

# Listen. Innovate. Solve.

2016 ANNUAL REPORT



# A year of continued

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## Revenue growth

- Revenue up 15% to \$85.3 million
- Ericsson/nbn™ revenue growth

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## Investment

- Increased business reinvestment for long-term growth
- 33 staff increase

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## Expansion

- Established a new R&D facility in the US
- US Fixed Wireless agreement

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## Opportunities

- Heavily oversubscribed \$50m capital raising and \$1m Share Purchase Plan
- Global demand for Network Terminating Devices and Wireless M2M



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Dear Shareholders,

It gives me great pleasure to report another strong performance for NetComm Wireless Limited in the 2016 financial year (FY16), a year that positions us at the beginning of a very exciting, sustainable growth trajectory.

# Chairman's Report

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We are pleased to have delivered another solid result in FY16, with revenue up 15% to \$85.3 million.

Machine to Machine (M2M) and Fixed Wireless revenue grew 76% to \$59.3 million due to the continued ramp up of the Ericsson/nbn™ contract, which gained pace and is expected to provide continued volume increases in FY17. Our M2M and Fixed Wireless business now accounts for the majority of revenue, making up close to 70% of group revenue in FY16, up from 45% in FY15. We believe this shift in revenue will continue into FY17 and beyond as we deliver on the global opportunities available to NetComm Wireless.

Revenue from our 'base' broadband business declined by \$13 million to \$26 million, primarily due to FY15 benefiting from a one-off revenue increase from the sale of powerline products. We expect our base business to continue to deliver around \$30 million of annual revenue going forward.





The continued growth in Group revenue over FY16 has enabled us to continue reinvesting in the business to capitalise on the array of opportunities before us. As a result of this investment, reported EBITDA was down slightly to \$6.2 million, but it was in line with our expectations. Our strong underlying EBITDA growth of 23% to \$11.2 million (adding back business reinvestment and non-cash share based payments expense) shows the scalability of our earnings as volumes increase.

Given the number of attractive global growth opportunities that our success in Fixed Wireless and M2M provide, we have adopted a disciplined approach to capital management to ensure the Company is well funded and has the right people in place to pursue these opportunities.

Our balance sheet was strengthened in FY16 following a successful heavily oversubscribed \$50 million share placement, and a \$1 million Share Purchase Plan. This funding strongly positions us to capitalise on the pipeline of opportunities ahead.

During FY16 we experienced a small operating cash outflow of \$2.6 million due to expected initial costs relating to the USA Fixed Wireless contract. However, as a result of the capital

raised we were able to pay down debt, and cash at 30 June 2016 stood at \$36.5 million. We have additional headroom for growth if required with an undrawn \$14 million finance facility in place with HSBC.

The Board believes that, at this time, reinvesting in the business is the best use of cash and accordingly has decided that it will not pay a dividend in FY16. NetComm Wireless' dividend policy will be reinstated as soon as it is deemed prudent.

Over the past 12 months, staff numbers increased from 110 to 143 to help capitalise on the pipeline of opportunities ahead. The majority of our new team members are highly specialised engineers who will further enhance our technical capabilities and our focus on innovation.

NetComm Wireless' growth is expected to continue. Having laid strong operational foundations, raised capital and established partnerships with a range of major telecommunications companies globally, we are excited by the long term outlook. The benefits from new contracts, such as the USA Fixed Wireless contract, will see us grow revenue and earnings substantially across future years.

I would like to thank my fellow directors who have attended all meetings and provided intelligent and valuable input into our strategy. Also, our highly talented management team, engineers, and all of our dedicated and driven staff for the tremendous job they have done over the past year.

Lastly, I would like to thank you, our shareholders, for your ongoing support of NetComm Wireless as we pursue a growth strategy which, I believe will create a very valuable company over the medium term.

**Justin Milne**  
Chairman

This past year has brought a lot of changes and achievements for our company, all of which can be viewed in the News area of our new website which was launched earlier this year, here we would like to present some of our more noteworthy achievements.

# Year in review - 2015-16

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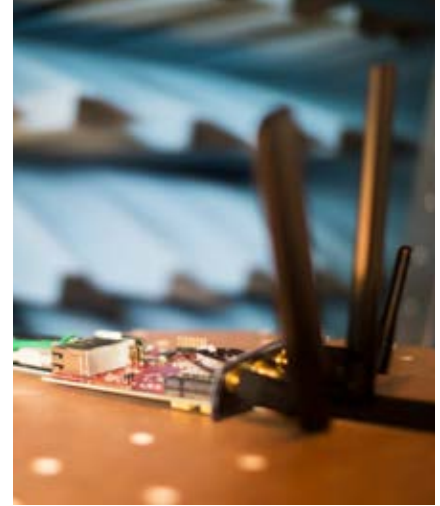
## **Signed US Fixed Wireless agreement**

A key technical milestone has since been passed following the signing of a Master Purchase Agreement with a large USA based telecommunications carrier for the supply of Fixed Wireless devices.



## **Developed FTTPd product**

Engineered a Fibre to the Distribution Point (FTTPd) Network Terminating Device designed to bring superfast broadband to premises using existing copper lines.



## **New R&D facility in US**

Launched our first R&D facility outside of Australia and added 30 engineers in Sunrise, Florida, United States.



**NOKIA**

### **Nokia FastMile launched**

Secured an agreement with Nokia Networks for the supply of Fixed Wireless broadband devices for Nokia FastMile.



### **Vodafone launches MachineLink 4G**

The Vodafone MachineLink 4G was launched to strengthen coverage, capacity and remote connectivity globally.



### **Verizon Private Network certification**

Our 4G WiFi M2M router was certified for use on the Verizon Wireless 4G LTE network and the Verizon Private Network.

For over 34 years, NetComm Wireless has engineered new generations of first to market technologies and helped to change the way that the world communicates.

At the core of everything we do is Listen. Innovate. Solve.

# CEO & Managing Director's Report

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We **LISTEN** to our customers' specific needs and requirements.

Once we understand these requirements, we **INNOVATE** telecommunications technology through a unique understanding of the challenges and opportunities of a connected world.

We **SOLVE** customers' specific needs with our innovative telecommunications technology solutions.

Whether transforming rural and regional communities with superfast Fixed Wireless, optimising business efficiencies with smart wireless M2M solutions, or extending network infrastructure with Fibre or Cable to the Distribution Point, NetComm Wireless is at the forefront of innovation globally.





Recognition of NetComm Wireless' industry standing can be seen from awards the Company has received so far in 2016:

- Compass Intelligence's award for M2M innovation – Product / Solution of the Year for our 4G WiFi M2M Router (NTC-140W).
- Communications Alliance ACCOMS IOT innovator award for our Smart Home Gateway (NTC-70), a world first Internet of Things (IoT) device designed to transform the future of energy management.
- Australian Business Awards for Business Innovation and Technology Innovation.

