

NetComm Limited – Annual Report 2007-2008

nothing happens by chance



*Nothing happens quite by chance.
It's a question of **accretion of
information and experience.***

Jonas Salk
Microbiologist (1914 - 1995)

Founded in 1982, NetComm is a leading provider of data communications products and services. With the explosion of Broadband services throughout the world, we have developed next generation broadband technologies that deliver quality, high data speeds, reliability and security. Our products are designed to meet the requirements and conditions of countries throughout the world. Based in Sydney, and with offices throughout Australia and New Zealand, all NetComm products are designed and developed to the highest standard.

NetComm is a well recognised name in the field of data communications and has secured the position of being the 'First to Market' in Australia with proven technologies and services. NetComm history of firsts includes:

- First dial up modem
- First ADSL modem to market in 1999
- First VoIP Analogue Telephone Adapter (ATA)
- First combined ADSL and VoIP integrated device
- First commercial wireless hotspot

Our vision is to pave the way in data communication technologies and strengthen our position as a leading supplier of broadband products and services worldwide in the rapidly evolving communications industry.

“
*Doing the best **at this moment**
puts you in the best place **for the**
next moment.*”

Oprah Winfrey
Television Host and Philanthropist (1954 -)



Mr. Terry Winters, Chairman's Letter

It is my pleasure to announce the financial results for NetComm Limited for 2008. We have achieved another strong result, amidst an increasingly competitive environment which has presented us with both challenges and opportunity. NetComm's performance has been underpinned by a disciplined approach to our business and by not compromising on the fundamentals.

Our focus has been on continued profitable growth and maintaining strong returns to our shareholders. The consolidated profit of the Group after providing for income tax and eliminating minority equity interests amounted to \$2,146,404.

Revenue was down as expected with a number of product lines that did not meet acceptable gross profit margins. These have been discontinued to make way for new technologies.


NetComm has invested the second six months of the financial year focusing on the development of NetAssure and a series of HSPA (3G) routers, which will generate revenue for the next financial year.

The company's new managed network service business unit, NetAssure is also making good progress following the launch in May. With the NetAssure network operations centre now operational, we anticipate the market will begin to re-rate the company's stock with a higher P/E ratio, usually credited to technology services companies.

Implementation of NetComm's 3G strategy and NetAssure service demonstrates the company's capacity to evolve and improve market position to set the foundation for continued growth and improving profitability.

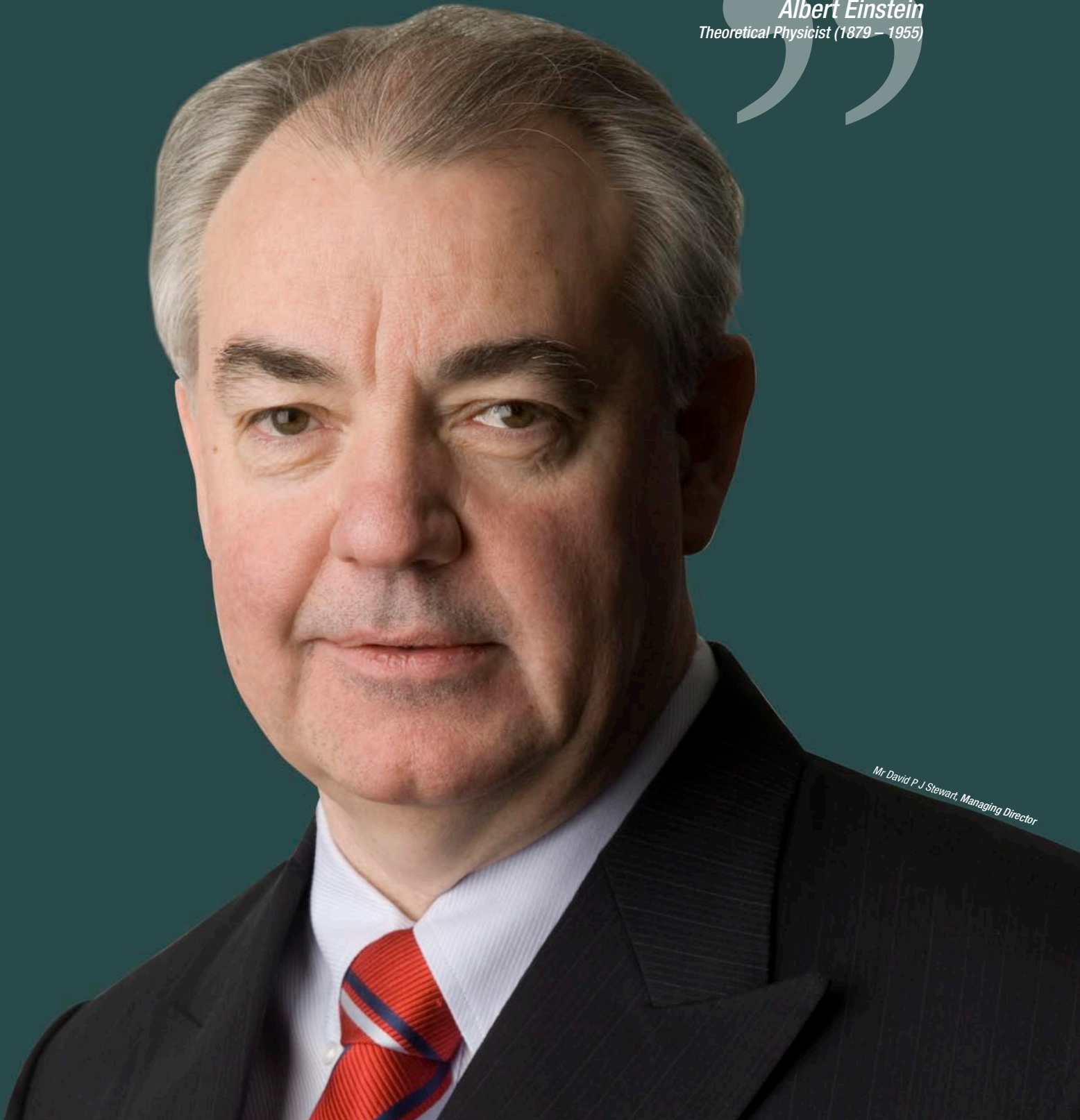
We believe we have strong momentum and are pleased with the stock's performance year-to-date and will continue to report on more achievements in 2009.

Finally, I would like to take this opportunity to thank Managing Director, David Stewart and the NetComm team for their continued commitment and enthusiasm to the company.

A handwritten signature in dark red ink, appearing to read "C. Perry". The signature is fluid and cursive, written in a professional style.

“
To look to the future we must first look back
upon the past. That is where **the seeds of
the future were planted.**”

Albert Einstein
Theoretical Physicist (1879 – 1955)



Mr. David P. J. Stewart, Managing Director

The past year was characterized by the relentless pace of change, as the company fought to quickly adapt to the changing requirements of customers, emerging technologies and high expectations. We feel confident and challenged by this environment and have set ourselves for sustainable development in new business outside current core business.

The board's strategy has lifted our share price to three year highs at a time when the market is down 26% on last year's high and it has also built a strong foundation for continued growth and profitability.

The most significant contributor to this improved performance has been the supplier agreement with Telstra that makes us a significant player in the 3G wireless broadband space. The recent launch of the new Telstra Turbo 7 Series Wireless Gateway and BigPond 7.2 Wireless Broadband Home Network Gateway, which were developed and built by NetComm, is evidence that we are set to capitalise on the rapidly expanding 3G market.

