomas	1,170,684	1.14%
Porttel Pty Ltd	1,000,000	0.98%
Waldie Super Fund A/c	1,000,000	0.98%
Bradley Alan Cox	950,000	0.93%
Mark Kenneth Davie	943,350	0.92%
Catch 88 Pty Ltd	931,560	0.91%
William Charles Wheelahan	900,000	0.88%
Comsec Nominees Pty Limited	831,800	0.81%
Gordon Coad & Shirley Pratt	830,000	0.81%
Mrs Cher Suey Cheah	820,000	0.80%
Paul James Harvey	805,000	0.79%
Kota Zoubari	800,000	0.78%
Darren Jacobus Jansen	776,210	0.76%
<b>Total</b>	<b>58,523,959</b>	<b>57.14%</b>

## 3 VOTING RIGHTS

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

## 4 SUBSTANTIAL SHAREHOLDERS

As at 31 August 2009 the substantial shareholders were as follows:

Shareholder	Number of Shares
Brad Industries Pty Ltd	22,647,063
YellowTuna Networks Limited	8,254,095
Barry Anthony Mitchell	4,078,364

# CORPORATE DIRECTORY

## COMPANY

**NETCOMM LIMITED**

**ABN 85 002 490 486**

## DIRECTORS

T R Winters (Non-Executive Chairman)

D P J Stewart (Managing Director)

J A Brennan (Non-Executive Director)

J M Burton (Non-Executive Director)

## COMPANY SECRETARY

P Beveridge

## REGISTERED OFFICE

2 – 6 Orion Road

Lane Cove NSW 2066

Telephone: +61 (2) 9424 2000

Facsimile: +61 (2) 9427 9260

## AUDITOR

Deloitte Touche Tohmatsu

Chartered Accountants

Grosvenor Place

225 George Street, Sydney NSW 2000

## SOLICITORS

DLA Phillips Fox

201 Elizabeth Street, Sydney NSW 2000

## BANKERS

National Australia Bank

## SHARE REGISTER

Computershare Investor Services Pty Limited

Level 3

60 Carrington Street

Sydney NSW 2000

Telephone: 1300 855 080

## WEB ADDRESS

[www.netcomm.com.au](http://www.netcomm.com.au)