## **Network Terminating Devices – low density**

The rollout of our Ericsson/nbn™ Fixed Wireless solution continues to gain pace. As at 30 June 2016, well over 120,000 units had been deployed and the roll-out has continued to ramp up.

Other countries and telecommunications carriers are preparing to invest in similar initiatives as they commence the termination of their PSTN copper networks. The expertise we have developed in delivering the world's largest and most successful Fixed Wireless deployment places us in a unique position to gain substantial new business in an \$80 billion annual global market.

The signing of a Master Purchase Agreement to deliver a Fixed Wireless solution to one of the two largest telecommunications carriers in the USA is the first step in NetComm Wireless' global growth in this technology. This agreement is transformational for NetComm Wireless as it is substantially larger in deployment size than the Ericsson/nbn™ project.

We are currently pursuing additional opportunities in Fixed Wireless to further build off our proven capabilities, while ensuring that we continue to support the escalating units for the Ericsson/nbn™ project and preparing for the initial delivery of units for the USA opportunity.

The recent signing of a Frame Purchase Agreement with Nokia in July 2016 for the supply of Fixed Wireless devices for FastMile, their global suburban and rural broadband Internet initiative, further highlights our strong global position in this large and growing market.

## Network Terminating Devices – high density

Having built a strong relationship with nbn™, we have pursued our own initiative to develop a practical and economical alternative to Fibre to the Premises (FTTP) to bring fast and reliable broadband to customers without entering premises.

Our proprietary Fibre to the Distribution Point (FTTdp) solution takes a single fibre connection from the distribution point pit and redistributes it to up to four customer premises using existing copper lines.

This FTTdp unit was specifically designed by NetComm Wireless to reduce rollout time, cost and complexity. We believe it has applications not just in Australia to support faster and cheaper rollout of the nbn™, but also has global application as other countries and telecommunications carriers look to rollout new broadband infrastructure.

## Wireless M2M

Wireless M2M communication is opening doors to a new world of possibilities for NetComm Wireless across a range of industries in a market expected to reach \$11 trillion annually by 2025. Our industrial-grade Wireless M2M solutions combine features and interfaces needed to connect and manage virtually anything, anywhere.

As every business is different, and every challenge is unique, we develop bespoke M2M solutions for demanding and complex projects by applying our Listen. Innovate. Solve. approach to ensure that our customers' specific pain point challenges are solved. We are currently working within the building automation and health verticals on projects of this type.

## Fixed Broadband

Our Fixed Broadband devices range from entry level gateways to high-performance devices that support triple play services covering high-speed data transmission, multi HD/4K IPTV and over-the-top video streaming as well as high quality VoIP phone calls. We combine the latest generation of WiFi with powerful wired networking and powerline options to amplify a fast and reliable connection to multiple devices throughout the home and office.

While revenues from this business declined by \$13 million to \$26 million, this was solely due to FY15 benefiting from a one-off revenue increase from powerline and ADSL/VDSL products. We expect this business to continue to deliver around \$30 million of annual revenue going forward.

## Growth trajectory to continue

Having completed a transformational year with the signing of a Master Purchase Agreement with one of the two largest telecommunications carriers in the USA, and having successfully raised \$51 million, we have no plans to slow down.

The markets we operate in hold enormous potential given their inherent long term growth drivers. Our approach to Listen. Innovate. Solve. is unique and well received given our customers' specific needs.

We have added to our partnerships with the recent signing of an agreement with Nokia, and we have multiple new opportunities in the pipeline both in Australia and offshore.

There is no shortage of growth opportunities for NetComm Wireless. The challenge is prioritising those opportunities so we can grow shareholder returns.

In closing I would like to thank the Board for again providing valued counsel and guidance over the past twelve months, a very busy period for the Company. I would also like to thank every member of the NetComm Wireless family, including customers, suppliers and shareholders. Lastly, I'd like to thank every member of the NetComm Wireless team for believing in our vision. I am privileged to work with a terrific team and the continued growth and strength of the company is testament to their dedication.



David Stewart  
CEO & Managing Director

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*"This FTTdp unit was specifically designed by NetComm Wireless to reduce rollout time, cost and complexity."*

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# Listen.

We listen to our customers and identify their specific needs.



# Innovate.

Innovation is applied to develop a unique device to meet the customers' requirements.



# Solve.

Customer requirements met, exactly. Problem solved.

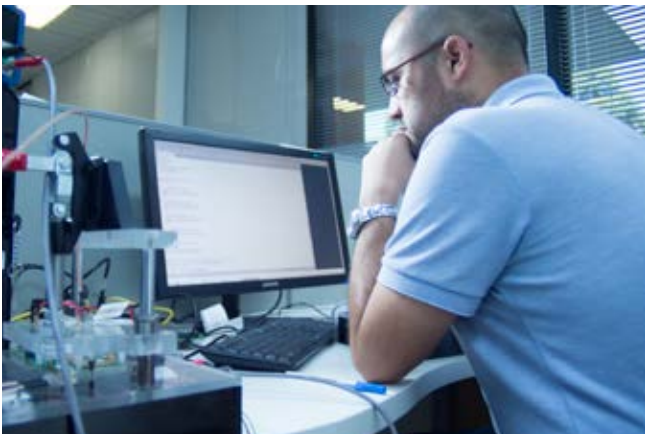


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# Our business

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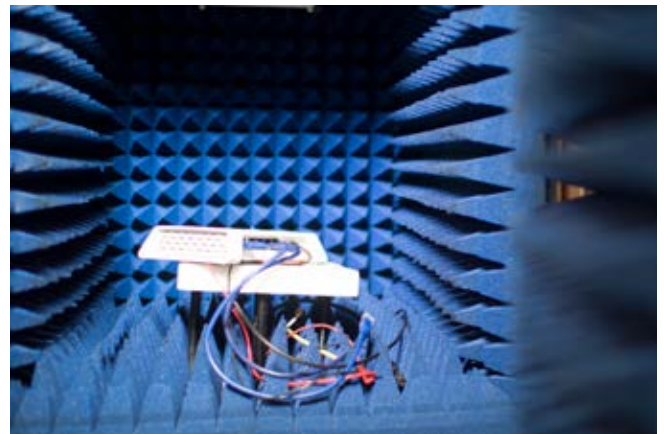
NetComm Wireless is a leading developer of Fixed Wireless broadband, wireless M2M / Industrial IoT and Fibre and Cable to the Distribution Point (FTTdp / CTTdp) technologies that underpin an increasingly connected world. Employing our Listen. Innovate. Solve. approach, we provide solutions for the unique requirements of leading telecommunications carriers, core network providers, system integrators, government and enterprise customers worldwide. For 34 years, NetComm Wireless has engineered new generations of world first data communication products and is now a globally recognised communications technology innovator. Headquartered in Sydney (Australia), NetComm Wireless has offices in the US, Europe/UK, New Zealand and Japan.



## Our people

Our people are the foundation of our success. Working together, from all parts of the globe, we listen to our customers and innovate business specific solutions for demanding challenges. Our people have the expertise needed to build our business and sustain global growth.