NetComm's 3G mobile broadband market leadership will grow revenues and deliver stronger returns.

Moving forward, our focus areas are mobile broadband, managed network services and broadband infrastructure for commercial businesses. Strengthening leadership in these new business units will not only build on our long-established success in a profitable way, but also provide a much valued commodity.

To successfully execute these new business units, we have not only grown our R&D, Marketing and Sales teams but strengthened our Senior Management team. Our strong brand value, combined with experience, commanding technologies and leading market share will translate into a profitable future for our investors.



D.P.J. Stewart

“Without **continual** growth and progress, such words as improvement, achievement, and success **have no meaning**.”

Benjamin Franklin
American Statesman and Inventor (1706 - 1790)

From L-R: Mr Terry Winters, Mr John A Brennan, Mr David P J Stewart, Mr John M Burton



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 more than 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 John A Brennan, FAICD, 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.

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.

Mr John M Burton, 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.

“
It's really hard to design products by focus groups. A lot of times, **people don't know what they want until you show it to them.**
”

Steve Jobs
CEO and Founder, Apple Inc. (1955 -)



Mr. Robert Linstell, Commercial Director

Our Business Focus

The possibilities of broadband are **endless**. Our ability to understand the needs of **consumers** and **businesses** enables us to deliver the right solution and drive the future to broadband solutions and services.

Our **new focus areas** are **mobile broadband**, **managed network services** and **broadband infrastructure** for commercial businesses. Strengthening leadership in these new business units will not only build on our long-established success but advance our **leading market share position**.

"We are leveraging our recognised position in the local market by introducing new communications solutions into known growth areas such as 3G mobile broadband, managed network services and commercial applications such as retirement villages, hotels and leisure villages.

Over the past year we have established new relationships and strengthened existing relationships with our products and services throughout the world.

With our new and exciting HSPA (3G) embedded and non-embedded product range, we are delivering leading wireless mobile broadband technologies to developing countries who have bypassed the installation of fixed wire copper networks with HSPA infrastructure. We are embarking on an aggressive overseas strategy to introduce this product range to mobile carriers, fulfilling their expansion of services into the data communications area."

Robert Linsdell
Commercial Director

Commercial Broadband Mobile Broadband

Our focus is developing **next generation wireless broadband** technologies that deliver quality, high data speeds, reliability and security throughout the world. As an **industry leader** of HSPA (3G) technology, our range of embedded and non-embedded HSPA solutions facilitates the broadband evolution.

Mobile Carriers throughout the world are in a race for the fastest network. Our HSPA solutions are developed to deliver these network speeds in the form of **reliable performance** of advanced applications such as **multimedia, video conferencing, GPS, interactive gaming, corporate network access** and **browsing the web**.

Providing broadband connectivity to **new** and **existing developments** has become an important area of **growth**. NetComm's commercial solutions are moulded to fit any environment business or residential environment, with the focus to provide **real value connectivity** to non traditional markets seeking Internet access.

Our **commercial suite** plays a vital part to NetComm's sustainable future and is moving forward to be **exported** and **leveraged** to add to a **multimillion dollar** export commodity.

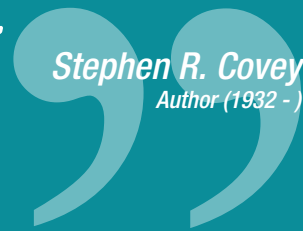
Managed Network Service

ICT is changing the way businesses are managed. NetComm's **25 year history** of providing data communication solutions to residential customers and business customers, has made moving into the managed network service arena a **natural progression**. NetComm's NetAssure Platform not only **understands** the IT security challenges of **SME, enterprise** and **government departments**, but delivers effective IT requirements that keeps organisations **productive** and **cost efficient** through:

- Network monitoring
- Bandwidth control
- Web content filtering and the ability to block unwanted sites to reduce cyber-slacking
- Secure network access for sharing data with a secure Firewall VPN
- Protecting the network from threats
- Improved operational efficiency
- Secure network access both internally and remotely
- Traffic logs recorded and reported
- Reducing the unnecessary workload of valuable IT resources and overall network costs



*Accountability breeds
response-ability.*



Stephen R. Covey
Author (1932 -)

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. 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

The Board has established a Nominations and Remunerations Committee. The Committee Charter, which is available on the Company's website, specifies the Committee's composition, responsibilities and member qualifications. The Board Charter provides that the Board is to be comprised of a majority of non-executive independent directors with a Chairman who is independent and non-executive. 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 adopted a series of policies comprising a Code of Conduct for the Board which all Directors must sign prior to appointment to the Board. 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 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.

Principle 8: Encourage enhanced performance

The Board Charter provides the following:

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.

Principle 9: 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 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.

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

Principle 10: Recognise the legitimate interests of stakeholders

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.

30 June 2008

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

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	Non Executive Chairman
D P J Stewart	Managing Director
J A Brennan	Non Executive Director
J M Burton	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

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.

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.

A change in the nature of the groups' principal activities includes the introduction of NetAssure, a managed network service targeted towards the small to medium business sector. NetAssure is a subscription based product.

2. Business review

a Operating Results

The consolidated profit of the Group after providing for income tax and eliminating minority equity interests amounted to \$2,146,404.

Results and Dividends	2007 \$	2008 \$
Total Revenue from Continuing Operations	19,368,090	21,340,932
EBITDA from Continuing Business	888,112	(889,435)
Operating Profit/(Loss) from Continuing Business before Taxation	512,850	(1,339,640)
Income Tax Income attributable to all activities	1,633,554	-
Loss Attributable to Minority interest	-	2,155
Net Profit/(Loss) for the year after tax	2,146,404	(1,337,485)
Dividend (cents per share)	-	-

No dividends have been paid or declared since the commencement of the last financial year and no dividends have been recommended by the directors.

b Review of operations

In the 2007 Annual Report, it was noted in the Review of Operations that NetComm was looking to achieve profitability in the 2008 Financial Year.

This goal has been achieved.

The elimination of underperforming products has led to an expected reduction in gross revenues. However, it has also provided for a significant improvement in the profitability of the business. NetComm has achieved an operating profit before tax increase of over \$1.8m during the 2008 financial year.

NetComm has invested heavily in 2007/08 on two key areas of development:

1. NetAssure, a new product line providing self-managed VPN network services for the small to medium enterprise market. NetAssure is a product that will help business reduce the costs of establishing traditionally expensive multi-site secured internet connections.
2. 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 now disciplined focus on achieving the right product mix will continue to reap significant rewards for the group. With an obviously leaner operation, any significant increases in new product revenues will be translated into stronger bottom line results.

c Significant Changes in State of Affairs

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

d Subsequent events

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

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, 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 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 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.
Mr John A Brennan	FAICD, FAIM, 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.
Mr John M Burton	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.

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
D P 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 2008.

