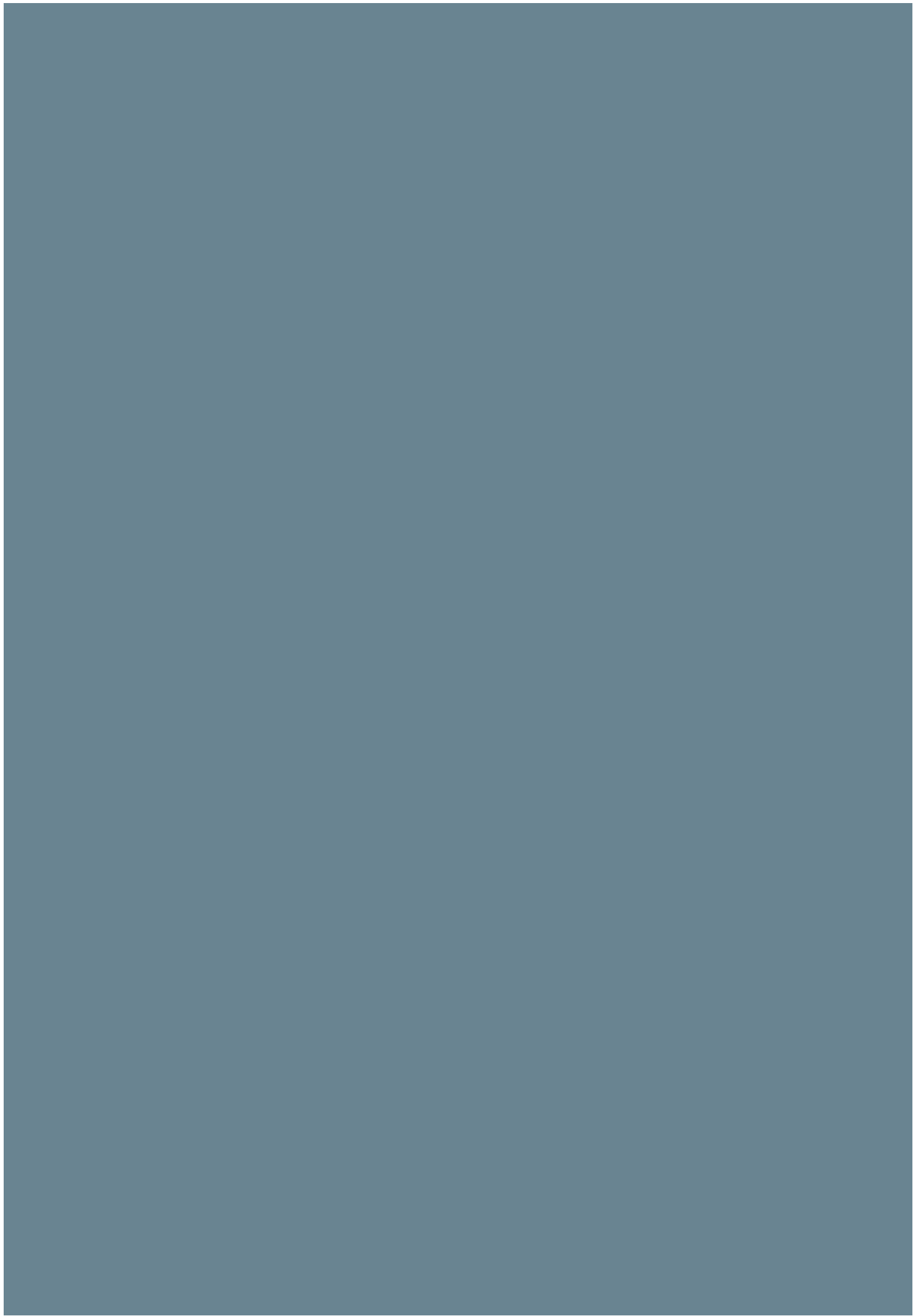


using the lessons of our past
to create our future





NetComm Limited

Annual Report

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who we are

NetComm is a recognised name in the field of Broadband technology, with over 20 years of history in the field. Over this time, NetComm has secured the position of being the “First to Market” in Australia with proven technologies and solutions. These solutions provide new and innovative products that meet the specific needs of Australian small and medium businesses, home offices and consumers.

NetComm’s history of firsts includes:

- First Australian dialup modem
- First ADSL modem to market, launched in 1999
- First VoIP Analog Telephone Adaptor (ATA)
- First combined ADSL and VOIP integrated device
- First commercial wireless hotspot product
- First to launch HomePlug Ethernet over power-line solutions

The company combines innovation with reliability in a broad range of solutions including multi-line Voice over Internet Protocol (VoIP), Digital Subscriber Line (DSL), high-speed networking, wireless, hotspot, and traditional dial up modem applications.

NetComm’s products range from simple remote access devices, firewalls and virtual private network originators (VPNs) through to VoIP gateways, Internet Protocol Digital Subscriber Line Access Multiplexers (IP DSLAMs) and other industrial and commercial solutions.

The NetComm team of development engineers focuses on building solutions that are specific to the Australian and New Zealand markets and conditions. Through this focus the NetComm name and strength of brand is also now internationally recognised with export relationships in place with South Africa, Saudi Arabia, USA and Asia.

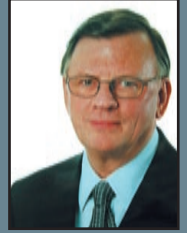
NetComm is also heavily involved in custom engineering projects, individually designing solutions for many clients.

The company’s technology offerings include:

- ADSL2+ (Asynchronous Digital Subscriber Line) modems, routers and switches delivering Internet services via conventional telephone lines
- SHDL (Symmetrical, High-bit-rate Digital Subscriber Line) modem routers and load-balancing routers that offer high-speed data links for commercial applications
- Wireless modem routers, access points and bridges offering extended network coverage.
- VoIP adapters, telephone handsets, and gateways that connect with analogue PBXs to deliver all the benefits of IP telephony
- Wireless hotspots that enable building owners and managers to offer secure wireless Internet services to customers and visitors
- Networking solutions including switches, routers, print servers and network interface cards
- Analogue (dial-up) modems for home, business and industrial applications

NetComm is based in Sydney, Australia and owns the New Zealand-based Dynalink Modems Limited, as well as Askey Australia Pty Ltd.

Terry Winters
Chairman



letter from the **Chairman**

“ The hard work we have invested in repositioning is starting to provide a return. NetComm is now an innovative, nimble producer of leading edge communications equipment. ”

I am pleased to present NetComm Limited's 06/07 annual report on behalf of my fellow directors and we thank you for your ongoing support.

This past financial year has been an extremely positive one for the company and one that gives us much confidence in our future. We derive this confidence from the demonstrable turn around in performance and believe we have created a platform for profitable growth in the future.

The turn around is highlighted by the company's improved financial performance over the year. There was an overall shortfall of \$1.3 million across the year, due to one-off costs incurred in the first half of the year. The company then went on to achieve a small operating profit of \$14,000 in the second half year.

Those one off costs of \$1.3 million were required for the development of new Voice over IP (VoIP) products and to finalise the restructure and integration of last year's acquisition of Dynalink New Zealand into our business which is now complete and operating profitably.

The second half result was also heartening because it is the first indicator of the success of the Company's return on its investment in higher-value product lines for new markets.

In past reports we have spoken of repositioning and restructuring the company and we have done a lot of work to transform the company. In the highly competitive technology space in which we compete, transformation is not a one off event but a constant state of being. This is a feature of the technology industry we have always understood. However, the pace of change has accelerated exponentially over the past few years – no doubt another function of Moore's Law.

Technologies such as ADSL and 2+ are here today but are not necessarily the solutions for tomorrow. VoIP commands more industry press coverage than anything else but it is still yet to be deeply adopted by SMB. Exciting technologies such as WiMax may actually end up being killed at birth by mobile technologies like 3G and Next G.

The hard work we have invested in repositioning is starting to provide a return. NetComm is now an innovative, nimble producer of leading edge communications equipment.

It is clear our core competency is our ability to read markets, sense the direction our customers are moving and then get products to market faster than our competitors. Our eyes are no longer on our rear view mirror but on the over-the-horizon-radar.

We recognise that we cannot stop evolving, even for a moment, so our product work is continuous. Our competencies will also serve us well as we look at other areas we can generate revenue including, amongst others, more services-focused business.

It is clear that we can not achieve all our goals organically so we have engaged advisers to start searching for potential targets that will add to our market offering, fit in with NetComm culturally and, most importantly, make a contribution to our bottom line.

Finally, I take this opportunity on behalf of my fellow directors to thank the staff and the management team at NetComm for their tireless hard work, skill and enthusiasm with special thanks to managing director, David Stewart, for his continuing dedication.



Terry Winters

Chairman

David P J Stewart
Managing Director



letter from the **Managing Director**

“...we are well past our turn around point and we are seeing significant improvements in performance resulting from tight cost controls and an increased gross margin driven by a change in product mix...”

I would like to take the opportunity our annual report affords me to share with you the board and management's view of the future direction of NetComm and what we are doing to improve shareholder value.

If I may echo the Chairman's view, I believe we are well past our turn around point and we are seeing significant improvements in performance resulting from tight cost controls and an increased gross margin driven by a change in product mix – a shift towards higher value, higher margin products for the small and medium business sector which began in 2006.

Despite the overall loss for the year of \$1.3 million the small profit in the second half demonstrates that the business is capitalising on the repositioning work of the last two years and we are now achieving results. It also reflects the strengthened operations of Dynalink New Zealand that is now contributing to gross profits.

With this turn around in Dynalink we have shown that we can operate other international businesses very profitably by leveraging our technology. Given our expertise we can run quite lean in other markets while retaining control back in our Sydney control centre.

New revenue streams will come online in the first quarter of fiscal 2008 when a range of innovative Next G, 3G and Broadband Wireless products will be released to market in Australia and New Zealand. These products will meet the rapidly evolving demand for an alternative to ADSL Networks – particularly in rural and urban areas not well serviced by existing broadband networks.

Moreover, our self improvement has resulted in a technology manufacturing company that is recognising trends early, evaluating their benefit to the business and getting the product to market earlier and earlier. This early mover advantage gives us an added three to six months market share with strong margins prior to the product becoming commoditised.

As an Australian company we have been a very successful manufacturer of technology and communications products and we will continue to be. The board and management at NetComm have also come to understand that our core competency is what drives markets and that we can apply this to other areas of business.

We recognise that we will not reach our goals relying on organic growth; the Australian market is simply too small. Therefore, our business plan for 2008 is generate further profit from manufacturing but to also start to build our business in other areas and in other markets. The keys to this we believe will be building market share overseas and building, or buying, services and licensing businesses.