Software and hardware engineers, sales, marketing, operations, administration and production teams share the vision and values cultivated by senior management.



## Our technology

Network Terminating Devices facilitate national broadband deployments and include Fixed Wireless, FTTdp and CTTdp technologies that enable a fast and economical alternative to fibre or cable to the premise services.

Carrier-grade Wireless M2M devices solve specific business requirements and drive the transformation of entire industries such as health care, utilities, transport, retail, security, manufacturing and transport.

Fixed Broadband technologies serve customers in Australia and New Zealand and provide a stable base that allows our business to expand into larger global markets.





# LISTEN.

**Uncovering the challenges of  
a connected world.**

We listen to our customers and partners in order to  
identify the specific challenges and opportunities  
affecting them on a global basis.



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# We listen to

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## Governments

Governments in the US, Canada the UK and Europe have recognised the urgent need to bridge the digital divide – and ambitious broadband rollout targets have been set to prepare for a future where households and businesses will need the capacity to stream high-resolution media services, HD 4K video and other data hungry applications from multiple devices.

## Network operators

Today, more than 100 countries are involved in FTTP deployments that present substantial time, cost and feasibility challenges.

In urban areas, FTTP challenges are associated with the need to access private property and undertake civil works that involve additional engineering and labour expenses. FTTP is even less practical to deploy in outer urban, rural and regional areas that are often dispersed across vast geographies.

Engineered to overcome these challenges, our world leading network terminating technologies incorporating Fixed Wireless and FTTdp, provide a fast, practical and economical alternative to FTTP deployments in Australia and worldwide.

## Enterprises

One of the most frequently underestimated challenges for companies looking to deploy cellular-based M2M or IoT relates to the availability of access technologies over the lifetime of the IoT device, according to a study published by Machina Research.

New network technologies are disrupting M2M and IoT markets worldwide as 2G and 3G networks are switched off to free up spectrum for 4G LTE speed and capacity, and network availability is impacting companies deploying cellular M2M or IoT, particularly where deployments are multi-regional.

We listened, and innovated future-ready solutions that integrate all generations of technology.

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## Partners

To remain competitive, ecosystem partners collaborate and deliver end-to-end solutions to customers across diverse industry sectors. We work closely with our carrier, enterprise, systems integrator, platform partners to optimise capabilities, overcome complexity, achieve scale and deliver value to customers.

Complete solutions are achieved by integrating the capabilities of players across the M2M value chain.

We are strengthening our market leading position in partnership with:

Leading telecommunications carriers	Large organisations	Ecosystem partners
Telstra, Vodafone, Singtel, AT&T, Deutsche Telekom, Verizon Wireless, Spark	Ericsson, nbn™, Nokia, Hitachi	Qualcomm, ThingWorx, Cumulocity

This year we continued to work with Vodafone to accelerate the adoption of M2M which is experiencing year-on-year growth of 23%, according to the third annual Vodafone M2M Barometer report. We listened to the needs of Vodafone Enterprise and its partners, and engineered the MachineLink 4G to strengthen coverage, capacity and remote connectivity as business customers continue to extend their use of M2M.

To drive the uptake of M2M in the US, Verizon Wireless certified the NetComm Wireless 4G WiFi M2M Router (NTC-140W-01) and 4G LTE Light Industrial M2M Router (NWL-25) for use on the Verizon Wireless Private Network and the Verizon Wireless LTE/XLTE network to bring coverage, speed and security to enterprises that collect and manage large amounts of mission-critical data.



# INNOVATE.

## **Differentiation through innovation.**

We apply innovation to develop market leading solutions for complex and demanding challenges.

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# Investing in innovation

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## Established R&D facility in the US

This year we expanded our R&D facilities in Sydney and Melbourne, and established our first R&D centre outside of Australia, in Sunrise, Florida, United States.

The new facility currently employs two teams of approximately 30 experienced engineers with the expertise needed to accelerate software, hardware and radio frequency (RF) innovation.

“NetComm Wireless has experienced tremendous growth in recent years and we will continue to invest in the R&D resources needed to accelerate the expansion of our business in the US and globally. Our new R&D centre will allow us to meet the specific needs of our US based customers and partners, while strengthening our product design, development and testing capabilities,” said David Stewart, CEO and Managing Director, NetComm Wireless.

Our R&D efforts are focused on:

- Fostering continued growth through the development of our own intellectual property;
- Delivering advanced hardware, firmware and software solutions;
- Growing our software development team to accelerate innovation;
- Utilising modules and chipsets to help refine our product features; and
- Working closely with our customers to conceptualise and develop products designed to help them grow in existing markets.

## Leading technological innovation

Globally renowned for our longstanding commitment to innovation, we engineer change across diverse industries and geographies.

### Network Terminating Devices

#### High density – FTTdp and CTTdp

A global opportunity. Our FTTdp and CTTdp innovations provide a practical and economical alternative to FTTP by taking a single fibre connection and redistributing it to multiple customer premises using existing copper lines.

#### Low density – Fixed Wireless

Our Fixed Wireless devices extend the trusted zone for operators and enables universal broadband initiatives with a focus on the last 10%. Fixed Wireless overcomes economic and geographic barriers to high speed connectivity, offering a high performance fixed line broadband alternative for underserved households and businesses in regional and rural areas.

Leveraging the success of our nbn™ Fixed Wireless solution, we are now working on a national broadband initiative with one of the two largest carriers in the US, while also supporting Nokia’s “FastMile” solution for global markets.

## Wireless M2M

### Project based M2M

Combining our long history with the capacity to listen, we identify our customers’ problems, or pain points, and innovate bespoke M2M solutions that solve specific project objectives and generate real value across virtually every industry sector.

### Wireless M2M portfolio

Designed to enable a smart world, our portfolio of globally certified 3G/4G M2M, or Industrial Internet of Things (IIoT), devices bring intelligence to the edge of networks and enable diverse M2M applications. Business outcomes are optimised with carrier-grade remote monitoring and management and the capacity to scale, interoperate, expand and evolve as business needs change.

We innovate the open source M2M technology needed to free partners and customers from the restrictions of purpose-built proprietary M2M devices.

Our industrial-grade Wireless M2M portfolio brings smart capabilities to traffic infrastructure, digital signage, water and waste systems, healthcare devices, meteorological equipment and countless mission-critical systems across the globe.

*"Innovation is all about finding better ways to do things and we are pleased to have won the Technology Innovation award for our Fixed Wireless Network Terminating Devices as we continue to work with our operator partners to bring high-speed broadband to rural, regional and outer-urban homes and businesses in Australia, the US and Europe,"*

**David Stewart,**  
CEO and Managing Director

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## Fixed Broadband

Developed for the Australian and New Zealand markets, our Fixed Broadband technologies connect customers to VDSL2 or ADSL2+ today, while supporting the switch to Australia's nbn™ or New Zealand's Ultra-Fast Broadband (UFB) fibre (FTTN/FTTB/FTTH) services.