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

Key Management Person	Position
T R Winters	Non Executive Chairman
D P J Stewart	Managing Director
J A Brennan	Non Executive Director
J M Burton	Non Executive Director
D Morrison	General Manager
S Van Es	Former Company Secretary and Financial Controller

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 2008:

Year ended 30 June 2008

	Short term employee benefits		Post Employment Superannuation Benefits \$	Share Based Payments \$	Other benefits	Total \$
	Salary and Fees \$	Other Benefits \$		Options \$	Termination benefits \$	
Directors						
T R Winters	51,780	-	-	-	-	51,780
D P J Stewart	295,000	20,000	15,000	-	-	330,000
J A Brennan	22,000	-	-	-	-	22,000
J M Burton	27,168	-	-	-	-	27,168
	395,948	20,000	15,000	-	-	430,948
Other Key Management Personnel						
S J Van Es	103,063	-	8,171	2,636	-	113,870
D Morrison	159,999	-	13,049	1,073	-	174,121
	130,868	-	21,220	3,709	-	287,991

Year ended 30 June 2007

	Short term employee benefits		Post Employment Superannuation Benefits \$	Share Based Payments \$	Other benefits	Total \$
	Salary and Fees \$	Other Benefits \$		Options \$	Termination benefits \$	
Directors						
T R Winters	48,000	-	-	-	-	48,000
D P J Stewart	299,423	20,000	10,577	-	-	330,000
M J Boorne	125,000	-	-	-	-	125,000
J A Brennan	24,000	-	-	-	-	24,000
J M Burton	24,000	-	-	-	-	24,000
I C Ferry **	15,691	3,170	-	-	52,231	71,092
	706,239	25,214	10,577	-	52,231	622,092
Other Key Management Personnel,						
S J Van Es	44,108	-	4,102	325	-	48,535
S M Piry ***	8,034	-	2,718	-	21,719	33,346
L Luchowski	57,007	-	6,027	3,142	-	66,176
	109,149	-	12,847	3,467	21,719	148,057

** Mr Ferry's salary was converted from NZD to AUD for 2 months until his resignation on 6 September 2006. Mr Ferry was the only director employed by the consolidated entity and not the company. Other key management personnel are employed by the company.

*** S M Piry resigned on 20 October 2006.

Service Agreements and Bonus Schemes

The following directors 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 \$330,000 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.

The other directors and key management personnel do not have service contracts.

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

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 29 August 2002	29/08/02	29/08/07	0.08	-
Issued 13 December 2004	13/12/04	13/12/09	0.20	0.066
Issued 24 June 2005	24/06/05	24/06/10	0.14	0.060
Issued 20 August 2006	20/08/06	20/08/11	0.09	0.045
Issued 26 April 2007	26/04/07	26/04/12	0.064	0.045
Issued 19 July 2007	19/07/07	19/07/12	0.06	0.030
Issued 17 December 2007	17/12/07	17/12/12	0.07	0.039

At the date of this report, there are 2,210,000 options (2007: 2,325,000) issued to 20 employees (2007: 21) to acquire ordinary shares:

Number of Options	Exercise Price \$	Expiry Date
50,000	0.200	13 December 2009
62,500	0.140	24 June 2010
750,000	0.090	20 August 2011
847,500	0.064	26 April 2012
50,000	0.060	19 July 2012
450,000	0.070	17 December 2012
2,210,000		

592,500 (2007: 1,592,500) options issued to employees expired during the financial year in accordance with the rules of the share option plan. 550,000 (2007: 2,562,500) new options were issued in accordance with the rules of the share option plan during the year. None of these options have vested at 30 June 2008. 72,500 (2007: Nil) options issued to employees were exercised during the financial year. 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 February 2008 Netcomm issued 1,500,000 share options to the Logged On Group. The options vest in 12 months, expire in 4 years, and have a pre-condition market share price of \$0.30. 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 2008.

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

Name	Date granted	During the financial year				% of compensation for the year consisting of options
		No. granted	No. vested	% of grant vested	% of grant forfeited	
2008						
D Morrison	17/12/07	100,000	nil	0%	0%	nil
S J Van Es	17/12/07	50,000	nil	0%	100%*	nil
2007						
S J Van Es	26/04/07	100,000	nil	0%	0%	1%

* S J Van Es forfeited his share options upon resignation of the company on 13 June 2008. 100,000 options issued in April 2007 were also forfeited

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	-
D P J Stewart	22,647,063	-
J M Burton	377,795	-
J A Brennan	222,795	-

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 2008 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 2008:

	2008 \$	2007 \$
Tax compliance services	13,000	6,000
Due diligence services	1,500	-
Other non audit services	-	825
	14,500	6,825



The Board of Directors
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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 2008, 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, 21 August 2008

Liability limited by a scheme approved under Professional Standards Legislation.

*A big part of financial freedom is
having your heart and mind free **from**
worry about the what-ifs of life.*

Suze Orman
Financial Advisor, Writer, (1951 -)

Financial Statements For the Year Ended 30 June 2007

NetComm Limited

ACN 002 490 486

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Income Statement

For the Year Ended 30 June 2008

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	19,368,090	21,340,932	16,265,377	17,377,518
Change in inventories of finished goods and work in progress		198,891	355,147	92,045	588,131
Raw materials consumed		(11,502,122)	(14,148,595)	(9,700,593)	(12,050,572)
Employee benefits expense		(3,513,342)	(4,034,287)	(2,919,256)	(3,201,555)
Depreciation and amortisation expense		(296,301)	(331,317)	(261,857)	(296,481)
Other expenses	3	(3,632,356)	(4,402,635)	(3,160,027)	(3,760,149)
Finance costs	3	(110,010)	(118,885)	(108,334)	(118,885)
Profit/(loss) before income tax		512,850	(1,339,640)	207,355	(1,461,993)
Income tax (expense)/income	4	1,633,554	-	1,633,554	-
Profit (loss) after income tax		2,146,404	(1,339,640)	1,840,909	(1,461,993)
Attributable to					
Equity holders of the parent		2,146,404	(1,337,485)	1,840,909	(1,461,993)
Minority interest		-	(2,155)	-	-
		2,146,404	(1,339,640)	1,840,909	(1,461,993)

Earnings/(loss) per share:

Basic earnings/(loss) per share (cents per share)	26	2.39	(1.70)	-	-
Diluted earnings (loss) per share (cents per share)	26	2.38	(1.70)	-	-

Balance Sheet

For the Year Ended 30 June 2008

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
ASSETS					
Current assets					
Cash and cash equivalents	6	282,639	1,009,167	106,382	635,777
Trade and other receivables	7	2,674,540	3,031,209	2,446,451	2,621,558
Inventories	8	9,336,861	4,838,157	8,685,929	4,156,942
Other current assets	10	187,046	120,675	185,316	36,299
Total current assets		12,481,086	8,999,208	11,424,078	7,450,576
Non current assets					
Investments in controlled entities	9	-	-	1,092,732	1,092,732
Property, plant and equipment	11	520,284	549,032	473,042	482,307
Deferred tax assets	4(c)	1,633,554	-	1,633,554	-
Intangible assets	12	605,629	181,826	575,630	181,826
Other non current inventories	8	3,149,901	-	3,149,901	-
Total non current assets		5,909,368	730,858	6,924,859	1,756,865
TOTAL ASSETS		18,390,454	9,730,066	18,348,937	9,207,441
LIABILITIES					
Current liabilities					
Trade and other payables	13	6,758,272	2,710,957	7,150,623	3,280,235
Borrowings	14	2,163,242	1,249,564	2,158,953	1,249,564
Short term provisions	15	204,512	155,438	204,512	155,438
Other current liabilities	16	114,400	1,061,887	46,000	46,000
Total current liabilities		9,240,426	5,177,846	9,560,088	4,731,237
Non current liabilities					
Borrowings	14	52,441	-	47,124	-
Long term provisions	15	13,971	31,236	13,971	31,236
Total non current liabilities		66,412	31,236	61,095	31,236
TOTAL LIABILITIES		9,306,838	5,209,082	9,621,183	4,762,473
NET ASSETS		9,083,616	4,520,984	8,727,754	4,444,968