Our export efforts continue with sales in the Middle East, Asia and Africa and we were part of an Austrade sponsored exhibition to Dubai.

Our relatively small capitalisation will always be a handbrake on growth and to achieve the 'bulk' required we are nearing completion on some significant transactions with parties in Australia and overseas. We recognise mergers and acquisitions need to underpin this growth and we have engaged corporate advisers, Origin Capital, to help us identify and complete these deals.

We hope to be able to announce the successful completion of at least one of these transactions shortly.

With improvement across many areas of the business emerging this financial year we are confident that we have gone past the turn around point. We are in a strong position to deliver on all our endeavours to build a valuable and sustainable company that will deliver increased returns to our shareholders.



David P J Stewart

Managing Director

meet the **Board of Directors**

Terry Winters
Chairman



David P J Stewart
Managing Director



John A Brennan
Non-Executive Director



John M Burton
Non-Executive Director



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 a director of Commander Communications Limited and is Global Chairman of Opportunity International Network Inc.

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, 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.

Mr Michael J Boorne, Executive Director*

Mr Boorne was the founder and Managing Director of Mike Boorne Electronics Pty limited for 16 years prior to the acquisition of its business assets by NetComm Limited in November 2001. Mr Boorne combines his superior technical expertise in electronics with sound commercial judgement to ensure his company continually traded profitably from the design and distribution of the 'Spirit' brand of communication devices.

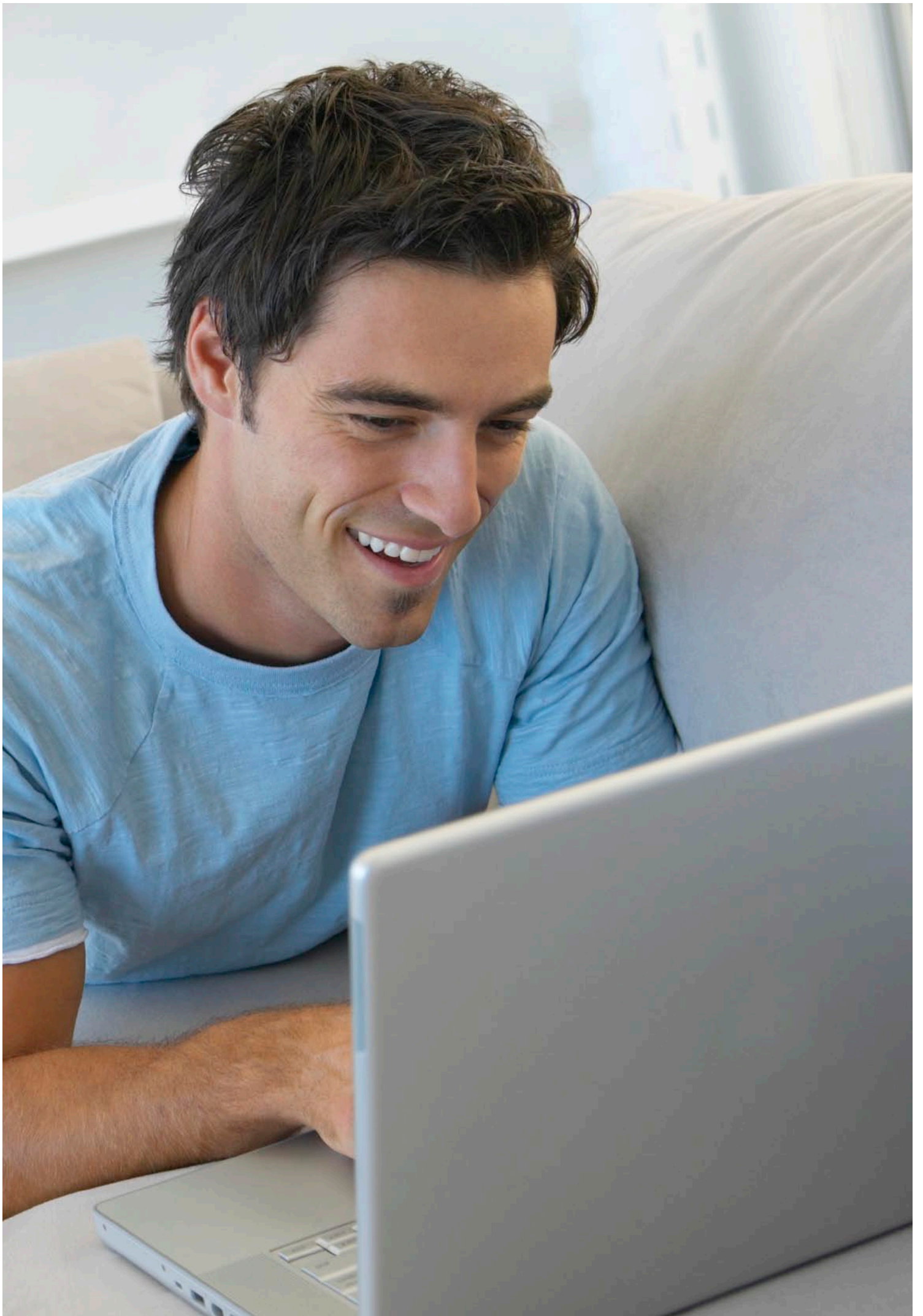
Mr Boorne holds a diploma in Electronics Engineering and is a director of numerous private companies and organisations.

Mr Ian Ferry, Non-Executive Director**

Mr Ferry graduated Victoria University of Wellington with Bachelor of Commerce and Administration and spent 12 years in public practice as CPA. He was also the Financial Controller of a major exporter for 6 years before managing and then owning DynaLink Modems and it's Australian subsidiary for 11 years.

* M J Boorne resigned 28 November 2006

** I C Ferry resigned 6 September 2006



NetComm products – Residential & SoHo

We believe that technology should enhance your life, not get in the way of it, and this is a philosophy that we extend to every product we create for our residential and home office/small office customers.

Modems

ADSL2+ is quickly becoming the connection speed of choice for more and more people with ISPs offering highly competitive pricing to encourage customers to move from their existing ADSL accounts. All NetComm modems support the full range of ADSL services including ADSL2+ and in the past year we have bolstered our offerings in the ADSL2+ Modem arena with the introduction of the NB6 Series. This series has been met with great reviews from both customers and professionals alike and is fast becoming a top seller in the NetComm stable of products. The NB6 Series consists of the following models -

- **NB6** – our entry level model in this series, ADSL2+ with 1 ethernet port and one USB port
- **NB6W** – a first in the Australian market, a single port ADSL2+ modem with built in 54Mbps wireless
- **NB6Plus4W** – a 4 port ethernet switch with 54Mbps wireless

this range will soon be rounded out with the addition of another model in the NB6 Series -

- **NB6Plus4** – an ADSL2+, 4-port ethernet switch

Networking

Many people now have two or more computers in their homes which all need to be connected together to share information or access a single internet account. Our networking products assist people to quickly and easily network their home or office through ethernet, wireless or ethernet over power which by using the existing electrical wiring in a home has the advantage of not needing any additional cables and doesn't suffer from the effects of thick walls or interference. During the past year we have released the following products into this arena -

- **NB504** – 54Mbps wireless access point with a built-in 4 port ethernet switch
- **NP545** – 54Mbps wireless USB adapter
- **NP290W** – 54Mbps Wireless HomePlug with ethernet port

3G Products

We have always been at the forefront of broadband technology and continue to be with the first of our 3G products. The N3G001W is the first in a range of products we have planned that take advantage of the increasing speeds and market penetration of 3G services in Australia. These products will allow anyone with a 3G modem card to quickly and easily set up a network without the need of a fixed line connection -

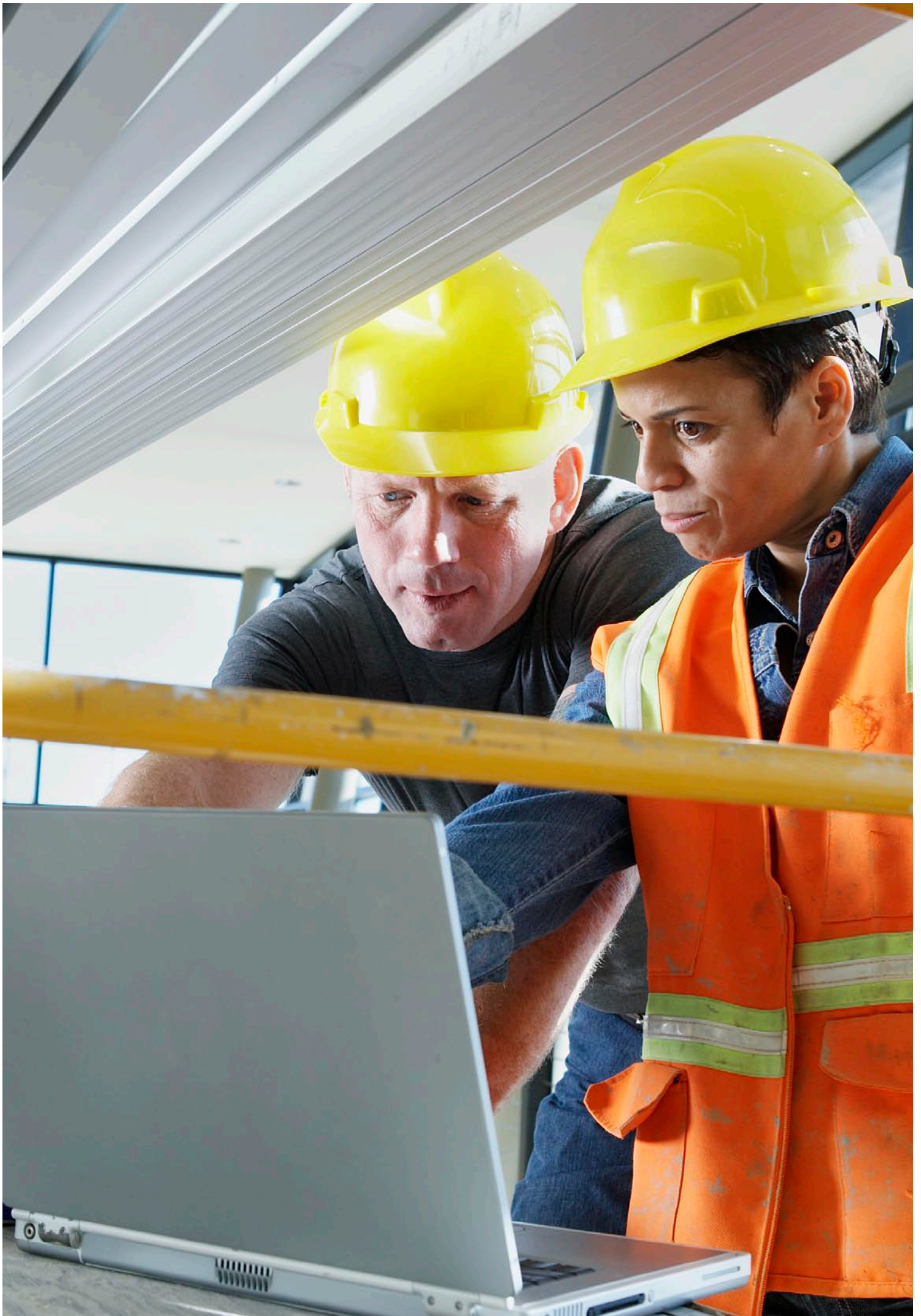
- **N3G001W** – 3G 54Mbps wireless router with 2 ethernet ports

VoIP/Wi-Fi phones

The savings associated with VoIP are available to everyone and NetComm have a range of existing products and more in the pipeline to help small business owners and families take advantage of this technology. Everything from Modems with built-in VoIP, to phones and separate devices to allow you to use your existing modem to use VoIP, there is a solution in the NetComm product range to suit everyone, some of our recent releases and upcoming releases are -

- **V24W** – Wi-Fi Mobile phone, lets you use your wireless connection or any publicly available wireless connection to make calls
- **V90** – VoIP Desktop Phone perfect for business users
- **V220/V210P** – VoIP ATAs which work with your existing modem to give you the benefit of VoIP

This is just a selection of the many products we've released in the past year, and the coming year is looking to be very promising with new products being added to our catalogue in all areas.