## Awarded for innovation

### ACOMM Award - IoT Innovator

NetComm Wireless was awarded the IoT Innovator honour for its Smart Home Gateway (NTC-70), a world first IoT device designed to transform the future of energy management by lowering household emissions and sustaining energy efficiency through the connection and remote management of energy meters, sensors, heat pumps and home automation devices in real-time.

Designed to interoperate with mobile networks globally, the Smart Home Gateway facilitates the efficient use of energy resources worldwide. The device is used by Hitachi to support its development of ICT infrastructure for the Smart Community Demonstration Project in Greater Manchester, UK.

### Compass Intelligence Award - M2M/IoT Innovation

The Compass Intelligence A-List in M2M/IoT category recognises the best and finest IoT / M2M products, services and solutions offered in the global market over the past year.

The NetComm Wireless 4G WiFi M2M Router (NTC-140W) was selected by over 40 industry-leading analysts, consultants, journalists and editors that cover the mobile and wireless market.

### Australian Business Awards for Business and Technology Innovation

Each year ABA100 Winners are recognised through award categories that demonstrate transformative business and product innovation.

"We have the agility needed to sustain innovation across all areas of our business in a fast changing environment and it is a tremendous honour to have received the Australian Business Award for Business Innovation for the sixth consecutive year. Our 'Listen. Innovate. Solve.' approach allows us to continually transform our business, and develop innovative bespoke solutions for our customers and partners worldwide.

"Innovation is all about finding better ways to do things and we are pleased to have won the Technology Innovation award for our Fixed Wireless Network Terminating Devices as we continue to work with our operator partners to bring high-speed broadband to rural, regional and outer-urban homes and businesses in Australia, the US and Europe," said David Stewart, CEO and Managing Director, NetComm Wireless.





## NetComm Wireless CEO David Stewart named Communications Ambassador 2016

NetComm Wireless CEO and Managing Director, David Stewart, was also recognised this year for his significant and valuable contribution to the Australian communications industry with the presentation of the Communications Ambassador 2016 award at the 10th annual Communications Alliance ACOMM Awards Dinner in Sydney.

John Stanton, CEO, Communications Alliance, presented David Stewart with the prestigious Communications Ambassador award, and said:

"He's a man who's been in the industry for more than 30 years. He is somebody who has overseen some of the strongest product and technology innovation in Australia and has always been a great supporter of Australian IT professionals, and of manufacturing. He has been, for a period of three decades, a very consistent, strong innovator and contributor to the health of our sector and the creation of jobs in the industry."

"David established NetComm Wireless as a leading global developer of Fixed Wireless, wireless M2M and IIoT devices, and helped to advance the Australian communications industry through the introduction of a number of first-to-market data communications technologies over three decades.

"Through his longstanding commitment to innovation, David expanded NetComm Wireless into global markets through initiatives impacting a broad range of industry segments including building automation, transportation, mining services and energy management, and bringing city-equivalent broadband to regional, remote and outer urban

areas in Australia, the US and Europe with Fixed Wireless," said Justin Milne, Chairman, NetComm Wireless.

"These are exciting times for our industry and it is a privilege to have been presented with our industry's top accolade for individual achievement. We have come a very long way since we first began connecting people and machines via dial-up and I am tremendously proud of where NetComm Wireless is today," said David Stewart, CEO and Managing Director, NetComm Wireless.

The Australian Communications Ambassador award is the highest honour presented by ACOMMS Communications Alliance and CommsDay each year, with previous recipients including former Telstra CEO, David Thodey and former Telstra Group Managing Director, Stuart Lee.



# SOLVE.

**Differentiation through innovation.**

We apply innovation to develop market leading solutions for complex and demanding challenges.



The Wireless Outdoor Unit (OWU)  
is the property of NBN Co.  
DO NOT REMOVE

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# A world leading nbn™ Fixed Wireless network

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## The objective

The nbn™ objective is 100% national broadband coverage by 2021.

## The challenge

To cost-effectively deliver fast broadband to rural, regional and outer urban premises.

## The solution

Fixed Wireless.

The nbn™ Fixed Wireless network brings the fastest and most competitive high speed broadband ever available to homes and businesses located outside of major Australian cities. Customers are now experiencing triple-play services with city equivalent broadband speeds in rural, regional and outer urban areas where ADSL, dial-up or mobile services with low data packages were previously the only available option.

Designed, built and operated by Ericsson using NetComm Wireless' on premises Wireless Network Terminating Device to connect a fixed number of premises within a precise coverage area, the nbn™ Fixed Wireless network delivers committed bandwidth, specific capacity and speeds of up to 50Mbps downlink and 20Mbps uplink in areas where it is not practical or economical to deploy fibre.

nbn™ reported that its Fixed Wireless revenue almost tripled during the 2015-2016 financial year, and the number of homes and businesses actively using the service more than doubled. Almost 430,000 premises are now ready for the service, and it is proven to meet performance measures across vast geographic areas.

Entire communities now have access to the broadband capacity needed to stream video and drive other bandwidth-intensive applications on multiple devices. The service is bringing unprecedented opportunities to entire industry sectors in areas such as commercial farming where applications such as precision agriculture, livestock tracking, surveillance and video conferencing are transforming business and operational efficiencies.

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## Going global with Fixed Wireless

USA Fixed Wireless contract

In November 2015, NetComm Wireless signed a Master Purchase Agreement with one of the two largest USA based telecommunications carriers for the supply of Fixed Wireless devices designed to connect households and businesses to the carrier's Fixed Wireless rural broadband network.

Commenting on the agreement, NetComm Wireless CEO and Managing Director David Stewart said: "This agreement is a key milestone in NetComm Wireless' global growth strategy for regional broadband. It builds on our success to date with Ericsson in delivering a similar service to Australia's National Broadband Network. We see potential for this technology solution in many different countries."

NetComm Wireless recently announced that it has passed a key technical milestone in respect of the above mentioned USA based Fixed Wireless contract.

## Nokia Fixed Wireless agreement

NetComm Wireless announced the signing of a Frame Purchase Agreement with Nokia for the supply of its Fixed Wireless devices to Nokia in relation to their global FastMile initiative. FastMile provides operators with an end-to-end, LTE-based means of delivering broadband internet services to suburban and rural areas, ensuring high data rates and guaranteed minimum throughput of coverage.

Under the agreement, NetComm Wireless will provide Nokia with Wireless Network Terminating Devices engineered to deliver LTE broadband in rural and regional areas worldwide in specific frequencies. The arrangement will increase global market access to Fixed Wireless broadband devices developed by NetComm Wireless and will provide Nokia with the basis to build an ecosystem of partners for FastMile. The agreement represents a further milestone in the execution of NetComm Wireless' global Fixed Wireless growth strategy, where external research shows the total addressable market to be US\$80 billion.