EQUITY					
Issued capital	17	7,770,904	6,580,314	7,770,904	6,580,314
Reserves	18	1,273,746	48,108	1,314,365	63,078
Retained earnings/ (Accumulated losses)		38,966	(2,107,438)	(357,515)	(2,198,424)
TOTAL EQUITY		9,083,616	4,520,984	8,727,754	4,444,968

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

Statement of Changes in Equity

For the Year Ended 30 June 2008

2008		Parent				
	Note	Ordinary Shares \$	Accumulated Losses \$	Option Reserve \$	Share Rights Reserve \$	Total \$
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	17(a)	1,190,590	-	-	1,236,875	2,427,465
Recognition of share based payments	24	-	-	14,412	-	-14,412
Balance at 30 June 2008		7,770,904	(357,515)	77,490	1,236,875	8,727,754

2007		Parent			
	Note	Ordinary Shares \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance at 1 July 2007		6,393,442	(736,431)	41,227	5,698,238
Loss attributable to members of the parent entity		-	(1,461,993)	-	(1,461,993)
Total recognised income and expense		-	(1,461,993)	-	(1,461,993)
Contributions of equity net of transaction costs	17(a)	186,872	-	-	186,872
Recognition of share based payments	24	-	-	21,851	21,851
Balance at 30 June 2008		6,580,314	(2,198,424)	63,078	4,444,968

Statement of Changes in Equity

For the Year Ended 30 June 2008

2008		Parent					
	Note	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Share Rights Reserve \$	Total \$
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 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	17(a)	1,190,590	-	-		1,236,875	2,427,465
Recognition of share based payments	24	-	-	-	14,412	-	14,412
Balance at 30 June 2008		7,770,904	38,966	(40,619)	77,490	1,236,875	9,083,616

2007		Parent					
	Note	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Minority Equity Interests \$	Total \$
Balance at 1 July 2006		6,393,442	(769,953)	(14,033)	41,227	186,871	5,837,554
Exchange difference on retranslation of foreign operations		-	-	(937)	-	-	(937)
Net income recognised directly in equity		-	-	(25,649)	-	-	(25,649)
Loss attributable to members of parent entity		-	(1,339,640)	-	-	-	(1,339,640)
Loss attributable to minority interest		-	2,155	-	-	(2,155)	-
Total recognised income and expense		-	(1,337,485)	(937)	-	(2,155)	(1,340,577)
Contributions of equity net of transaction costs	17(a)	1,86,872	-	-	-	(184,716)	(2,156)
Recognition of share based payments	24	-	-	-	14,412	-	14,412
Balance at 30 June 2007		6,580,314	(2,107,438)	(14,970)	63,078	-	4,520,984

Cash Flow Statement

For the Year Ended 30 June 2008

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash flows from operating activities:					
Receipts from customers		21,667,487	26,075,680	17,879,315	20,476,151
Payments to suppliers and employees		(22,616,686)	(26,669,418)	(18,628,600)	(20,838,522)
Interest received		31,049	66,527	17,247	47,387
Finance costs		(110,010)	(118,885)	(108,334)	(118,885)
Income taxes paid		-	-	-	-
Net cash used in operating activities	21	(1,028,160)	(646,096)	(840,372)	(433,869)
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		13,160	69,867	13,160	907
Acquisition of property, plant and equipment		(87,581)	(199,151)	(87,581)	(197,679)
Acquisition of intangible assets		(551,206)	(49,669)	(510,618)	(49,670)
Net cash used in investing activities		(625,627)	(178,953)	(585,039)	(246,442)
Cash flows from financing activities:					
Proceeds from issue of shares		5,590	-	5,590	-
Proceeds from borrowings		895,678	277	895,678	277
Repayment of borrowings		(9,489)	-	(5,252)	-
Net cash provided by financing activities		891,779	277	896,016	277
Net decrease in cash and cash equivalents held		(762,008)	(824,772)	(529,395)	(680,034)
Cash and cash equivalents at beginning of financial year		1,009,167	1,833,002	635,777	1,315,811
Effect of exchange rates on cash holdings in foreign currencies		35,480	937	-	-
Cash and cash equivalents at end of financial year	6(c)	282,639	1,009,167	106,382	635,777

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

Notes to the Financial Statements

For the Year Ended 30 June 2008

1 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 21 August 2008.

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(v) for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)'
- AASB 7 'Financial Instruments: Disclosures'

(a) Principals of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NetComm Limited as at 30 June 2008 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 an 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 inter company 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) 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.

(c) Goods and Services Tax (GST)

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

Receivables and payables in the balance sheet are shown inclusive of GST and the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(d) 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 substantially 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.

(e) 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).

(f) 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 24.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

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

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Intangibles

Research and development costs

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

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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Earnings/(loss) per share

Basic earnings/(loss) per share is determined by dividing net profit/(loss) 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/(loss) 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.

(t) 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.

(u) 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, which are expected to be applied in the financial year ending 30 June 2010, will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

AASB 101 'Presentation of Financial Statements (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Effective for annual reporting periods beginning on or after 1 January 2009

Initial application of the following Standards and Interpretations, which are expected to be initially applied in the financial year ending 30 June 2010 unless otherwise stated, are not expected to have any material impact on the financial report of the Group and the company:

AASB Interpretation 12 'Service Concession Arrangements', AASB Interpretation 4 'Determining whether an Arrangement contains a Lease' (revised), AASB Interpretation 129 'Service Concession Arrangements: Disclosure' (revised), AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12'	Effective for annual reporting periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	Effective for annual reporting periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
AASB Interpretation 13 'Customer Loyalty Programmes'	Effective for annual reporting periods beginning on or after 1 July 2008. Expected to be initially applied in the financial year ending 30 June 2009.
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standards, which are expected to be initially applied in the financial year ending 30 June 2010, have not yet been determined:

IFRIC 15 'Agreements for the Construction of Real Estate'	Effective for annual reporting periods beginning on or after 1 January 2009
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'	Effective for annual reporting periods beginning on or after 1 October 2008
Improvements to IFRSs (2008)	Effective for annual reporting periods beginning on or after 1 January 2009
Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	Effective for annual reporting periods beginning on or after 1 January 2009

(v) Critical accounting estimates and judgments

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.

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

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 are probable of recoupment with reference to taxable income forecasts. Taxable income forecasts incorporate a number of key judgements and estimates."