NetComm products – Commercial & Hospitality

One of the keystones of good business is knowing what the trends of the future are going to be and investing the time into making sure that when these new trends hit you are ready to take advantage of them. We pride ourselves on being at the forefront of emerging technologies and this is something that our Commercial and Hospitality clients realise

IP DSLAMs

The provision of high speed internet everywhere from Hotels to cafes is becoming more than just a luxury item, business travellers expect it just as much as they expect a chocolate on the pillow. The challenge is that a solution that works for a 200 room hotel might not be suitable for a coffee shop, or for an open area. That's why we have a range of solutions that are suitable for all eventualities. Our DSLAM range can cover properties of any size and with more releases coming in the next year the range of customers that we can service will grow and grow. Here is a small selection of the products we have already in the market and coming soon -

- **NCT240** – 24 port IP DSLAM
- **NCT192** – 192 port IP DSLAM

Wireless HotSpots

For smaller properties like coffee shops or for open plan offices, HotSpots are the perfect way of quickly and easily providing shared, accountable and most importantly billable, internet access -

- **HS960** – Wireless HotSpot with optional thermal receipt printer

3G Products

Business users have been able to take advantage of the wireless speeds of 3G for a while, but up until now that power has been chained to use in one device at a time meaning that a separate 3G card would have to be purchased for each person. The N3G001W is the first in a range of products we have planned that take advantage of the increasing speeds and market penetration of 3G services in Australia. These products will allow anyone with a 3G modem card to quickly and easily set up a shared network accessible to multiple business users without the need of a fixed line connection -

- **N3G001W** – 3G 54Mbps wireless router with 2 ethernet ports

VoIP Gateways and Phones

Industrial Grade VoIP takes Industrial Grade equipment and this is where we specialise. Our SmartVoice Series has been a resounding success and a firm favorite with all sizes of companies wanting to experience the VoIP advantage. Over the past year we've developed our VoIP offerings to a point where companies like NEC have teamed with us to develop phones to be rolled out through their infrastructure. We've taken the breakthroughs that have been made with this collaboration and been able to pass them onto other companies in the shape of our V90 VoIP Desktop Phone -

- **V90** – VoIP Desktop Phone perfect for business users
- **V4XX Series/V8XX Series** – Industrial Grade VoIP Solutions with all the features expected by business users

Our Commercial and Hospitality offerings are going from strength to strength and through research and development we're keeping ahead of the competition by being able to offer the products that will be needed by tomorrows leaders.



NetComm Limited

ACN 002 490 486

Financial Statements

For the Year Ended 30 June 2007

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Directors Report

30 June 2007

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

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
M J Boorne	Executive Director *
J A Brennan	Non Executive Director
J M Burton	Non Executive Director
I C Ferry	Non Executive Director **

* M J Boorne resigned 28 November 2006

** I C Ferry resigned 6 September 2006

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 Steven Van Es

CPA, Masters degree in Marketing and Organisation Behaviour

Appointed 28 February 2007*, Mr Van Es is a qualified Certified Practising Accountant and was previously employed as a Group Management Accountant at Ruralco. More recently, during the last 3 years, Mr Van Es was Administration Manager of the Liquid Division of Collex Limited. His role at NetComm Limited is the Financial Controller as well as the Company Secretary.

* Ms Lorraine Luchowski resigned as Company Secretary on 28 February 2007.

c Principal Activities

The principal activities of the Group during the financial year were the design, importation, distribution and support of communications and networking devices (analogue modems, wired networking devices, wireless networking devices, routers and ADSL modems) via its established broad base national and state distributors, leading retailers, telecommunications carriers and internet service providers.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

NetComm Limited is a public company listed on the Australian Stock Exchange (ASX Code: NTC), incorporated and operating in Australia.

2. Business review

a Operating Results

The consolidated loss of the Group after providing for income tax and eliminating minority equity interests amounted to \$ 1,337,485.

	2007 \$	2006 \$
Results and Dividends		
Total Revenue from Continuing Operations	21,274,162	22,352,875
EBITDA from Continuing Business	(889,435)	(728,715)
Operating (Loss)/Profit from Continuing Business	(1,339,640)	(1,258,181)
Income Tax Expense attributable to all activities	-	-
Loss Attributable to Minority interest	2,155	46,976
Net (Loss)/Profit for the year after tax	(1,337,485)	(1,211,205)
Dividend (cents per share)	-	-

The directors had resolved not to pay a final dividend in respect of the financial year ended 30 June 2007.

b Review of operations

NetComm Limited achieved a profit of \$14,000 in the second half of the year ended 30 June 2007, representing an improvement of \$1,366,000 compared to the first half.

The improved performance resulted from tight cost controls and increased gross margin driven by a change in product mix – a shift towards higher value, higher margin products for the small and medium business sector which began in 2006.

One off costs incurred in the first half resulted in a full year loss of \$1.3 million. These costs included investments in the restructuring of subsidiary Dynalink New Zealand, clearance of a range of products that no longer fitted with the company's evolving business, and development costs for new Voice over IP (VoIP) products.

As noted in last year's report, the company has invested significantly to benefit from higher value, higher margin technologies targeted at the small to medium business sector. This strategy began to deliver returns in the second half year. New revenue streams will come online in the first quarter of fiscal 2008 when a range of innovative Next G, 3G and Broadband Wireless products will be released to market in Australia and New Zealand. These products will meet the rapidly evolving demand for an alternative to ADSL Networks – particularly in rural and urban areas not well serviced by existing broadband networks.

NetComm Limited is confident that it can maintain this positive trend and achieve increased revenue and margins from new product lines leading to full year profitability in the 2007/08 year.

3. Other items

a Significant Changes in State of Affairs

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

b Corporate Governance

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

c After balance day 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.

d Environmental Regulations

The Group is not subject to significant environmental regulation.

e Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 11 of the financial report.

f 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 2007:

	2007 \$	2006 \$
Tax compliance services	6,000	5,170
Due diligence services	-	13,500
Other non audit services	825	-
	6,825	18,670

4. 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 a director of Commander Communications Limited and is Global Chairman of Opportunity International Network Inc.

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

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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.

4. Directors' Information

(continued)

b Meetings of Directors

During the financial year, 13 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	10	10	2	2	1	1
D P J Stewart	10	10			1	1
M J Boorne	3	2				
J A Brennan	10	10	2	2		
J M Burton	10	7	2	2	1	1
I C Ferry	1	1				

5. Remuneration Report

This report details the nature and amount of remuneration for each director of NetComm Limited, and for the executives receiving the highest remuneration.

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
T R Winters	Non Executive Chairman
D P J Stewart	Managing Director
M J Boorne	Executive Director
I C Ferry	Non Executive Director
J A Brennan	Non Executive Director
J M Burton	Non Executive Director
S Van Es	Company Secretary and Financial Controller of NetComm Limited
L Luchowski	Company Secretary to 28 February 2007

Principles of Compensation

The board's policy for determining the nature and amount of compensation of key management 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.

Details of remuneration for year ended 30 June 2007

Short term Employee Benefits

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

Year ended 30 June 2007* Short term Employee Benefits

	Salary and Fees ^ \$	Other Benefits \$	Post Employment Superannuation Benefits \$	Share Based Payments \$	Total \$
Directors					
T R Winters	48,000	-	-	-	48,000
D P J Stewart	295,000	20,000	15,000	-	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 **	67,922	3,170	-	-	71,092
	583,922	23,170	15,000	-	622,092
Other Key Management Personnel					
S J Van Es	44,108	-	4,102	325	48,535
S M Piry ***	29,753	875	2,718	-	33,346
L Luchowski	57,007	-	6,027	3,142	66,176
	130,868	875	12,847	3,467	148,057

* Figures have been subject to audit

^ Salary and Fees include termination payments of \$52,231 for I C Ferry and \$21,719 for S M Piry

** Mr Ferry's salary was converted from NZD to AUD for 2 months until his resignation on 6 September 2006. Mr Ferry is 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

Year ended 30 June 2006* Short term Employee Benefits

	Salary and Fees \$	Other Benefits \$	Post Employment Superannuation Benefits \$	Share Based Payments \$	Total \$
Directors					
T R Winters	48,000	-	-	-	48,000
D P J Stewart	299,423	20,000	10,577	-	330,000
M J Boorne	250,000	-	-	-	250,000
J A Brennan	24,000	-	-	-	24,000
J M Burton	24,000	-	-	-	24,000
I C Ferry **	60,816	5,214	-	-	66,030
	706,239	25,214	10,577	-	742,030
Other Key Management Personnel					
S M Piry ***	78,940	3,375	7,408	4,797	94,520
L Luchowski	54,207	-	5,580	-	59,787
	133,147	3,375	12,988	4,797	154,307

* Figures have been subject to audit

** Mr Ferry's salary was converted from NZD to AUD for 6 months ending 30 June 2006. Mr Ferry is the only director employed by the consolidated entity and not the company. Other key management personnel are employed by the company.

*** S M Piry was granted options under the Employee Option Plan issued on 22 August 2003, 23 January 2004 & 17 November 2005

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 \$300,000 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.