# Board of Directors

## **Justin Milne**

### **Non-Executive Director & Chairman**

Mr Milne has substantial telecommunications industry experience and he is an experienced company director having served in diverse industry sectors with a multinational focus. He has had an executive career in telecommunications, marketing and media. From 2002 to 2010 he was Group Managing Director of Telstra's broadband and media businesses and headed up Telstra's New Media business in China. Prior to that he was a CEO of OzEmail and MNS Australia. He is currently Chair of MYOB Holdings Ltd., Non-Executive Director of nbn™, Tabcorp Holdings Ltd., SMS Technology and Management Ltd. and Members Equity Bank Ltd.

## **David Stewart**

### **CEO and Managing Director**

Mr Stewart is an experienced CEO and successful entrepreneur with more than 30 years in management and business leadership roles. Mr Stewart founded Banksia Technology Pty Limited in 1988 and successfully managed the company as a fast growing and highly profitable business. In 1996 he instigated the successful takeovers of a number of his competitors, including NetComm Limited, which was completed in November 1997. Mr Stewart assumed the role of Managing Director of the merged entity and remains the single largest shareholder of NetComm Wireless.

Mr Stewart has a strong financial background, extensive experience in sales and marketing and has a strong interest in new technologies. While being very active in the operational aspects of the business, he also oversees the product development direction and focuses on the strategic direction of the Company.





### **Kenneth J. Sheridan**

#### **CFO and Executive Director**

Mr Sheridan is a Chartered Accountant with over 30 years' experience in senior management in major corporations in Australia and Asia. He spent 11 years with KPMG before he moved into the commercial sector where he held several CFO roles with large multinational companies in Australia and Asia including three years as Finance Director of a top 10 Malaysian listed consumer goods company. Mr Sheridan was the Group CFO for Tenix, one of Australia's largest private companies. In the 6 years prior to joining NetComm Wireless, Mr Sheridan was Managing Director and major shareholder of Acelero Pty Ltd., a human resources software company.

### **Ken Boundy**

#### **Non-Executive Director**

Mr Boundy has significant marketing, distribution and international business experience across a diverse range of industry sectors. He is currently Chairman and Non-Executive Director on five boards and part owner of two businesses. He has held a number of prominent positions over the past thirty years including: Managing Director of Tourism Australia; Executive General Manager, International, of James Hardie Industries Limited; Group General Manager, Corporate Development, of Goodman Fielder Limited; CEO, of Goodman Fielder Asia, Singapore and Director, Industry Development, of the Victorian Department of Industry Commerce and Technology.

### **Stuart Black, AM**

#### **Non-Executive Director**

Mr Black is a prominent Chartered Accountant and experienced Company Director. A former Managing Partner of a chartered accounting firm and a past President of the Institute of Chartered Accountants in Australia, he has extensive experience in professional services, agribusiness, financial services, manufacturing, import, distribution, IT and biotechnology.

Mr Black is currently a Non-Executive Director of Australian Agricultural Company Limited, TPI Enterprises Limited and was previously a Non-Executive Director of Coffey International Limited. He Chairs the Chartered Accountants Benevolent Foundation Ltd and is a Non-Executive Director of The Country Education Foundation of Australia Ltd. He is a former Chair and Director of the Accounting Professional and Ethical Standards Board Ltd and a member of the International Federation of Accountants SMP Committee.



Our senior management team has been further strengthened with the following appointments.

# A formidable leadership team

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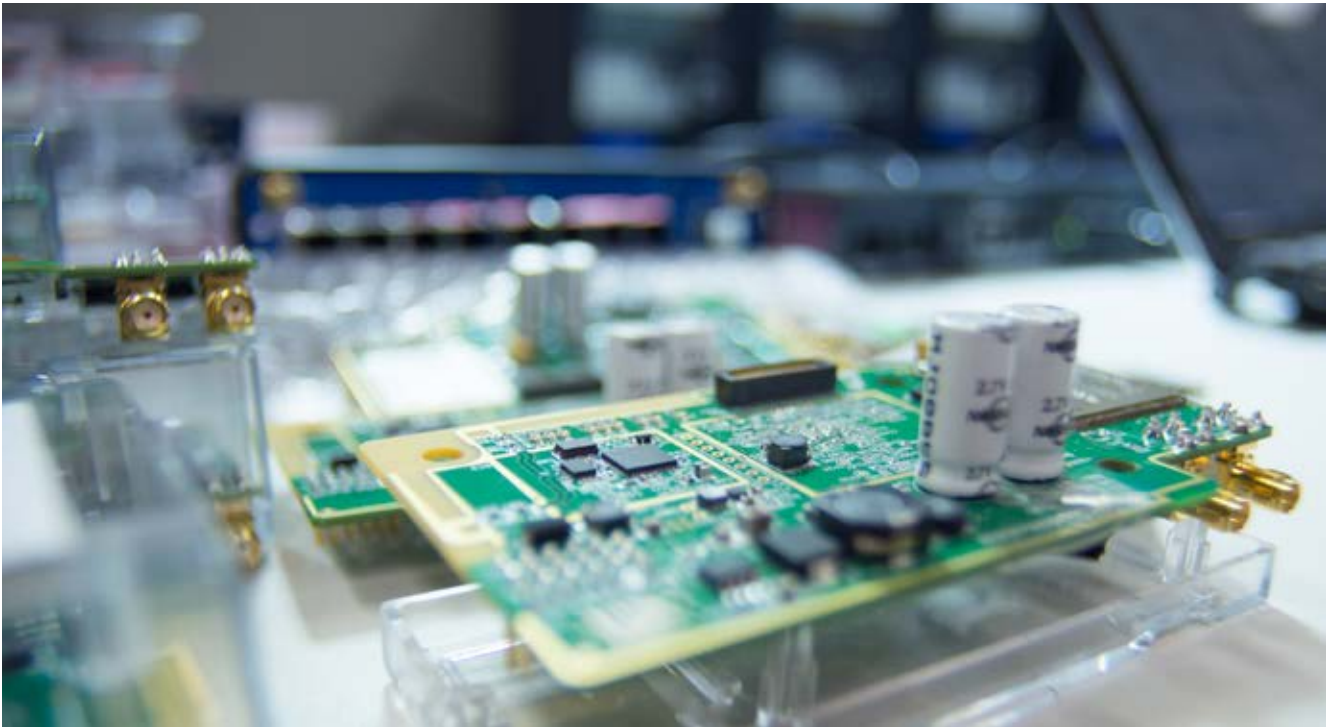


**Timo Brouwer**  
Chief Operating Officer

Mr Brouwer has a 30-year background in the telecommunications vendor sector and is responsible for overseeing global sales, marketing, operations and customer support. For the past two years, he has been CEO and Director of RFS Australia and a member of RFS' global executive.

RFS is a designer and manufacturer of wireless infrastructure solutions. In this role, Mr Brouwer managed 200 staff including R&D/engineering, manufacturing, finance, sales, operations and logistics, and was also responsible for RFS' manufacturing facilities in Australia (Melbourne), US, Germany, China and Brazil. Prior to RFS, Mr Brouwer was Managing Director of Motorola Mobility Australia, NZ and the Pacific Islands for four years.