2 Revenue and other income

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Revenue				
Sales revenue	19,247,534	21,207,635	16,064,308	17,236,825
Interest revenue	31,049	66,527	17,247	47,387
	19,278,583	21,274,162	16,081,555	17,284,212
Other revenue				
Management fees	-	-	168,000	35,479
Other revenue	89,507	66,770	15,822	57,827
	89,507	66,770	183,822	93,306
Total revenue and other income	19,368,090	21,340,932	16,265,377	17,377,518

3 Expenses

Included in expenses are the following specific items

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Other expenses comprising:				
Advertising and marketing	488,757	685,934	456,985	645,918
Property expenses	421,441	492,904	355,340	395,878
Distribution and selling costs	791,264	832,145	561,891	540,313
Insurance expenses	145,310	114,420	103,688	99,335
Legal & professional fees	333,379	404,475	311,133	315,093
Travel expenses	221,892	285,037	199,489	255,854
Contractor costs	313,245	578,383	313,245	578,383
Other expenses	917,068	1,009,337	858,256	929,375
	3,632,356	4,402,635	3,160,027	3,760,149
Depreciation, amortisation and impairments:				
Depreciation of property plant and equipment (note 11(b))	168,898	208,943	145,043	174,107
Amortisation of intangible assets (note 12(b))	127,403	122,374	116,814	122,374
	296,301	331,317	261,857	296,481
Remuneration of parent company auditor:				
Auditing or reviewing the financial report	83,142	96,324	83,142	96,324
Taxation services	13,000	6,000	13,000	6,000
Due diligence services	1,500	-	1,500	-
Other services	-	825	-	825
	97,642	103,149	97,642	103,149

3 Expenses (continued)

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Other auditors:				
Auditing or reviewing the financial report	20,606	18,596	-	-
Other assurance services	3,336	1,203	-	-
	23,942	19,799	-	-
Rental expense on operating leases				
Minimum lease payments	325,347	407,950	274,432	328,631
Finance Costs:				
Bank loans and overdrafts	105,360	118,885	105,360	118,885
Finance leases	4,650	-	2,974	-
	110,010	118,885	108,334	118,885
Cost of sales	11,303,231	13,793,448	9,608,548	11,462,441
Impairment of trade receivables	51,179	67,124	50,999	62,624
Defined contribution superannuation expense	242,068	227,373	236,898	216,899
Loss on sale of property, plant and equipment	2,725	-	2,725	-
Research & development costs	28,272	-	28,272	-

4 Income tax expense/(income)

(a) Income tax recognised in profit or loss

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Deferred tax expense(income) relating to the origination and reversal of temporary differences	168,825	-	69,030	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce deferred tax expense	(1,802,379)	-	(1,702,584)	-
Total tax expense (income)	(1,633,554)	-	(1,633,554)	-

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 the company entering into new supply and distribution agreements in the latter part of the current 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.

4 Income tax expense/(income) (continued)

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

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Net profit/(loss) before tax	512,850	(1,337,485)	207,355	(1,461,993)
Tax at the Australian tax rate of 30% (2007: 30%)	153,855	(401,825)	62,207	(438,597)
Share based payments	4,323	6,555	4,323	6,555
Entertainment	2,500	-	2,500	-
Difference in overseas tax rates	9,147	47	-	-
Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets(note 4c)	(1,802,379)	-	(1,702,584)	-
Tax benefit on tax losses not recognised (note 4d)	-	395,223	-	432,042
Income tax(income)	(1,633,554)	-	(1,633,554)	

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

2008	Consolidated and Parent			
	Opening balance \$	Charged to income \$	Exchange differences \$	Closing balance \$
Temporary differences				
Unused tax losses	-	1,363,799	-	1,363,799
Property, plant and equipment	-	43,077	-	43,077
Accrued expenses	-	65,812	-	65,812
Doubtful debts	-	9,351	-	9,351
Employee entitlements	-	124,707	-	124,707
Inventory	-	26,808	-	26,808
	-	1,633,554	-	1,633,554

(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	
	2008 \$	2007 \$	2008 \$	2007 \$
Tax losses at 30% (2007: 30%)	2,233,815	3,671,145	2,204,945	3,642,098
Capital losses at 30% (2007: 30%)	170,904	170,904	170,904	170,904
Overseas tax losses at 33%	-	68,602	-	-
	2,404,719	3,910,651	2,375,849	3,813,002

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. The decision to consolidate for tax purposes has not yet been formally notified to the Australian Taxation Office.

5 Dividends

No dividends have been proposed or paid in the year-ended 30 June 2008 (2007: \$nil).

(a) Balance of franking account

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
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	-	-	-	-
	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash on hand	1,053	1,311	520	500
Cash at bank	281,586	1,007,856	105,862	635,277
	282,639	1,009,167	106,382	635,777
These funds are bearing floating interest rates of between 1.25% to 7.0% (2007: 1.25% to 6.2%)				

(c) Reconciliation of cash and cash equivalents

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
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	282,639	1,009,167	106,382	635,777
Bank overdrafts	-	-	-	-
	282,639	1,009,167	106,382	635,777

7 Trade and other receivables

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade receivables (i)	2,705,710	3,082,404	2,477,621	2,672,753
Allowance for doubtful debts	(31,170)	(51,195)	(31,170)	(51,195)
	2,674,540	3,031,209	2,446,451	2,621,558

(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 \$757,080 (2007: \$1,275,488) 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 (2007: 49 days).

Ageing of past due but not impaired	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
30-60 days	728,704	1,172,635	696,321	1,004,186
60-90 days	6,854	63,574	292	57,573
90+ days	21,522	39,279	674	22,894
	757,080	1,275,488	697,287	1,084,653
Movement in the allowance for doubtful debts	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance at the beginning of the year	51,195	37,543	51,195	32,543
Impairment loss recognised on receivables	51,179	67,124	50,999	62,624
Amounts written off as uncollectible	(71,204)	(53,472)	(71,024)	(43,972)
Balance at the end of the year	31,170	51,195	31,170	51,195

Ageing of impaired receivables	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
30-60 days	-	-	-	-
60-90 days	-	-	-	-
90+ days	51,179	67,124	50,999	62,624
	51,179	67,124	50,999	62,624

8 Inventories

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Current				
Raw materials and stores	371,167	171,730	371,167	130,505
Finished goods	3,721,240	3,721,786	3,202,602	3,351,220
NetAssure inventories - components	146,527	-	146,527	-
Goods in transit (*)	5,097,927	944,641	4,965,633	675,217
	9,336,861	4,838,157	8,685,929	4,156,942
Non - Current				
NetAssure inventories - components	3,149,901	-	3,149,901	-

(*) As at 30 June 2008, \$4,185,702 of the consolidated Goods In Transit were held exclusively for deliveries under the Telstra Supply Agreement.

9 Other financial assets

(a) Investments in controlled entities

	Askey Australia Pty Ltd \$	Dynalink Modems Ltd \$	Banksia Technology Pty Ltd \$	Mike Boorne Electronics Pty Ltd \$	Spirit Technology (HK) Ltd \$	Total \$
Balance at beginning and end of year – at cost	922,461	168,333	2	1	1,935	1,092,732
30 June 2008	922,461	168,333	2	1	1,935	1,092,732

(b) Subsidiaries

Name of subsidiary	Country of incorporation	Percentage owned 2008 %	Percentage owned 2007 %
Askey Australia Pty Ltd (i)	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

- (i) On 14 September 2006, NetComm Limited completed the acquisition of the remainder of the 19% of its Australian subsidiary, Askey Australia Pty Limited through issue of 2,053,528 shares for consideration of \$186,872. This consideration represented 19% of the fair value of the net assets of Askey Australia Pty Limited at 30 June 2007.