M J Boorne, Executive Director

- Term of agreement: Commenced 13 November 2001 for an initial 12 month period and was terminated on the 28 November 2006 when Mr Boorne resigned as director.
- Base Management fee at commencement of contract \$200,000 p.a. reviewed annually, and paid in equal monthly instalments within 14 days of the receipt of an invoice.

I C Ferry, Non Executive Director

- Term of agreement: Commenced 21 December 2005 for an initial 12 month period and was terminated on the 6 September 2006 when Mr Ferry resigned as director.
- Salary package at commencement of contract NZ\$140,000 p.a. reviewed annually, and paid in equal fortnightly instalments.

The other directors do not have service contracts.

As at the date of this report, the interests of the Directors in the ordinary shares of the Company were:

Directors' Interests

	Ordinary Shares	Options
T R Winters	206,250	-
D P J Stewart	22,647,063	-
J M Burton	322,795	-
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.

Share Options 30 June 2007

At the date of this report, there are 2,325,000 options (2006: 2,655,000) issued to 21 employees (2006: 20) to acquire ordinary shares. These options progressively vest on an annual basis commencing 12 months from the date of issue, details as follows:

Number of Options	Exercise Price \$	Expiry Date
105,000	0.080	29 August 2007
62,500	0.200	13 December 2009
100,000	0.140	24 June 2010
795,000	0.090	20 August 2011
1,262,500	0.064	26 April 2012
2,325,000		

1,592,500 (2006: 190,000) options issued to employees expired during the financial year in accordance with the rules of the Shares Option Plan.

2,562,500 (2006: 150,000) 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 2007.

	Number of Options (issued for \$Nil consideration)	Exercise Price \$	Fair Value of Shares Issued \$
Expiry Date			
24 August 2011	1,300,000	0.090	0.045
26 April 2012	1,262,500	0.064	0.045
	2,562,500		

Nil (2006: 27,500) 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.

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.

6. 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.

Signed in accordance with a resolution of the Board of Directors:

Director:



T R Winters
Chairman

Director:



D P J Stewart
Managing Director

Dated this 27th day of September 2007

DTT NSW

DTT NSW has changed its name from Horwath Sydney Partnership and is a continuation of that partnership.
The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 1 February 2007.

DTT NSW
ABN 30 856 062 171

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Dear Board Members

NetComm Limited

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

As lead audit partner for the audit of the financial statements of NetComm Limited for the financial year ended 30 June 2007, 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



DTT NSW



Ben Arthur
Partner
Chartered Accountants
Sydney, 2007

Liability limited by a scheme approved under Professional Standards Legislation

Income Statements

For the Year Ended 30 June 2007

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

		Consolidated		Parent	
	Note	2007 \$	2006 \$	2007 \$	2006 \$
Sales revenue	2	21,274,162	22,352,875	17,284,212	19,985,959
Raw materials consumed		(14,660,572)	(15,312,990)	(12,030,104)	(13,661,540)
Other income	2	44,745	28,683	93,306	59,238
Marketing expenses		(727,646)	(827,929)	(687,369)	(792,070)
Administrative expenses		(4,892,091)	(5,218,447)	(3,979,339)	(4,289,459)
Occupancy costs		(481,190)	(418,435)	(391,165)	(346,322)
Other expenses		(1,778,163)	(1,812,468)	(1,632,649)	(2,045,075)
Finance costs		(118,885)	(49,470)	(118,885)	(34,902)
(Loss) before income tax	3	(1,339,640)	(1,258,181)	(1,461,993)	(1,124,171)
Income tax expense/(benefit)	4	-	-	-	-
(Loss) after income tax	3	(1,339,640)	(1,258,181)	(1,461,993)	(1,124,171)
Loss attributable to minority equity interest		2,155	46,976	-	-
(Loss) attributable to members		(1,337,485)	(1,211,205)	(1,461,993)	(1,124,171)
(Loss) Per Share:					
Basic (loss) per share (cents per share)	26	(1.70)	(1.59)	-	-
Diluted (loss) per share (cents per share)	26	(1.70)	(1.58)	-	-

Balance Sheets

For the Year Ended 30 June 2007

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

		Consolidated		Parent	
	Note	2007 \$	2006 \$	2007 \$	2006 \$
ASSETS					
Current assets					
Cash and cash equivalents	6	1,009,167	1,833,001	635,777	1,315,811
Trade and other receivables	7	3,031,209	3,903,096	2,621,558	3,318,867
Inventories	8	4,838,157	3,538,369	4,156,942	2,893,594
Financial assets		-	22,795	-	22,795
Other current assets	10	120,675	469,335	36,299	231,009
Total current assets		8,999,208	9,766,596	7,450,576	7,782,076
Non current assets					
Investments in controlled entities	9	-	-	1,092,732	905,861
Property, plant and equipment	11	549,032	628,691	482,307	459,642
Intangible assets	12	181,826	254,531	181,826	254,531
Total non current assets		730,858	883,222	1,756,865	1,620,034
TOTAL ASSETS		9,730,066	10,649,818	9,207,441	9,402,110
LIABILITIES					
Current liabilities					
Trade and other payables	13	2,710,957	2,889,740	3,280,235	2,241,521
Borrowings	14	1,249,564	1,249,287	1,249,564	1,249,287
Short term provisions	15	155,438	213,994	155,438	191,888
Other current liabilities	16	1,061,887	431,989	46,000	-
Total current liabilities		5,177,846	4,785,010	4,731,237	3,682,696
Non current liabilities					
Other long term provisions	15	31,236	27,254	31,236	21,176
Total non current liabilities		31,236	27,254	31,236	21,176
TOTAL LIABILITIES		5,209,082	4,812,264	4,762,473	3,703,872
NET ASSETS		4,520,984	5,837,554	4,444,968	5,698,238
EQUITY					
Issued capital	17	6,580,314	6,393,442	6,580,314	6,393,442
Reserves	18	48,108	27,194	63,078	41,227
Accumulated Losses		(2,107,438)	(769,953)	(2,198,424)	(736,431)
Parent interest		4,520,984	5,650,683	4,444,968	5,698,238
Minority equity interest		-	186,871	-	-
TOTAL EQUITY		4,520,984	5,837,554	4,444,968	5,698,238

Statement of Changes in Equity

For the Year Ended 30 June 2007

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

2007		Consolidated					
	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
Loss attributable to members of parent entity		-	(1,339,640)	-	-	-	(1,339,640)
Loss attributable to minority interest		-	2,155	-	-	(2,155)	-
Issue of shares							
Exchange difference on retranslation of foreign operations		-	-	(937)	-	-	(937)
Sub total		-	(1,337,485)	(937)	-	(2,155)	(1,340,577)
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity net of transaction costs	9(b)	186,872	-	-	-	(184,716)	(2,156)
Employee share options	24	-	-	-	21,851	-	21,851
Balance at 30 June 2007		6,580,314	(2,107,438)	(14,970)	63,078	-	4,520,984

2006		Consolidated					
	Note	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Minority Equity Interests \$	Total \$
Balance at 1 July 2005		6,062,786	1,003,704	-	21,978	-	7,088,468
Loss attributable to members of the parent entity		-	(1,258,181)	-	-	-	(1,258,181)
Loss attributable to minority interest		-	46,976	-	-	(46,976)	-
Exchange difference on retranslation of foreign operations		-	-	(14,033)	-	-	(14,033)
Sub total		-	(1,211,205)	(14,033)	-	(46,976)	(1,272,214)
Transactions with equity holders in their capacity as equity holders:							
Dividends paid or provided for	5	-	(562,452)	-	-	-	(562,452)
Contributions of equity net of transaction costs	9(b)	328,535	-	-	-	-	328,535
Employee share options	24	2,121	-	-	19,249	-	21,370
Minority interest on acquisition of subsidiary		-	-	-	-	233,847	233,847
Balance at 30 June 2006		6,393,442	(769,953)	(14,033)	41,227	186,871	5,837,554

Statement of Changes in Equity

For the Year Ended 30 June 2007

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

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	(736,431)	-	41,227	-	5,698,238
Loss attributable to members of the parent entity		-	(1,461,993)	-	-	-	(1,461,993)
Sub total		-	(1,461,993)	-	-	-	(1,461,993)
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity net of transaction costs	9(b)	186,872	-	-	-	-	186,872
Employee share options	24	-	-	-	21,851	-	21,851
Balance at 30 June 2007		6,580,314	(2,198,424)	-	63,078	-	4,444,968

2006		Parent					
	Note	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Minority Equity Interests \$	Total \$
Balance at 1 July 2005		6,062,786	950,192	-	21,978	-	7,034,956
Loss attributable to members of the parent entity		-	(1,124,171)	-	-	-	(1,124,171)
Sub total		-	(1,124,171)	-	-	-	(1,124,171)
Transactions with equity holders in their capacity as equity holders:							
Dividends paid or provided for	5	-	(562,452)	-	-	-	(562,452)
Contributions of equity net of transaction costs	9(b)	328,535	-	-	-	-	328,535
Employee share options	24	2,121	-	-	19,249	-	21,370
Balance at 30 June 2006		6,393,442	(736,431)	-	41,227	-	5,698,238

Cash Flow Statement

For the Year Ended 30 June 2007

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

		Consolidated		Parent	
	Note	2007 \$	2006 \$	2007 \$	2006 \$
Cash from operating activities:					
Receipts from customers		26,075,680	24,380,736	20,476,151	21,972,678
Payments to suppliers and employees		(26,669,418)	(24,891,134)	(20,838,522)	(23,187,368)
Interest received		66,527	99,769	47,387	84,439
Finance costs		(118,885)	(49,470)	(118,885)	(34,902)
Income taxes paid		-	-	-	-
Net cash provided by (used in) operating activities	21	(646,096)	(460,099)	(433,869)	(1,165,153)
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		69,868	-	907	-
Payment for subsidiary, net of cash acquired		-	(161,891)	-	(30,710)
Acquisition of property, plant and equipment		(199,151)	(243,225)	(197,679)	(186,542)
Acquisition of intangible assets		(49,670)	(148,325)	(49,670)	(148,325)
Net cash provided by (used in) investing activities		(178,953)	(553,441)	(246,442)	(365,577)
Cash flows from financing activities:					
Proceeds from issue of shares		-	2,121	-	2,121
Proceeds from borrowings		277	1,249,287	277	1,249,287
Dividends paid by parent entity		-	(562,452)	-	(562,452)
Net cash provided by financing activities		277	688,956	277	688,956
Net increase (decrease) in cash and cash equivalents held					
		(824,772)	(324,584)	(680,034)	(841,774)
Cash and cash equivalents at beginning of financial year		1,833,002	2,157,585	1,315,811	2,157,585
Effect of exchange rates on cash holdings in foreign currencies		937	-	-	-
Cash and cash equivalents at end of financial year	6(c)	1,009,167	1,833,001	635,777	1,315,811

Notes to the Financial Statements

For the year ended 30 June 2007

1 Statement of Significant Accounting Policies

General information

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated Group of NetComm Limited and controlled entities, and NetComm Limited as an individual parent entity. NetComm Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of NetComm Limited and controlled entities, and NetComm Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures the financial reports of the consolidated entity also comply with the measurement requirements of International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments' Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its financial statements are presented together with the consolidated financial statements of the Group'

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

Basis of Preparation

Reporting Basis and Conventions

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.