Before that he had various sales roles at Nortel, Motorola Australia and GEC Plessey Telecommunications and started his career as an engineer at Alcatel Australia.



**Kenneth J. Sheridan**  
Chief Strategy Officer

Mr Sheridan, a key member of the Board and management team of NetComm Wireless for the past five and a half years, has been appointed to the newly created role of Chief Strategy Officer. In this role, Mr Sheridan will guide the Company's strategic direction as NetComm Wireless continues its transformation from an Australian business into a large global organisation.

"Ken has worked very closely with me over the past five and a half years as we designed and led NetComm Wireless' transformation to a leading telecommunications solution business underpinned by a global growth strategy. Freeing Ken up to focus more on strategic initiatives will put us in an even stronger position to continue our growth trajectory and pursue a number of global initiatives," said David Stewart, CEO and Managing Director.

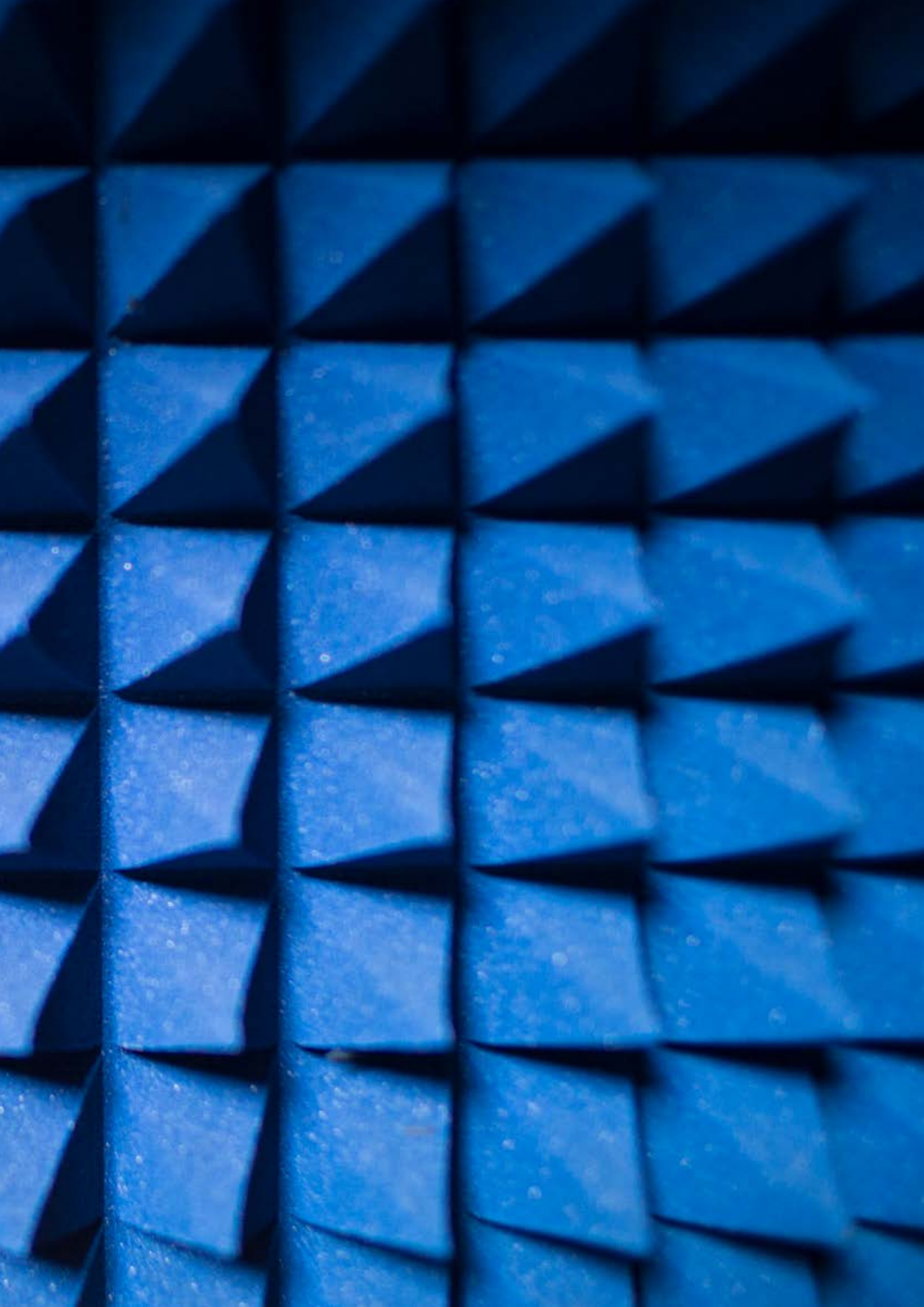


**Christopher Last**  
Chief Financial Officer

Mr Last has had a successful and diverse career in finance, having specialised in chartered accounting, treasury, investor relations and senior finance disciplines over the past 25 years in Australia and overseas, and is responsible for the Company's internal finance and investor relations capabilities.

His most recent role was as Chief Financial Officer of Heart Research Institute Ltd, and prior to that spent five years as Chief Financial Officer of Blackmores Ltd.

In addition, Mr Last previously held senior finance roles at Unilever Australasia and Richemont.



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# NETCOMM WIRELESS LIMITED ANNUAL REPORT

For the year ended 30 June 2016  
ACN 002 490 486

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# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

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Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2016.

### 1. General Information

#### (a) Directors

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

<b>Name</b>	<b>Position held</b>
J Milne	Non-Executive Director & Chairman
K Boundy	Non-Executive Director
S Black AM	Non-Executive Director
D P J Stewart	CEO & Managing Director
K J P Sheridan	CFO & Executive Director

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

#### (b) Company Secretary

Mr Kenneth Sheridan, the Company's CFO & Executive Director, is also the Company Secretary.

#### (c) Principal Activities

NetComm Wireless Limited (ASX: NTC) is a leading developer of Fixed Wireless broadband, wireless Machine-to-Machine (M2M)/Industrial IoT (Internet of Things) and Fibre and Cable to the distribution point (FTTdp/CTTdp) technologies sold to leading telecommunications carriers, core network providers, system integrators, government and enterprise customers worldwide. For 34 years, NetComm Wireless has engineered new generations of carrier-grade 3G /4G LTE broadband products and network terminating devices designed to advance global network performance, extend coverage and meet the complex demands of today's M2M/Industrial IoT and national broadband markets. For more information, visit [www.netcommwireless.com](http://www.netcommwireless.com).

### 2. Review of Operations and Financial Results

#### (a) Operating Results

The consolidated profit of the Group after providing for income tax amounted to \$2,027,264 (2015: \$2,464,257 profit).