10 Other assets

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Prepayments	187,046	120,675	185,316	36,299
11 Property, Plant and Equipment				
(a) Summary of Property, plant and equipment				
	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Plant and equipment				
At cost	1,878,610	1,971,472	1,618,196	1,670,581
Less accumulated depreciation	(1,469,464)	(1,476,257)	(1,244,107)	(1,239,915)
Total plant and equipment	409,146	495,215	374,089	430,666
Leased plant and equipment				
At cost	80,257	-	66,090	-
Less accumulated amortisation	(8,754)	-	(5,508)	-
Total leased plant and equipment	71,503	-	60,582	-
Leasehold improvements				
At cost	142,870	143,034	140,763	140,764
Less accumulated amortisation	(103,235)	(89,217)	(102,392)	(89,123)
Total leasehold improvements	39,635	53,817	38,371	51,641
Total property, plant and equipment	520,284	549,032	473,042	482,307

(b) Property, plant and equipment

Consolidated				
	Plant and equipment \$	Leased Plant and equipment \$	Leasehold improvements \$	Total \$
2008				
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 exchange differences	(9,705)	-	(90)	(9,794)
Depreciation/amortisation expense	(146,052)	(8,754)	(14,092)	(168,898)
Carrying amount at the end of the year	409,146	71,503	39,635	520,284
2007				
Balance at the beginning of the year	574,781	-	53,911	628,692
Additions	185,881	-	13,270	199,151
Disposals	(69,868)	-	-	(69,868)
Depreciation/amortisation expense	(195,579)	-	(13,364)	(208,943)
Carrying amount at the end of the year	495,215	-	53,817	549,032
Parent				
	Plant and equipment \$	Leased Plant and equipment \$	Leasehold improvements \$	Total \$
2008				
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 expense	(126,265)	(5,508)	(13,270)	(145,043)
Carrying amount at the end of the year	374,089	60,582	38,371	473,042
2007				
Balance at the beginning of the year	405,731	-	53,911	459,642
Additions	186,679	-	11,000	197,679
Disposals	(907)	-	-	(907)
Depreciation/amortisation expense	(160,837)	-	(13,270)	(174,107)
Carrying amount at the end of the year	430,666	-	51,641	482,307

12 Intangible assets

(a) Summary of intangible assets

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Development costs				
Cost	546,914	82,790	546,914	82,790
Accumulated amortisation	(64,495)	(39,658)	(64,495)	(39,658)
Net carrying value	482,419	43,132	482,419	43,132
Computer software				
Cost	429,648	342,565	389,059	342,565
Accumulated amortisation	(306,438)	(203,871)	(295,848)	(203,871)
Net carrying value	123,210	138,694	93,211	138,694
Total	605,629	181,826	575,630	181,826

(b) Movements in carrying amounts

	Consolidated and Parent		
	Computer software \$	Development costs \$	Total \$
2007			
Balance at the beginning of the year	179,331	75,200	254,531
Additions	42,079	7,590	49,669
Amortisation	(82,716)	(39,658)	(122,374)
Carrying amount at the end of the year	138,694	43,132	181,826
30 June 2008			
	Computer software \$	Consolidated Development costs \$	Total \$
Balance at the beginning of the year	138,694	43,132	181,826
Additions	87,082	464,124	551,206
Amortisation	(102,566)	(24,837)	(127,403)
Carrying amount at the end of the year	123,210	482,419	605,629
30 June 2008			
	Computer software \$	Parent Development costs \$	Total \$
Balance at the beginning of the year	138,694	43,132	181,826
Additions	46,494	464,124	510,618
Amortisation	(91,977)	(24,837)	(116,814)
Carrying amount at the end of the year	93,211	482,419	575,630

13 Trade and other payables

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Unsecured liabilities				
Trade payables (i)	6,380,535	1,911,994	5,892,893	1,317,123
Accrued employee entitlements	245,035	242,089	208,927	180,980
Sundry payables and accrued expenses	132,702	556,874	103,179	443,092
Payable to controlled entities	-	-	945,624	1,339,040
	6,758,272	2,710,957	7,150,623	3,280,235

(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.

14 Borrowings

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Current - Secured				
Finance lease	17,999	-	13,710	-
Trade receivables finance	1,303,183	-	1,303,183	-
Trade refinance	842,060	1,249,564	842,060	1,249,564
	2,163,242	1,249,564	2,158,953	1,249,564
Non-Current - Secured				
Finance lease	52,441	-	47,124	-

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. Refer to Note 27 for further details of these borrowings. The finance lease is secured against the underlying finance lease asset. Refer to Note 20 for further details of this borrowing.

15 Provisions

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Current				
Employee entitlements	204,512	155,438	204,512	155,438
Non current				
Employee entitlements	13,971	31,236	13,971	31,236
Total provisions	218,483	186,674	218,483	186,674

16 Current other liabilities

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Deferred income	114,400	1,061,887	46,000	46,000

17 Issued Capital

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
91,111,066 (2007: 79,188,566) Ordinary shares paid up no par value	7,770,904	6,580,314	7,770,904	6,580,314

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

	2008 No.	2007 No.	2008 \$ Value	2007 \$ Value
At the beginning of reporting period	79,188,566	77,135,038	6,580,314	6,393,442
Shares issued during the year:				
17 Dec 07 (note 18)	11,850,000	-	1,185,000	-
14 Sep 06 (note 9(b))	-	2,053,528	-	186,872
Exercise of Options	72,500	-	5,590	-
At reporting date	91,111,066	79,188,566	7,770,904	6,580,314

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

18 Reserves

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.

Share Rights

During the year
8,245,833
share rights
were issued
with a value of
\$1,236,875.

On 10 December 2007, NetComm Limited executed an agreement for the acquisition of inventory for its NetAssure product line from YellowTuna Holdings Limited. Payment was made partly in cash and partly through the issue of 11,850,000 shares with an allocated value of \$1,185,000. A final payment is due in December 2008 and can be settled, subject to shareholder approval, through either the issue of 8,245,833 shares with an allocated value of \$1,236,875 or an equivalent cash payment

19 Contingent liabilities

There is a contingent liability in respect of the service contract of one executive of NetComm Limited totalling \$330,000 (2007: \$330,000). Details of the contracts can be found in the Directors' Remuneration Report.

20 Expenditure commitments

Non-cancellable operating lease commitments				
	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Not longer than 1 year	47,007	299,892	-	190,455
Longer than 1 year and not longer than 5 years	19,586	83,977	-	9,300
	66,593	383,869	-	199,755

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. Subsequent to balance date the Group

Finance lease liabilities				
	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Not longer than 1 year	25,700	19,751	-	-
Longer than 1 year and not longer than 5 years	60,774	-	54,329	-
Minimum future lease payments	86,474	-	74,080	-
Less future finance charges	(16,034)	-	(13,246)	-
Present value of minimum lease payments	70,440	-	60,834	-
Included in the financial statements as:				
Current borrowings	17,999	-	13,710	-
Non-current borrowings	52,441	-	47,124	-
	70,440	-	60,834	-

renewed its lease on its Australian offices.

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.

21 Cash flow information

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

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Profit/(loss) for the year	2,146,404	(1,339,640)	1,840,909	(1,461,993)
Non cash flows in profit/(loss)				
Depreciation and amortisation	296,301	331,317	261,857	296,481
Loss on sale of property, plant and equipment	2,725	-	2,725	-
Share based payments	14,412	21,851	14,412	21,851
Changes in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	432,253	871,887	175,107	697,309
(Increase)/decrease in inventories	(58,023)	(1,299,788)	(291,381)	(1,263,348)
(Increase)/decrease in other financial assets	-	22,795	-	22,795
(Increase)/decrease in other assets	(66,371)	348,660	(149,016)	194,710
(Increase)/decrease in deferred tax assets	(1,633,554)	-	(1,633,554)	-
Increase/(decrease) in trade and other payables	(1,131,346)	(178,502)	(1,093,240)	1,038,716
(Increase)/decrease in deferred income	(1,062,770)	629,898	-	46,000
Increase/(decrease) in provisions	31,809	(54,574)	31,809	(26,390)
Net cash from operating activities	(1,028,160)	(646,096)	(840,372)	(433,869)

Non-cash financing and investing activities

The Group acquired the exclusive right to issue licences using Mako Network systems technology in Australia. This right was acquired through cash of \$500,000 and also the issue of 11,850,000 ordinary shares and 8,245,833 share rights for total consideration of \$2,921,875. Refer note 17 for further detail.