Adoption of new and revised Accounting Standards

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB Interpretation 10 'Interim Financial Reporting and Impairment'	1 November 2006	30 June 2008
AASB Interpretation 11 'AASB 2 Group and Treasury Share Transactions'	1 March 2007	30 June 2008
AASB 2007 1 'Amendments to Australian Accounting Standards arising from AASB Interpretation 11'	1 March 2007	30 June 2008
AASB 2007 4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'	1 July 2007	30 June 2008
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
AASB Interpretation 14 'AASB 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009
AASB 123 'Borrowing Costs' revised standard	1 January 2009	30 June 2010
AASB 2007 6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010

Specific Accounting Policies

(a) Principals of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by NetComm Limited as at 30 June 2007 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

A list of controlled entities is contained in Note 9 to the financial statements. All controlled entities have a June financial year end. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Group.

Minority equity interests in the entity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Business Combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is the weighted average of their closing market price for the total of the five business days either side of the acquisition date.

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 fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(k)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

In the event that settlement of all or part of the consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. However, where the deferred component is subject to certain criteria being met, the amount deferred is recognised based on an estimate where it is probable that the relevant criteria will be met. If the amount is not probable or cannot be reliably measured, no amount is recognised.

The Group has used the exemption in AASB 1 and has not applied AASB 3: Business Combinations to transactions which occurred before 1 January 2004.

(c) 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 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 deferred tax asset has not been recognised in respect of temporary differences or tax losses because it is not considered probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

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.

(d) 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.

Impairment testing is performed annually for goodwill.

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.

(e) 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	Depreciation Rate
Plant and Equipment	27.50%
Leasehold improvements	17%

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.

(f) 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.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

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.

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

(g) Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

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.

(h) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

Subsequent to initial recognition these instruments are measured as set out below.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

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.

Investments

Investments in subsidiaries have been recognised at cost, less impairment losses, in the parent entity.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose 'terms require delivery of the investment within 'the time frame' established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Other investments other than held to maturity debt securities are classified as either investments 'held for trading' or as available for sale, and are measured at subsequent reporting dates at fair value. Where investments are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available for sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest bearing trade finance loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade payables

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

Equity instruments

Equity instruments issued by the Parent Entity are recorded at the proceeds received, net of transaction costs. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. If there is an indication of impairment, an impairment test is carried out to determine the recoverable amount of the financial instrument. Impairment losses are recognised in the income statement.

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.

(i) Revenue Recognition

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.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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).

(j) 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. Inventory are recognised on a weighted average cost basis.

(k) Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. The carrying amount of goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 at 30% per annum, commencing from the time the software is ready for use.

(l) 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 where deferred in equity as a qualifying cash flow or net investment hedge.

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.

(m) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. 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.

Equity settled compensation

Equity settled compensation benefits are provided to employees via the Employee Option Plan. Information relating to this scheme is set out in note 24.

Options granted before and after 7 November 2002 and/or vested before 1 January 2005.

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received are allocated to share capital.

Options granted after 7 November 2002 and vested after 1 January 2005.

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 Black Scholes 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.

(n) Warranties

Product Warranties exist for products sold by the Group.

Costs incurred in respect of product warranties are recognised on an accruals basis.

(o) 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.

(p) 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.

(q) 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.

(r) 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 Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

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.

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) 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.

Key estimates – Impairment

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.

Refer Note 12 for details of impairment write offs during the comparative period.

Critical judgements

In calculating the cost of business combinations, only amounts which can be reliably estimated are recognised.

2 Revenue

Operating activities

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Revenue				
Sales revenue	21,207,635	22,253,106	17,236,825	19,901,520
Interest revenue	66,527	99,769	47,387	84,439
Total revenue	21,274,162	22,352,875	17,284,212	19,985,959
Other income				
Management fees	-	-	35,479	19,899
Other income	44,745	28,683	57,827	39,339
Total other income	44,745	28,683	93,306	59,238
Total revenue and other income	21,318,907	22,381,558	17,377,518	20,045,197

3 Loss from Ordinary Activities

Included in expenses are the following specific items

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Depreciation, amortisation and impairments:				
Depreciation of property plant and equipment (note 11(b))	208,943	167,301	174,107	159,628
Amortisation of intangible assets (note 12(b))	122,374	71,361	122,374	71,361
Impairment of Non current investments to recoverable amount	-	-	-	391,179
Impairment of goodwill (note 12(b))	-	241,334	-	144,000
	331,317	479,996	296,481	766,168
Remuneration of auditor:				
Auditing or reviewing the financial report	96,324	81,355	96,324	81,355
Taxation services	6,000	5,170	6,000	5,170
Due diligence services	-	13,500	-	13,500
Other services	825	-	825	-
Remuneration of auditor from overseas practices:				
Auditing or reviewing the financial report	18,596	20,107	-	2,257
Other assurance services	1,203	6,684	-	1,393
	122,993	126,816	103,194	103,675
Rental expense on operating leases				
Rent paid	407,950	347,830	328,631	279,392
Finance Costs:				
Paid to external parties	118,885	49,470	118,885	34,902
Bad and doubtful debts				
Trade receivables	-	5,808	-	-
Change in impairment provision for trade receivables	67,124	52,839	62,624	47,839
	67,124	58,647	62,624	47,839
Defined contribution superannuation expense	227,373	257,663	216,899	232,709

4 Income Tax Expense/ (benefit)

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Net loss before tax	(1,337,485)	(1,211,205)	(1,461,993)	(1,124,171)
Tax at the Australian tax rate of 30% (2006: 30%)	(401,825)	(363,362)	(438,597)	(337,251)
– Impairment write down	-	72,400	-	160,554
– Share based payments	6,555	5,775	6,555	5,775
– Difference in overseas tax rates	47	(4,806)	-	-
– Tax benefit on tax losses not recognised (note 4b)	395,223	289,993	432,042	170,922
Income tax expense/(benefit)	-	-	-	-

(b) 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	
	2007 \$	2006 \$	2007 \$	2006 \$
Tax losses at 30% (2006: 30%)	3,671,145	3,276,260	3,642,098	3,210,056
Capital losses at 30% (2006: 30%)	170,904	170,904	170,904	170,904
Overseas tax losses at 33%	68,602	68,264	-	-
Total	3,910,651	3,500,031	3,813,002	3,380,960

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.

Accordingly, no deferred tax assets have been recognised.

5 Dividends

(a) Proposed dividends

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Proposed final unfranked dividend of nil (2006: 0.75) cents per share	-	562,452	-	562,452
Total	-	562,452	-	562,452

(b) Balance of franking account

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

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
	-	-	-	-

6 Cash and Cash Equivalents

(a) Summary

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash on hand	1,311	1,250	500	500
Cash at bank	774,639	1,318,498	402,060	802,057
Short term bank deposits	233,217	513,253	233,217	513,254
	1,009,167	1,833,001	635,777	1,315,811

(b) Effective Interest Rate

These funds are bearing floating interest rates of between 1.25% to 6.2% (2006: 1.85% to 5.5%).

(c) Reconciliation of Cash

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
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	1,009,167	1,833,001	635,777	1,315,811
	1,009,167	1,833,001	635,777	1,315,811

7 Trade and Other Receivables

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Trade receivables	3,082,404	4,006,261	2,672,753	3,136,444
Provision for impairment	(51,195)	(37,543)	(51,195)	(32,543)
Provision for sales returns	-	(65,622)	-	(65,622)
Trade receivables net of provisions	3,031,209	3,903,096	2,621,558	3,038,279
Receivable from controlled entities	-	-	-	280,588
	3,031,209	3,903,096	2,621,558	3,318,867

8 Inventories

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Raw materials and stores	171,730	89,120	130,505	65,204
Finished goods	3,721,786	3,449,249	3,351,220	2,828,390
Goods in transit	944,641	-	675,217	-
	4,838,157	3,538,369	4,156,942	2,893,594

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 \$
At cost, opening balance	735,590	168,333	2	1	1,935	905,861
Additions	186,871	-	-	-	-	186,871
30 June 2007	922,461	168,333	2	1	1,935	1,092,732

Name	Country of incorporation	Percentage Owned 2007	Percentage Owned 2006
Parent Entity:			
NetComm Limited	Australia		
Subsidiaries of parent entity:			
Askey Australia Pty Ltd ** (note 9(b))	Australia	100%	81%
Dynalink Modems Ltd (note 9(b))	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%

** Askey Australia Pty Ltd was 81% owned until 14 September 2006, when it became 100% owned.

All subsidiaries have been consolidated.

(b) Acquisition of Entities

(i) On 19 December 2005 NetComm Limited completed the acquisition of Dynalink Modems Limited, a New Zealand based company and 81% of its Australian subsidiary Askey Australia Pty Limited. The consideration paid to the former owners of Dynalink Modems Limited was \$328,535 via the issue of 1,899,047 NetComm shares at 17.3 cents per share.

In addition, in consideration for the acquisition of Askey Australia Pty Limited, NetComm Limited assumed the loan of Dynalink Modems Limited payable to Askey Australia Pty Limited totalling \$935,857. The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value.

(ii) 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 \$186,871. This consideration represented 19% of the fair value of the net assets of Askey Australia Pty Limited at 30 June 2007.