<b>Results and Dividends</b>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Total revenue & other income	<b>85,304,834</b>	<b>74,263,139</b>
EBITDA	<b>6,233,414</b>	<b>7,301,663</b>
Operating profit	<b>2,131,682</b>	<b>2,881,706</b>
Income tax expense	<b>(104,418)</b>	<b>(417,449)</b>
Net profit for the year	<b>2,027,264</b>	<b>2,464,257</b>



# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

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### 2. Review of Operations and Financial Results (continued)

Over the 12 months ended 30 June 2016 (FY16) NetComm Wireless generated revenue of \$85.3 million, up 14.8% from FY15. Earnings before interest, tax and depreciation (EBITDA) of \$6.2 million was 14.6% lower than FY15.

These financial results were in line with the FY16 guidance provided to the market in April 2016.

The growth in revenues was due to continued growth in the Group's M2M business offset by lower revenues in its base broadband business.

M2M revenue was up 74.0% to \$58.7 million reflecting substantial growth in the Ericsson/nbn fixed wireless project as its roll-out continued to ramp up, and several new M2M projects.

The broadband business delivered a steady base level of revenues of \$26.4 million. The FY15 result, which was \$14.1 million higher, benefited from increased sales of powerline devices to a key customer, following that customer undertaking a major marketing initiative.

The EBITDA result of \$6.2 million was down slightly on FY15 reflecting:

- \$4.3 million investment in staff, skills and infrastructure to deliver already won contracts which are expected to generate revenues in future years and further enhance the Company's global capabilities as it pursues substantial attractive global opportunities in M2M, Fixed Wireless and Network Terminating Devices
- \$0.7 million non-cash accounting expense associated with Share Appreciation Rights approved at the Company's November 2015 AGM.

The Company's underlying EBITDA – before investment in staff, skills and infrastructure (\$4.3 million) and non-cash Share Appreciation Rights expense (\$0.7 million) – of \$11.2 million, was up 23.4% on FY15's underlying EBITDA result of \$9.1 million.

NetComm Wireless also early adopted AASB15 Revenue from Contracts with Customers. This resulted in the capitalisation of \$2.9 million of people related costs associated with the Company's recent major USA Fixed Wireless contract win. This capitalisation of \$2.9 million is in addition to the \$4.3 million business investment referred to above.

#### (b) Significant Changes in State of Affairs

During the year the Company issued share capital as outlined in Note 18(a) of this report.

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

#### (c) Subsequent Events

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

#### (d) Environmental Regulations

The Group is not subject to significant environmental regulation.

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

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### 2. Review of Operations and Financial Results (continued)

#### (e) Likely Developments, Business Strategies and Prospects

FY16 has been a year of “growth” and “wins” for the Group and outlook for the future years has never been stronger. In addition to the strong growth in the Company's Ericsson/NBN fixed wireless contract, the Group has won and announced the following significant opportunities:

- A fixed wireless contract with a “top 2” USA telecommunications carrier
- Nokia Framework Agreement

The FY17 year will be another year of revenue growth as well as substantial investment in capability, both in terms of people and resources for future growth and delivery. The FY17 should be regarded as an “investment year”, where the substantial revenue flow will be in FY18.

The Ericsson/NBN fixed wireless contract is a key Australian M2M contract. FY16 saw a significant growth of 90% in rollout volumes and revenues. We believe that FY17 will deliver further substantial value to the Company as the planned pace of the rollout increases.

The Group also expects trial quantity deployment from its recently won fixed wireless project with one of the two largest USA based carriers. Full ramp up and deployment is expected in the following years.

The Group continues to pursue opportunities in the following segments:

- Fixed Wireless – globally
- Fibre to the Distribution Point (FTTdp) - globally
- Machine to Machine (M2M), globally with a focus on customer “pain points”
- Growing our Australian and NZ fixed broadband business

The Company is well placed to leverage our capability to design customised solutions to meet the specific needs of our customers. This approach allows us to develop tight customer relationships with a high degree of longevity and stickiness.

We have embarked on an engagement model with new and existing customers predicated on philosophy of “Listen. Innovate. Solve.” This allows us to deliver bespoke solutions to our customers to exactly meet their needs whether they need a fixed wireless, FTTdp or specialised “pain point” M2M solution.

Following on from our successful \$51 million capital raising during the year (\$50 million in April 2016 and \$1 million in May 2016), the Group has committed to invest in the people and capabilities that will allow it to move from a small-medium size business to a true enterprise capable of meeting the needs of sophisticated Tier 1 global customers.

The cycle time to deliver a new customised product can take between 9 to 12 months and so considerable investment, mainly of people time, is required before revenues begin to flow. This investment can be seen in the level of capitalised development carried on the balance sheet.

All of our manufacturing occurs offshore, in China. By using contract manufacturers we have the ability to scale our business rapidly with low incremental capital expenditure.

A key component of our strategy is to leverage “coat tail” relationships. This is where we form relationships with key suppliers or ecosystem players and leverage their knowledge, contacts and reputation within key verticals.

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2016

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## 3. Directors' Information

### (a) Information on Directors

#### Mr Justin Milne

#### Non-Executive Independent Director & Chairman since 7 March 2012

Mr Milne has substantial telecommunications industry experience and is an experienced company director having served in diverse industry sectors with a multinational focus. He had an executive career in telecommunications, marketing and media. From 2002 to 2010 he was Group Managing Director of Telstra's broadband and media businesses and led Telstra's New Media businesses in China. Prior to that he was CEO of OzEmail and of MSN Australia. He is currently Chairman of MYOB, a Non-Executive Director of NBN Co Limited, Tabcorp Holdings Limited, SMS Management & Technology Limited and Members Equity Bank Limited.

#### Mr Ken Boundy

#### Non-Executive Independent Director since 24 August 2012

Mr Boundy has significant marketing, distribution and international business experience across a diverse range of industry sectors. He is currently Chairman and/or Non-Executive Director on five boards and part owner of two businesses. He has held a number of prominent positions over the past thirty years including: Managing Director of Tourism Australia; Executive General Manager, International, of James Hardie Industries Limited; Group General Manager, Corporate Development, of Goodman Fielder Limited; CEO, of Goodman Fielder Asia, Singapore and Director, Industry Development, of the Victorian Department of Industry Commerce and Technology.

#### Mr Stuart Black AM

#### Non-Executive Independent Director since 21 March 2013

Mr Black is a prominent Chartered Accountant and experienced Company Director. A former Managing Partner of a chartered accounting firm and a Past President of the Institute of Chartered Accountants in Australia, he has extensive experience in professional services, agribusiness, financial services, manufacturing, import, distribution, IT and biotechnology.

Mr Black is currently a Non-Executive Director of Australian Agricultural Company Limited, TPI Enterprises Limited and was previously a Non-Executive Director of Coffey International Limited. He Chairs the Chartered Accountants Benevolent Foundation Ltd and is a Non-Executive Director of The Country Education Foundation of Australia Ltd. He is a former Chair and Director of the Accounting Professional and Ethical Standards Board Ltd and a member of the International Federation of Accountants SMP Committee.