The Group acquired property plant and equipment totalling \$80,257 (2007: \$nil) by way of finance lease. The company acquired property plant and equipment totalling \$66,090 (2007: \$nil) by way of finance lease.

22 Key management personnel compensation

(a) Directors and other key management personnel

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

22 Key management personnel compensation (continued)

T R Winters	Non Executive Chairman
D P J Stewart	Managing Director
J A Brennan	Non Executive Director
J M Burton	Non Executive Director
D Morrison	General Manager

(b) Remuneration of key management personnel

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

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

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Short term benefits	679,010	664,885	679,010	593,793
Post employment benefits	36,220	27,847	36,220	27,847
Share based payments	3,709	3,467	3,709	3,467
Termination benefits	-	73,950	-	73,950
Total	718,939	770,149	718,939	699,057

23 Related party transactions

(a) Shares held by key management personnel

2008	Balance 01/07/2007 \$	Movement during the Year – on market transactions \$	Balance 30/06/2008 \$
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
S J Van Es	-	-	-
D Morrison	-	-	-
2007			
T R Winters	206,250	-	206,250
D P J Stewart	20,271,407	2,375,656	22,647,063
M J Boorne	6,922,700	(6,922,700)	-
J A Brennan	222,795	-	222,795
J M Burton	322,795	-	322,795
S J Van Es	-	-	-
I C Ferry	1,614,190	(1,614,190)	-
S M Piry	30,258	(30,258)	-

(b) Options held by key management personnel

	Balance 1 July	Granted during the year	Lapsed during the year	Balance 30 June	Total vested	Total exercisable	Total unexercisable
2008							
S J Van Es	100,000	-	(100,000)	-	-	-	-
D Morrison	250,000	100,000	-	350,000	50,000	50,000	300,000
2007							
S J Van Es	-	100,000	-	100,000	-	-	100,000
S M Piry	335,000	-	(335,000)	-	-	-	-
L Luchowski	62,500	187,500	-	250,000	37,500	37,500	212,500

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 (2007: nil) were exercised by key management personnel. Further details on the employee share option plan and share options granted during the 2008 and 2007 financial years are contained at note 24.

(c) Other transactions with key management personnel

Details of key management personnel compensation are disclosed in note 22 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 (2007: \$2,912) which is non contractual and invoiced quarterly.

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

(d) Transactions between NetComm Limited and its related parties

(i) Loans to and from related parties

	2008 \$	2007 \$
Loans (to)/from subsidiaries		
Loans (advanced)/received Dynalink Modems Ltd	(150,079)	250,244
Loans received Askey Australia Pty Ltd	1,049,455	1,042,548
Loans received Spirit Technology (HK) Ltd	17,180	17,180
Loans received Mike Boorne Electronics Pty Ltd	29,068	29,068
Total (note 13)	945,624	1,339,040
Trade receivables with subsidiaries	-	-
Trade payables with subsidiaries	-	-

23 Related party transactions (continued)

(ii) Revenue and expenses with related parties

	2008 \$	2007 \$
Sales of goods and services		
Sales Askey Australia Pty Ltd	-	205,349
Sales Dynalink Modems Ltd	325,394	266,587
Total	325,394	471,936
	2008 \$	2007 \$
Purchases of goods and services		
Purchases Askey Australia Pty Ltd	-	639,145
Purchases Dynalink Modems Ltd	21,801	161,439
Total	21,801	800,584
Management fees charged to subsidiaries		
Spirit Technology (HK) Limited	-	2,009
Dynalink Modems Limited	168,000	33,470
Total (note 2)	168,000	35,479

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

24 Share based Payments

Employee Option Plan

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

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

- 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 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

24 Share based Payments (continued)

Exercise of Options

An option may be exercised:

- i. After an option has vested in accordance with the rules outlined above, but before 5 years from the date of issue 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 2008, there are 2,210,000 options (2007: 2,325,000) issued to 20 employees (2007: 21) 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	Number of Options Exercisable 30 June 2008	Number of Options Exercisable 30 June 2007
50,000	0.200	13 Dec 09	40,000	37,500
62,500	0.140	24 Jun 10	50,000	62,500
750,000	0.090	20 Aug 11	225,000	-
847,500	0.064	26 Apr 12	254,250	-
50,000	0.06	19 Jul 12	-	-
450,000	0.07	17 Dec 12	-	-
2,210,000			569,250	100,000

592,500 (2007: 1,592,500) options issued to employees expired during the financial year in accordance with the rules of the Share Option Plan.

550,000 (2007: 2,562,500) 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 \$0.038 (2007: \$0.0451). Of these, 50,000 options have an exercise price of \$0.06 and expire on 19 July 2012, and 500,000 options have an exercise price of \$0.07 and expire on 17 Dec 2012.

There were 72,500 options (2007: nil) exercised during the year ended 30 June 2008.

The 2,210,000 (2007: 2,325,000) options outstanding at 30 June 2008 had a weighted average exercise price of \$0.075 (2007: \$0.081) and a weighted average remaining contractual life of 3.62 years (2007: 4.25 years). Exercise prices range from \$0.06 to \$0.20 in respect of options outstanding at 30 June 2008.

There were no options exercised subsequent to year end.

At the date of this report, unissued shares under the above options totalled 2,210,000 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 February 2008 Netcomm issued 1,500,000 share options to the Logged On Group. The options vest in 12 months, expire in 4 years, and have a pre-condition market share price of \$0.30. 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 2008

24 Share based Payments (continued)

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:

- Options are granted in accordance with the terms of the Employee Option Plan (refer above for detail),
- 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: 65.54-71.52% (2007: 79.16%),
- The risk free interest rate is based on the 5 year Commonwealth Bond rate on date of issue: 6.3-6.63% (2007: 5.81%),
- 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% (2007: 4.69%).

\$14,412 (2007: \$21,851) has been recognised as a share based payments expense for the year ended 30 June 2008.

25 Retirement Benefit Obligations

Superannuation Commitments

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

26 Earnings/(Loss) per Share

	Consolidated	
Earnings reconciliation	2008 \$	2007 \$
Net profit/(loss) for the year	2,146,404	(1,337,485)
Basic and diluted earnings/(loss)	2,146,404	(1,337,485)

	Consolidated	
Weighted average number of ordinary shares used as the denominator	2008 No.	2007 No.
Number for basic earnings(loss) per share	89,964,895	78,766,608
Effect of share options issued under the employee option plan not yet vested	291,071	-
Number for diluted earnings/(loss) per share	90,255,966	78,766,608

The Group had losses in 2007. As a result, the shares from the assumed exercise of the share options are not included in the calculation of earnings per share as their effect will be anti dilutive.

	Consolidated	
Earnings per share	2008 Cents	2007 Cents
Basic earnings(loss) per share	2.39	(1.70)
Diluted earnings(loss) per share	2.38	(1.70)

27 Financial Instruments

(a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and 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.