The consideration paid and assets and liabilities obtained from the acquisitions in 2006 are as follows:

	2007 \$	2006 \$
Acquisition of Controlled Entities		
Fair Value of assets and liabilities recognised on acquisition		
Cash	-	(131,181)
Trade and other receivables	-	1,430,544
Inventory	-	667,262
Property, plant and equipment	-	120,039
Trade and other payables	-	(655,049)
Minority interest	-	(233,847)
Goodwill	-	97,334
Fair value of identifiable net assets	-	1,295,102
	2007 \$	2006 \$
Acquisition of Controlled Entities (continued)		
Purchase consideration		
2,053,528 ordinary shares issued (2006: 1,899,047 shares)	186,871	328,535
Loan assumed by NetComm Limited	-	935,857
Direct costs associated with the acquisition	-	30,710
	186,871	1,295,102
Cash outflow		
Bank overdraft acquired	-	131,181
Direct costs associated with the acquisition	-	30,710
	-	161,891

10 Other Assets

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Prepayments	120,675	469,335	36,299	231,009
	120,675	469,335	36,299	231,009

11 Property, Plant and Equipment

(a) Summary of Property, Plant and Equipment

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Plant and equipment				
At cost	1,971,472	1,685,150	1,670,581	1,476,640
Less accumulated depreciation	(1,476,257)	(1,110,370)	(1,239,915)	(1,070,909)
Total plant and equipment	495,215	574,780	430,666	405,731
Leasehold Improvements				
At cost	143,034	129,764	140,764	129,764
Less accumulated amortisation	(89,217)	(75,853)	(89,123)	(75,853)
Total leasehold improvements	53,817	53,911	51,641	53,911
Total property, plant and equipment	549,032	628,691	482,307	459,642

(b) Movements in Carrying Amounts

	Consolidated		
	Plant and Equipment \$	Leasehold Improvements \$	Total \$
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
2006			
Balance at the beginning of the year	377,770	55,028	432,728
Additions	231,805	11,420	243,225
Additions through business combinations	120,039	-	120,039
Depreciation/amortisation expense	(154,764)	(12,537)	(167,301)
Carrying amount at the end of the year	574,780	53,911	628,691

	Parent		
	Plant and Equipment \$	Leasehold Improvements \$	Total \$
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
2006			
Balance at the beginning of the year	377,700	55,028	432,728
Additions	175,122	11,420	186,542
Depreciation/amortisation expense	(147,091)	(12,537)	(159,628)
Carrying amount at the end of the year	405,731	53,911	459,642

12 Intangible Assets

(a) Summary of Intangible Assets

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Goodwill				
Cost	-	241,334	-	144,000
Accumulated impairment losses	-	(241,334)	-	(144,000)
Net carrying value	-	-	-	-
Development costs				
Cost	82,790	75,200	82,790	75,200
Accumulated amortisation	(39,658)	-	(39,658)	-
Net carrying value	43,132	75,200	43,132	75,200
Computer software				
Cost	342,565	300,485	342,565	300,485
Accumulated amortisation	(203,871)	(121,154)	(203,871)	(121,154)
Net carrying value	138,694	179,331	138,694	179,331
Total Intangibles	181,826	254,531	181,826	254,531

(b) Movements in Carrying Amounts

	Consolidated & Parent			
	Computer software \$	Goodwill \$	Development costs \$	Total \$
2006				
Balance at the beginning of the year	177,566	144,000	-	321,566
Additions	73,126	-	75,200	148,326
Additions through business combinations	-	97,334	-	97,334
Amortisation	(71,361)	-	-	(71,361)
Impairment write downs	-	(241,334)	-	(241,334)
Carrying amount at the end of the year	179,331	-	75,200	254,531
2007 <<30 June 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

13 Trade and Other Payables

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Unsecured liabilities				
Trade payables	1,911,994	1,982,571	1,317,123	1,216,426
Accrued employee entitlements	242,089	241,154	180,980	177,856
Sundry payables and accrued expenses	550,874	666,015	443,092	591,211
Payable to controlled entities	-	-	1,339,040	256,028
	2,710,957	2,889,740	3,280,235	2,241,521
Including amounts payable in foreign currencies:				
USD	1,061,834	590,136	693,628	380,658
	1,061,834	590,136	693,628	380,658

14 Borrowings

(a) Trade Refinance Facility

The trade refinance facility is secured by a mortgage debenture with a fixed and floating charge over all assets and liabilities of NetComm Limited. Refer to Note 27 for further details of this borrowing.

		Consolidated		Parent	
	Note	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT					
Secured liabilities					
Trade refinance		1,249,564	1,249,287	1,249,564	1,249,287

(b) Financing arrangements

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Credit standby arrangements				
Trade refinance	1,500,000	1,500,000	1,500,000	1,500,000
Used at balance date (14(a))	1,249,564	1,249,287	1,249,564	1,249,287
Unused at balance date	250,436	250,713	250,436	250,713

15 Provisions

(a) Analysis of Total Provisions

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Current	155,438	213,994	155,438	191,888
Non current	31,236	27,254	31,236	21,176
	186,674	241,248	186,674	213,064

(b) Movement in carrying amounts

Consolidated			
	Other \$	Employee entitlements \$	Total \$
Opening balance at 1 July 2006	37,756	203,492	241,248
Expensed	-	278,548	278,548
Payments made	-	(295,366)	(295,366)
Unused amounts reversed	(37,756)	-	(37,756)
Balance at 30 June 2007	-	186,674	186,674

Parent			
	Other \$	Employee entitlements \$	Total \$
Opening balance at 1 July 2006	37,756	175,308	213,064
Expensed	-	251,655	251,655
Payments made	-	(240,289)	(240,289)
Unused amounts reversed	(37,756)	-	(37,756)
Balance at 30 June 2007	-	186,674	186,674

16 Other Liabilities

Current				
	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Deferred income	1,061,887	431,989	46,000	-

17 Issued Capital**(a) Share Capital**

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
79,188,566 (2006: 77,135,038) Ordinary shares – paid up – no par value	6,580,314	6,393,442	6,580,314	6,393,442
Total	6,580,314	6,393,442	6,580,314	6,393,442

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

	2007 No.	2006 No.	2007 \$ Value	2006 \$ Value
At the beginning of reporting period	77,135,038	75,208,491	6,393,442	6,062,786
Shares issued during the year				
30 Nov 05 (note 9(b))	-	1,614,190	-	279,255
30 Nov 05 (note 9(b))	-	284,857	-	49,280
14 Sep 06 (note 9(b))	2,053,528	-	186,872	-
Exercise of Options				
15 Jul 05	-	7,500	-	521
04 Nov 05	-	20,000	-	1,600
At reporting date	79,188,566	77,135,038	6,580,314	6,393,442

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.

19 Contingent Liabilities

There is a contingent liability in respect of the service contract of one executive of NetComm Limited totalling \$330,000 (2006: \$398,750). Details of the contracts can be found in the Directors' Remuneration Report.

20 Expenditure Commitments

Operating Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Payable minimum lease payments				
– not later than 12 months	299,892	357,942	190,455	278,074
– between 12 months and 5 years	83,977	269,577	9,300	213,213
	383,869	627,519	199,755	491,287

The Group leases certain assets under operating leases expiring from one to five years. 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.

21 Cash Flow Information

Reconciliation of Cash Flow from Operations with Loss after Income Tax

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Net loss for the period before minority interest	(1,337,485)	(1,211,205)	(1,461,993)	(1,124,171)
Minority interest	(2,155)	(46,976)	-	-
	(1,339,640)	(1,258,181)	(1,461,993)	(1,124,171)
Cash flows excluded from loss attributable to operating activities				
Non cash flows in loss				
Depreciation and amortisation	331,317	238,663	296,481	230,989
Impairment	-	241,334	-	535,179
Net exchange differences	-	(14,238)	-	(14,238)
Share based payments	21,851	19,170	21,851	19,170
Fair value adjustment to derivatives	-	(22,795)	-	(22,795)
Changes in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	871,887	(75,821)	697,309	293,748
(Increase)/decrease in inventories	(1,299,788)	449,249	(1,263,348)	427,122
(Increase)/decrease in deferred income	629,898	431,989	46,000	(1,008,674)
Increase/(decrease) in other assets	348,660	(185,901)	194,710	49,840
Increase/(decrease) in trade and other payables	(178,502)	(349,026)	1,038,716	(592,132)
(Increase)/decrease in other financial assets	22,795	-	22,795	-
Increase/(decrease) in provisions	(54,574)	65,458	(26,390)	40,809
	(646,096)	(460,098)	(433,869)	(1,165,153)

22 Related party transactions

(a) Directors and other key management personnel

Names and positions held of directors in office at any time during the financial year are:

- T R Winters
- D P J Stewart
- M J Boorne Resigned 28 November 2006
- J A Brennan
- J M Burton
- I C Ferry Resigned 6 September 2006

Other key management personnel of the company at any time during the financial year are:

- S Van Es Company Secretary and Financial Controller
- L Luchowski Resigned as Company Secretary 28 February 2007
- S Piry Resigned as Financial Controller 20 October 2006

Remuneration of Key Management Personnel

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Short term benefits	738,835	867,975	667,743	801,945
Post employment benefits	27,847	23,565	27,847	23,565
Share based payments	3,467	4,797	3,467	4,797
Total	770,149	896,337	699,057	830,307

The company has taken exemption under Corporations Amendment Regulation 2006 (No. 4) and transferred certain disclosures related to remuneration of key management personnel, as required by AASB 124 "Related Party Disclosures", to the Remuneration Report which is included within Note 5 of the Directors' Report.

Further information on option and share holdings of key management personnel can be found in Note 23.

(b) Transaction with Directors and Director Related Entities concerning shares or share options

The aggregate shares held by Directors or Director related entities at 30 June 2007 were 23,398,903 (2006: 29,560,137)

There were no shares issued to Directors during the year (2006: Nil).

(c) Options held by Directors

Options held by Directors at 30 June 2007 amount to Nil (2006: Nil).

(d) Other Transactions with Directors and Director Related Entities

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 \$64,000 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 \$2,912 (2006: \$7,218) which is non contractual and invoiced quarterly.

(ii) Boorne Management Pty Limited

An entity associated with Mr M Boorne charged Management Fees for his services of \$125,000 (2006: \$250,000). The amount has been included in Mr Boorne's remuneration disclosures for the year. The terms of the agreement between the company and Mr Boorne can be found in the Directors' Remuneration Report.

(e) Parent's transactions with subsidiaries

(i) Loans to and from related parties

	2007 \$	2006 \$
Loans to subsidiaries		
Loans advanced Dynalink Modems Ltd	-	280,588
Total	-	280,588

	2007 \$	2006 \$
Loans from subsidiaries		
Loans received Dynalink Modems Ltd	250,244	-
Loans received Askey Australia Pty Ltd	1,042,548	207,771
Loans received Spirit Technology (HK) Ltd	17,180	19,189
Loans received Mike Boorne Electronics Pty Ltd	29,068	29,068
Total	1,339,040	256,028

All loans are non interest bearing and repayable at call.

(ii) Transactions with subsidiaries

	2007 \$	2006 \$
Sales of goods and services		
Sales Askey Australia Pty Ltd	205,349	178,396
Sales Dynalink Modems Ltd	266,587	160,094
Total	471,936	338,490

	2007 \$	2006 \$
Purchases of goods and services		
Purchases Askey Australia Pty Ltd	639,145	-
Purchases Dynalink Modems Ltd	161,439	-
Total	800,584	-

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

(iii) Outstanding balances arising from sales and purchases of goods & services

	2007 \$	2006 \$
Included in current receivables	-	31,598
Included in current payables	-	53,799

(iv) Fees charged

NetComm Limited charged a fee of \$2,009 (2006: \$19,899) to Spirit Technology (HK) Limited, in respect of handling services including purchasing, sales and marketing, accounting, product design and research and development.

NetComm Limited charged a fee of \$33,470 (2006:\$Nil) to Dynalink Modems Limited for management services.

23 Equity and Option Holdings of Key Management Personnel continued**(a) Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 01/07/2006 \$	Movement during the Year \$	Balance 30/06/2007 \$
Key Management Personnel			
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
I C Ferry	1,614,190	(1,614,190)	-
Other Key Management Personnel			
S M Piry	30,258	(30,258)	-
	29,590,395	(6,191,492)	23,398,903

(b) Option Holdings

Number of Options Held by Key Management Personnel

Key Management Personnel	Balance 01/07/2006	Movement during the Year	Balance 30/06/2007	Total Vested	Total Exercisable	Total Unexercisable
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
Total	397,500	(47,500)	350,000	37,500	37,500	312,500

*** S M Piry resigned on 20 October 2006

24 Share based Payments

(a) Share based payment arrangements

The following share based payment arrangements existed at 30 June 2007:

Employee Option Plan

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

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

- each employee's length of service;
- the contribution to the company or Group which has been made by the employee;
- the potential contribution of the employee to the company; and
- 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:

- 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

Exercise of Options

An option may be exercised:

- 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.

- 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.
- If the Board otherwise permits it.
- 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 2007, there are 2,325,000 options (2006: 1,355,000) issued to 21 employees (2006: 20) to acquire ordinary shares. These options progressively vest on an annual basis commencing 12 months from the date of issue, details as follows:

Number of Options	Exercise Price \$	Expiry	Number of Options Exercisable 30 June 2007	Number of Options Exercisable 30 June 2006
105,000	0.080	29 Aug 07	105,000	84,000
62,500	0.200	13 Dec 09	37,500	22,500
100,000	0.140	24 Jun 10	62,500	37,500
795,000	0.090	20 Aug 11	-	-
1,262,500	0.064	26 Apr 12	-	-
2,325,000		205,000	144,000	

1,592,500 (2006: 190,000) options issued to employees expired during the financial year in accordance with the rules of the Share Option Plan. The weighted average price of these shares was \$0.20.

2,562,500 (2006: 150,000) new options were issued in accordance with the rules of the Share Option Plan during the year. The weighted average fair value of options granted during the year was \$0.0451. Of these, 1,300,000 options have an exercise price of \$0.09 and expire on 20 August 2011, and 1,262,500 options have an exercise price of \$0.064 and expire on 26 April 2012.

There were no options (2006: 27,500) exercised during the year ended 30 June 2007.

The 2,325,000 (2006: 1,355,000) options outstanding at 30 June 2007 had a weighted average exercise price of \$0.081 (2006 \$0.15) and a weighted average remaining contractual life of 4.25 years. Exercise prices range from \$0.064 to \$0.20 in respect of options outstanding at 30 June 2007.

There were no options exercised subsequent to year end.

At the date of this report, unissued shares under the above options totalled 2,325,000 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.

Valuations of Options

The fair value at grant date of all options is independently determined using the Binomial Approximation pricing model (2006: Black Scholes Merton). 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: 79.16% (2006: 67%),
- The risk free interest rate is based on the 5 year Commonwealth Bond rate on date of issue: 5.81% (2006: 5.29%),
- The expected dividend yield is based on the dividends received by shareholders of NetComm Limited during the 12 months prior to date of grant: 4.69% (2006: 4.69%).

\$21,851 (2006: \$19,249) has been recognised as a share based payments expense for the year ended 30 June 2007.

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

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share at 30 June 2007 was based on the net loss attributable to ordinary shareholders of \$ 1,337,485 (2006: \$ 1,211,205) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2007 of 78,766,608 (2006: 76,331,732), calculated as follows:

Net loss attributable to ordinary shareholders:

	Consolidated	
	2007 \$	2006 \$
Net loss for the period	(1,337,485)	(1,211,205)
Net loss attributable to ordinary shareholders	(1,337,485)	(1,211,205)

Weighted average number of ordinary shares:

	Consolidated	
	2007 No.	2006 No.
Weighted average number of ordinary shares	78,766,608	76,331,732

Diluted earnings/(loss) per share

The Group had losses in 2007 and 2006. 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	
	2007 Cents	2006 Cents
Basic and diluted loss per share	(1.70)	(1.59)

The parent entity has issued options in terms of an Employee Share Plan. Details of outstanding options can be found in Note 24.

27 Financial Instruments

The Group's activities expose it to a variety of financial risks, including currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management policy is to individually monitor each of these risks on a regular basis to minimise the effects of adverse circumstances. The Board of directors meet regularly to discuss the management of these risks, however there are no written principles for overall risk management. Each of the identified risks is discussed in more detail below.

(a) Interest Rate Risk Exposures

Interest rate risk arises on significant cash holdings of the Group, as well as borrowings. Both the cash holdings and borrowings are subject to fluctuations in market interest rates. The Group does not have any specific risk management policies in place to mitigate the risks of these fluctuations.

The consolidated Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non interest Bearing		Total	
	2007 %	2006 %	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
Financial Assets:								
Short term deposits (note 6(a))	6.66	4.40	1,009,167	1,833,001	-	-	1,009,167	1,833,001
Trade & other receivables (note 7)	-	-	-	-	3,031,209	3,903,096	3,031,209	3,903,096
Total Financial Assets			1,009,167	1,833,001	3,031,209	3,903,096	4,040,376	5,736,097
Financial Liabilities:								
Borrowings – bank secured (note 14)	9.51	8.30	1,249,564	1,249,287	-	-	1,249,564	1,249,287
Trade & other payables (note 13)	-	-	-	-	2,710,957	2,889,740	2,710,957	2,889,740
Total Financial Liabilities			1,249,564	1,249,287	2,710,957	2,889,740	3,960,521	4,139,027

(b) Credit Risk Exposures

The credit risk on financial assets of the Group which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for impairment. The consolidated Group has policies in place to ensure that sales are made to customers with appropriate credit history. There are no significant concentrations of credit risk.

(c) Liquidity Risks

Liquidity risk is the risk that the Group maintains sufficient funding to continue its operations. The Group has no specific risk management policy for this but does monitor funding requirements on a regular basis through regular board meetings. The directors manage this risk by ensuring that the Group has sufficient facilities to meet any shortages of funding. Further information on the facilities in place can be found in Note 14(a).

(d) Foreign Exchange Risks

Foreign exchange risk arises on purchases made from foreign suppliers. The Group uses forward exchange contracts to hedge this risk. The Group does not apply hedge accounting, such that the movement in the fair value of the forward exchange contract is recognised in the profit and loss for the year.

(e) Fair Value of Financial Assets and Liabilities

The fair value of financial assets and liabilities of the Group as disclosed on the balance sheet approximates their carrying 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

The New Zealand segment was not a separately reportable segment in the year-ended 30 June 2006.

(c) Accounting Policies

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

(d) Intersegment Transfers

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

	Australia 2007 \$	New Zealand 2007 \$	Other Operations/ Eliminations 2007 \$	Consolidated 2007 \$
REVENUE				
Sales and other income	18,052,986	3,265,920	-	21,318,907
Total revenue from external customers	18,052,986	3,265,920	-	21,318,907
Inter segment revenue	331,508	286,927	(618,435)	-
Total segment revenue	18,384,494	3,552,847	(618,435)	21,318,907
RESULT				
Net loss for the period	(1,337,838)	(1,802)	-	(1,339,640)
Minority interest	-	-	2,155	2,155
Segment result	(1,337,838)	(1,802)	2,155	(1,337,485)
ASSETS				
Segment assets	8,256,447	1,729,962	(256,343)	9,730,066
LIABILITIES				
Segment liabilities	(3,742,942)	(1,716,384)	250,244	(5,209,082)
OTHER				
Cash flows from operating activities	(467,205)	(178,891)	-	(646,096)
Cash flows from investing activities	(199,232)	20,279	-	(178,953)
Cash flows from financing activities	277	-	-	277
Acquisition of non current segment assets	237,497	15,715	(4,391)	248,821
Depreciation and amortisation of segment assets	305,523	25,794	-	331,317
Other non cash segment expenses	21,851	-	-	21,851

30 Company Details

Registered office

The registered office 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 12 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 2007 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
Chairman

Director:



D P J Stewart
Managing Director

Dated 27 September 2007

Independent Auditor's Report

to the Members of NetComm Limited

DTT NSW

DTT NSW has changed its name from Horwath Sydney Partnership and is a continuation of that partnership.
The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 1 February 2007.

DTT NSW
ABN 30 856 062 171

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of NetComm Limited, which comprises the balance sheet as at 30 June 2007, 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 12 to 58.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" on pages 5 to 9 of the directors' report, and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' 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 designing, implementing 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. The directors are also responsible for the compensation disclosures contained in the directors' report. 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 consolidated financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' 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 and the compensation disclosures comply with AASB 124.

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

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

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 2007 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 5 to 9 under the heading "remuneration report" of the directors' report, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.



DTT NSW



Ben Arthur
Partner
Chartered Accountants
Sydney, 2007

ASX Additional Information

30 June 2007

The shareholder information set out below was applicable as at 30 June 2007.

1. Distribution of Shareholders

Analysis of number of shareholders by size of holding.

Category of holding	Number	Number of Shares
1 - 1,000	103	63,629
1,001 - 5,000	482	1,491,036
5,001 - 10,000	294	2,494,768
10,001 - 100,000	608	20,470,826
100,001 - shares and over	93	54,668,307
Total	1,580	79,188,566

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	28.60
Askey Computer Corp	2,053,528	2.60
Porttel Pty Limited	2,000,000	2.50
Dr Colin Rose	1,615,153	2.00
Valerie Ann Ferry	1,614,190	2.00
Andrew George Kettle	1,080,000	1.40
Simon & Alexandra Clausen	950,000	1.20
A & J Anderson Management P/L	922,280	1.20
C E Howells	858,209	1.10
Sydney Equities Pty Limited	850,000	1.10
Mrs Cher Suey Cheah	820,000	1.00
Mr Garth Pernase and Mrs Susan Botica	800,000	1.00
Kota Zoubari	656,629	0.80
John Eldred Williams	649,222	0.80
Sirius Trading Pty Ltd	649,000	0.80
Leonard Colin Andrews	600,000	0.80
Gordon Denby Coad	600,000	0.80
Boon Chuan Aw	572,301	0.70
Ms Dawn Gabriella Leong and Mr Richard Antony Press	568,000	0.70
Bian S Lee Pty Ltd	500,326	0.60
Total	41,005,901	51.70

3. Voting Rights

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

4. Substantial Shareholders

As at 29 June 2007 the substantial shareholders were as follows:

Shareholder	Number of Shares
David P J Stewart	22,647,063

Corporate Directory

Company

NetComm Limited

ABN 85 002 490 486

Directors

T R Winters (Non-Executive Chairman)

D P J Stewart (Managing Director)

J A Brennan (Non-Executive Director)

J M Burton (Non-Executive Director)

Company Secretary

S J Van Es

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

A.B.N. 85 002 490 486

GENERAL PURPOSE

FINANCIAL STATEMENTS 30 JUNE 2006

Corporate Governance Policy

NetComm has a sincere commitment to effective governance in order to:-

- (i) Enhance organizational performance;
- (ii) Understand and manage risks to minimize the negative aspects and maximize the opportunities;
- (iii) Strengthen shareholder confidence;
- (iv) Enhance its public reputation through enhanced transparency and accountability;
- (v) Demonstrate how it is discharging its legal, shareholder and ethical obligations;
- (vi) Provide a mechanism for benchmarking accountability;
- (vii) Assist in the prevention and detection of fraudulent, dishonest and/or unethical behaviour.