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:

	Liabilities		Assets	
	2008 \$	2007 \$	2008 \$	2007 \$
US dollars	5,336,827	1,251,277	8,901	86,107

Foreign currency sensitivity analysis

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 (excluding 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.

	USD	
	Consolidated and parent	
	2008 \$	2007 \$
Profit or loss	66,593	129,463

In management's opinion, the above sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure 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 1b, on consolidation the assets and liabilities of this entity is translated into Australian dollars at exchange rates prevailing on the balance sheet date. The income and expenses of this entity is translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The Group's future reported 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.

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 \$4,559 (2007: increase/decrease by \$464).

27 Financial Instruments (continued)

(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	
	2008 \$	2007 \$	2008 \$	2007 \$
Credit standby arrangements				
Trade refinance	1,500,000	1,500,000	1,500,000	1,500,000
Used at balance date (note 14)	842,060	1,249,564	842,060	1,249,564
Unused at balance date	657,940	250,436	657,940	250,436
Trade receivables finance	2,000,000	2,000,000	2,000,000	2,000,000
Used at balance date (note 14)	1,303,183	-	1,303,183	-
Unused at balance date	696,817	2,000,000	696,817	2,000,000

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 average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
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	-	-	-
		2,996,956	5,263,263	19,273	60,771	-
2007						
Non-interest bearing	-	441,029	401,625	-	-	-
Variable interest rate instruments	6.20	292,151	957,413	-	-	-
		733,180	1,359,038	-	-	-

27 Financial Instruments (continued)

The following tables detail the company's and the Group's

Parent						
	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
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	-	-	-
		2,994,876	4,892,897	14,814	54,331	-
2007						
Non-interest bearing	-	301,669	274,459	-	-	-
Variable interest rate instruments	6.30	292,151	957,413	-	-	-
		593,820	1,231,872	-	-	-

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 average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2008						
Non-interest bearing	-	899,765	1,774,775	-	-	-
Variable interest rate instruments	4.69	282,639	-	-	-	-
		1,182,404	1,774,775	-	-	-
2007						
Non-interest bearing	-	1,363,953	1,667,256	-	-	-
Variable interest rate instruments	5.40	1,009,167	-	22,795	-	-
		2,373,120	1,667,256	22,795	-	-

27 Financial Instruments (continued)

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2008						
Non-interest bearing	-	850,621	1,595,830	-	-	-
Variable interest rate instruments	4.93	106,382	-	-	-	-
		957,003	1,595,830	-	-	-
2007						
Non-interest bearing	-	1,189,753	1,431,805	-	-	-
Variable interest rate instruments	5.47	635,777	-	22,795	-	-
		1,825,530	1,431,805	22,795	-	-

(h) Fair value of financial instruments

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

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

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

28 Events after the balance sheet date

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

29 Segment reporting

(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.

	Australia		New Zealand		Other Operations/ Eliminations		Consolidated	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
REVENUE								
Sales and other revenue	15,776,392	18,041,116	3,591,698	3,299,816	-	-	19,368,090	21,340,932
Total revenue from external customers	15,776,392	18,041,116	3,591,698	3,299,816	-	-	19,368,090	21,340,932
Inter segment revenue	493,394	331,508	21,801	286,927	(515,195)	(618,435)	-	-
Total segment revenue	16,269,786	18,372,624	3,613,499	3,586,743	(515,195)	(618,435)	19,368,090	21,340,932
RESULT								
Net profit/(loss) for the period	1,841,498	(1,337,838)	304,906	(1,802)	-	-	2,146,404	(1,339,640)
Minority interest	-	-	-	-	-	2,155	-	2,155
Segment result	1,841,498	(1,337,838)	304,906	(1,802)	-	2,155	2,146,404	(1,337,485)
ASSETS								
Segment assets	18,423,861	8,256,447	1,049,326	1,729,962	(1,092,732)	(256,343)	18,390,455	9,730,066
LIABILITIES								
Segment liabilities	(8,567,133)	(3,742,942)	(754,059)	(1,716,384)	14,344	250,244	(9,306,838)	(5,209,082)
OTHER								
Cash flows from operating activities	(839,781)	(467,205)	(188,379)	(178,891)	-	-	(1,028,160)	(646,096)
Cash flows from investing activities	(585,039)	(199,232)	(40,588)	20,279	-	-	(625,627)	(178,953)
Cash flows from financing activities	896,016	277	(4,237)	-	-	-	891,779	277
Acquisition of non current segment assets	598,199	237,497	40,588	15,715	-	(4,391)	638,787	248,821
Depreciation and amortisation of segment assets	261,857	305,523	34,444	25,794	-	-	296,301	331,317
Other non cash segment expenses	14,412	21,851	-	-	-	-	14,412	21,851

(d) Intersegment Transfers

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

30 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 2008 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. 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
Director



D P J Stewart

Dated 22nd August 2008

Independent Auditor's Report

to the Members of NetComm Limited

Deloitte.

Report on the Financial Report

We have audited the accompanying financial report of NetComm Limited, which comprises the balance sheet as at 30 June 2008, 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 13 to 58.

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.

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 2008 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 5 to 9 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the Corporations Act 2001.



DELOITTE TOUCHE TOHMATSU



Gaile Pearce

Partner

Chartered Accountants

Sydney, 21 August 2008

ASX Additional Information

31 July 2008

The shareholder information set out below was applicable as at 31 July 2008\

1. Distribution of Shareholders

Analysis of number of shareholders by size of holding.

Category of holding	Number	Number of Shares
1- 1,000	103	62,931
1,001- 5,000	466	1,422,154
5,001 -10,000	268	2,254,909
10,001- 100,000	538	17,922,639
100,001- shares and over	94	69,448,433
Total	1,469	91,111,066

2. Twenty Largest Shareholders

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

	Number of Shares	Percentage of total shares
Brad Industries Pty Ltd	22,647,063	24.90
Yellowtuna Networks Limited	10,927,004	11.99
Dr Colin Rose	4,711,571	5.20
Askey Computer Corp	2,053,528	2.25
Andrew Glackin	2,000,600	2.20
Garry Thomas	1,040,000	1.14
Porttel Pty Limited	1,000,000	1.10
Waldie Super Fund A/c	1,000,000	1.10
Sydney Equities Pty Limited	850,000	0.93
Gordon Denby Coad	825,000	0.91
Mrs Cher Suey Cheah	820,000	0.90
Paul James Harvey	805,000	0.88
William Charles Wheelahan	785,277	0.86
Christopher E Howells	758,209	0.83
Kota Zoubari	731,724	0.80
Helen Chapman	700,000	0.77
John Eldred Williams	649,222	0.71
Mark Kenneth Davie	602,500	0.66
Ms Dawn Gabriella Leong and Mr Richard Antony Press	568,000	0.62
GH & C Services Pty Limited	507,500	0.56
Total	53,982,198	59.31

3. Voting Rights

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

4. Substantial Shareholders

As at 31 July 2008 the substantial shareholders were as follows:

Shareholder	Number of Shares
David P J Stewart (Brad Industries Pty Ltd)	22,647,063
Yellowtuna Networks Limited	10,927,004
Dr Colin Rose	4,711,571

Corporate Directory

30 June 2008

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: (02) 9424 2000

Facsimile: (02) 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

RBHM Lawyers

53 Berry Street, North Sydney NSW 2060

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

NetComm Limited

ABN 85 002 490 486

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