Documents forming part of NetComm's Governance Policy are:-

- (a) Board charter
- (b) Audit Committee charter
- (c) Nomination and Remuneration Committee charter
- (d) Risk Management Policy
- (e) Code of ethics and conduct

The Principles of Good Corporate Governance and Best Practice Recommendations as put forward by the ASX Corporate Governance Council have been integrated into NetComm's operations, as follows:-

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

"Recognise and publish the respective roles and responsibilities of board and management" – NetComm has adopted a formal Board Charter that sets out the functions reserved to the Board and those delegated to the Managing Director. The division of functions is reviewed periodically, as required.

Specifically the Board is responsible for:-

- (a) The strategic direction of the company.
- (b) Approving budgets and other performance indicators and reviewing performance against them and initiating corrective action when required.
- (c) Ensuring compliance with applicable laws.
- (d) Ensuring that risks facing the Company have been identified, assessed and that the risks are being properly managed.
- (e) Ensuring that policies on key issues are in place and are appropriate and reviewing compliance with policies.
- (f) Adopting the most effective structure that best assists the governance process.
- (g) Approving and fostering an appropriate corporate culture matched to the company's values and strategies.
- (h) Appointing the managing director and evaluating his or her ongoing performance against predetermined criteria.
- (i) Approving remuneration for the managing director and remuneration policy and succession plans for the managing director and senior management.
- (j) Taking into account the interests of all shareholders.

The Chairman is responsible for leading the Board in those duties, while the Managing Director is responsible for the efficient and effective operation of NetComm Limited, including bringing material matters to the attention of the Board. The Board has no operational involvement in the day-to-day management of the company. The roles of Chairman and Managing Director are separated and, under Board policy, the Managing Director may not become Chairman whilst he holds the position of Managing Director.

2. STRUCTURE THE BOARD TO ADD VALUE

"Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties" – NetComm's board is so structured and its directors have adequately discharged their responsibilities and duties to the benefit of shareholders.

Skills and Experience – A common thread among NetComm's present board of directors is their long term involvement in the IT&T industry at a senior managerial level. They also bring strong financial skills as well as sales and marketing skills. The NetComm Board consists of five directors (three non-executive and two executive). The experience and qualifications of each Board member are further discussed on page 8 and 9 of the annual report to shareholders.

Independence – The majority of NetComm's directors are independent of the management team, substantial shareholders and any commercial dealings with the company. The board chairman is independent of management.

Where a director becomes aware of a conflict of interest or a potential conflict of interest, that member formally declares the conflict and accepts the guidance of the board.

Board Committees

Nomination and Remuneration Committee (see charter):-

NetComm's Board has reviewed the duties of its Remuneration Committee and has added the function of "nominations" to its responsibilities. The newly formed Nomination and Remuneration Committee comprises two independent non-executive directors and one executive director. The Committee's responsibilities include setting Board competence standards, reviewing succession plans, evaluating the Board's performance and making recommendations for:-

- (a) Executive remuneration and incentive policies;
- (b) Remuneration packages of senior management;
- (c) NetComm's recruitment, retention and termination policies for senior management;
- (d) Incentive schemes;
- (e) Superannuation arrangements; and
- (f) The remuneration framework for directors.

The members of the Nomination and Remuneration Committee during the year were:-

- Mr T R Winters (Committee Chairman);
- Mr J M Burton; and
- Mr D P J Stewart

Audit Committee (see charter):-

The Audit Committee primary functions and responsibilities are:-

- (a) Review the integrity of NetComm's financial information and systems, internal and external reporting;
- (b) Review and assess the external auditors' activities, scope and independence;
- (c) Review the management process for the identification of significant business risks and exposures and review and assess the adequacy of management information and internal control structures; and
- (d) Provide assurance to the full Board that NetComm is adequately managing risks relating to corporate governance and business operations and is maintaining appropriate controls against conflicts of interest and fraud..

The Audit Committee consists of three independent, Non Executive Directors. The members of the Audit Committee during the year were:-

- Mr J A Brennan (Committee Chairman);
- Mr T R Winters; and
- Mr J M Burton.

Independent Advice – NetComm directors may seek external professional advice at the expense of the company on matters relating to their role as directors of NetComm, however they must first request approval from the Chairman, which approval shall not be unreasonably withheld. If approval is withheld the matter may be referred to the whole Board.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

"Actively promote ethical and responsible decision-making" – NetComm has formally adopted a Code of Ethics and Conduct which promotes ethical and responsible decision making by directors, executives and employees. The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with NetComm. The Code also sets the task for management of delivering shareholder value with the oversight of the Board, through the sustainable and efficient operation of the company.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

"Have a structure to independently verify and safeguard the integrity of the company's financial reporting" – NetComm believes its practices in this regard are in accordance with this principle.

NetComm has a highly structured six-monthly reporting process, culminating in Board sign-off and release of financial results to the market. The Managing Director and Financial Controller provide letters of assurance to the Board for each half-year and full-year results.

NetComm's Audit Committee is constituted in accordance with the guidelines, and its responsibilities and composition requirements are set out in the Audit Committee Charter.

Amongst other things, the Audit Committee has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring and reviewing any non-audit work carried out by the external audit firm. No director has any association, past or present, with NetComm's external auditors.

External Audits – NetComm is required to undergo several regulatory audits each year in order to provide assurances to the market regulator (ASIC) and NetComm's customers regarding the operational integrity of NetComm systems and processes. The external Auditor has full and free access to NetComm staff and NetComm records. The external Auditor, Horwath, under the scrutiny of the Audit committee, presently conducts these regulatory audits in return for reasonable fees.

5. MAKE TIMELY AND BALANCE DISCLOSURE

"Promote timely and balanced disclosure of all material matters concerning the company" NetComm fulfills its disclosure responsibilities ensuring compliance with ASX Listing Rule disclosure requirements. The Managing Director and Company Secretary work together to ensure that company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions. The Managing Director has ultimate authority and responsibility for approving market disclosure.

NetComm considers its disclosed discussion of financial results falls within the scope outlined in the guidelines. This disclosure includes availability of materials on the NetComm website.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

"Respect the rights of shareholders and facilitate the effective exercise of those rights". NetComm has documented a shareholder communication policy, as recommended in the guidelines, which represents a formalized summary of longstanding practices and aims.

The policy identified disclosure and transparency as important qualities for NetComm's investors and prospective investors. NetComm therefore aims to ensure the quality and clarity of communication with shareholders, using available methods and technologies.

Shareholder meetings represent an opportunity for shareholders to meet with and question the Board and management of NetComm. NetComm's external auditor attends all annual general meetings and is available to answer shareholder questions.

NetComm's website is a key source of information for NetComm's shareholders and prospective shareholders. NetComm places all company announcements on the site immediately following confirmation of their release to the market. NetComm also displays annual reports to shareholders, speeches and presentations given by the Chairman and Managing Director.

Further communication with shareholders occurs with periodic dividend payments and the distribution of annual reports (unless shareholders have chosen not to receive these). Email is also an important method of communication for investors. Key announcements can be received by email where shareholders provide their details to NetComm.

7. RECOGNISE AND MANAGE RISK

"Establish a sound system of risk and oversight management and internal control". NetComm takes this responsibility seriously and have put in place appropriate means of risk management.

The Audit Committee has responsibility for reviewing the risk management framework and policies within NetComm. The Board annually workshops a risk matrix for the whole of NetComm. Risk is broadly considered anything that may impede the achievement of effective company operation and NetComm's strategic goals.

NetComm also considers the safety and security of its people, buildings and technology systems as part of organizational risk management.

NetComm has adopted a policy requiring the Managing Director and Financial Officer to state to the Board in writing to the best of their knowledge that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

8. ENCOURAGE ENHANCED PERFORMANCE

"Fairly review and actively encourage enhanced board and management effectiveness". NetComm's Board has put in place measures to implement this principle.

Each year the Board undertakes the following activities:

- (a) the chairman meets with each non-executive director separately to discuss individual performance and ideas for improvement; and
- (b) the Board as a whole discusses and analyses its own performance during the year including suggestions for change or improvement.

Prior to the commencement of each financial year, the Board agrees to key responsibility areas (KRAs) and performance targets against each KRA. Following the end of a financial year, an analysis is presented to the Board for their discussion, setting out how the Board has performed against the KRAs.

9. REMUNERATE FAIRLY AND RESPONSIBLY

"Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined". NetComm's Board has put in place satisfactory measures to implement this principle.

NetComm discussion on board policy for determining the nature and amount of emoluments of board members and senior executives of the company and the relationship between such policy and the company's performance is provided in the Directors' Report section of the annual report on pages 19-21.

10. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

"Recognise legal and other obligations to legitimate stakeholders". NetComm has a diverse range of stakeholders and has a number of measures in place that recognise their interests.

The NetComm Code of Ethics and Conduct guides compliance with legal requirements and ethical responsibilities. The Code also sets a standard for employees dealing with NetComm's obligations to other external stakeholders. The Code applies equally to staff, executives and directors.

NetComm's Code formally addresses the privacy of information given to NetComm, conflict escalation, occupational health and safety and Trade Practices Act compliance training for relevant staff.

NetComm supports a number of community and charity organizations.

NetComm acknowledges that, beyond its accountability as a public corporation to its shareholders, it also carries the expectation of a wider set of stakeholders. NetComm endeavours to fulfill these marketplace expectations through, for example, the provision of product training to relevant sections of its customer base, ongoing customer support and online market information.



NetComm Limited

ABN 85 002 490 486

Unit 1, 2-6 Orion Road, Lane Cove
NSW 2066, Australia

T – 61 2 9424 2000

F – 61 2 9424 2010

www.NetComm.com.au