#### Mr David P J Stewart

#### CEO & Managing Director since 14 November 1997

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 Wireless 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 Wireless. 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.

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

### 3. Directors' Information (continued)

#### (a) Information on Directors (continued)

**Mr Kenneth J P  
Sheridan**

**CFO & Executive Director since 20 December 2010**

Mr Sheridan is a Chartered Accountant with over 30 years' experience in senior management in major corporations in Australia and Asia. He spent 11 years with KPMG before he moved into the commercial sector where he held several CFO roles with large multinational companies in Australia and Asia including three years as Finance Director of a top 10 Malaysian listed consumer goods company. Mr Sheridan was the Group CFO for Tenix, one of Australia's largest private companies. In the 6 years prior to joining NetComm Wireless, Mr Sheridan was Managing Director and major shareholder of Acelero Pty Ltd, a human resources software company.

At the date of this report, the interest of the Directors in the ordinary shares of the Company are:

#### Ordinary Shares

J Milne	735,651
K Boundy	650,000
S Black AM	185,085
D P J Stewart	23,000,000
K J P Sheridan	594,531

#### (b) Meetings of Directors

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director during the year were as follows:

Director	Board Meetings		Audit and Risk Committee		Nominations and Remuneration Committee	
	A	B	A	B	A	B
J Milne	12	12	4	4	2	2
K Boundy	12	12	4	4	2	2
S Black AM	12	12	4	4	2	2
D P J Stewart	12	11	-	-	-	-
K J P Sheridan	12	12	-	-	-	-

A is the number of meetings the Director was entitled to attend

B is the number of meetings the Director attended

J Milne, K Boundy & S Black AM are the members of Audit & Risk Committee & Nominations and Remuneration Committee.

### 4. Share Options

At the date of this report, there are no options outstanding. During the year no options were exercised or granted.



# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

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### 5. Share Appreciation Rights

At the Company's Annual General Meeting on 18 November 2015, the shareholders approved the implementation of a Long Term Incentive Plan based on the issuance of Share Appreciation Rights ("SAR's").

A Share Appreciation Right has the potential to provide an economic benefit similar to a share option. Upon exercise the Participant realises a gain equal to the amount by which the underlying share price has appreciated since the right was granted.

Importantly, the underlying share price must appreciate for a Participant to realise any gain. If, the Company's share price does not appreciate over the relevant period, a Participant's entitlement on vesting and exercise of their Share Appreciation Rights will be nil.

#### Vesting & Exercise Conditions

The SAR's automatically vest on the date which is 3 years from their date of issue. The only vesting condition is that the recipients have to remain an employee of the Company for the vesting period of three years.

Share Appreciation Rights may be exercised within 12 months from their Vesting Date, if on their exercise date:

- the Share Appreciation Right has vested in accordance with the Rules;
- the Exercise Reference Price exceeds the Base Price; and
- the Share Appreciation Right has not lapsed under the Rules, where:

**Base Price** means, in respect of a share, the Market Value of the Share on the date of an Offer;

**Exercise Reference Price** means the Market Value of the Shares on the exercise date.

#### Lapsing and forfeiture of Share Appreciation Rights

Subject to the absolute discretion of the Board and to the terms of the Offer made to a Participant, and unless the Rules on death, permanent disability or bona fide redundancy apply (summarised below), the Participant's rights in relation to any Share Appreciation Rights issued to that Participant will lapse immediately and all rights in respect of those Share Appreciation Rights will thereupon be lost if:

- a) Participant ceases to be an Eligible Employee (including, without limitation, resignation or redundancy);
- b) one or more Conditions in an Offer of Share Appreciation Rights is not satisfied or waived by the Board in its absolute discretion or otherwise cannot be satisfied by the relevant Vesting Date;
- c) the Share Appreciation Rights are forfeited pursuant to the Plan Rules; or
- d) The Share Appreciation Rights are not exercised by 11:59pm (AEST) on the last date of the Exercise Period.

Notwithstanding any other provision of the Rules, unless otherwise determined by the Board, a Participant (and any person claiming through him or her) will forfeit any Share Appreciation Rights they hold if:

- a) the Participant is dismissed by a company in the Group for cause, including unlawful or serious misconduct, as determined by the Board in its absolute discretion;
- b) in the Board's reasonable opinion the Participant acts fraudulently or dishonestly, is in serious breach of duty (under a contract or otherwise) to the Company or Group, or commits any act of harassment or discrimination;

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

### 5. Share Appreciation Rights (continued)

- c) in the Board's reasonable opinion, the Participant has brought the Company into serious disrepute; or
- d) The Participant is in material breach of the Rules.

#### Issuance of SAR's

On December 8, 2015 the Company issued a total of **2,200,000** Share Appreciation Rights (SAR's) to Key Management Personnel and other employees at a "Base" price of **\$2.98**.

Details of Share Appreciation Rights (SAR's) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

	Position	Balance on 1 July 2015	SAR's Granted on 8 December 2016	Fair Value of SAR's on Date of Grant During the Year	SAR's Exercised	Balance at 30 June 2016	Total Vested at 30 June 2016
D P J Stewart	CEO	-	1,000,000	\$1,628,898	-	1,000,000	0%
K J P Sheridan	CFO	-	500,000	\$814,449	-	500,000	0%
S Collins	CTO	-	500,000	\$814,449	-	500,000	0%
M Cornelius	R&D Director	-	100,000	\$162,890	-	100,000	0%
<b>Total</b>			<b>2,100,000</b>	<b>\$3,420,686</b>		<b>2,100,000</b>	

It is important to understand that the Fair Value of the SAR's on Date of Grant is a non-cash accounting expense that will be recognised on a straight line basis over the vesting period of three years, subject to recipients satisfaction of performance conditions.

### 6. Remuneration Report - Audited

This remuneration report, which forms part of the Directors' Report, sets out the information about the remuneration of NetComm Wireless Limited's directors and its senior management for the financial year ended 30 June 2016.

The following persons were key management personnel of NetComm Wireless Limited during the financial year:

Name	Position held
J Milne	Non-Executive Director & Chairman
K Boundy	Non-Executive Director
S Black AM	Non-Executive Director
D P J Stewart	CEO & Managing Director
K J P Sheridan	CFO & Executive Director
S Collins	Chief Technology Officer
M Cornelius	Research & Development Director

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

### 6. Remuneration Report – Audited (continued)

#### (a) Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management personnel for the Group is as follows:

- The Nominations & Remuneration Committee assume responsibility for making recommendations to the Board in respect of remuneration policies and practices generally and making recommendations to the Board on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.
- The Board reviews the remuneration packages of all directors and other key management personnel on an annual basis. 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 Executive Directors' and other key management personnel's emoluments is linked to the Group's financial and operational performance, as determined by the Board.
- Any shares that are issued as part of remuneration are issued at market price. Recipients are not permitted to enter in to transactions which limit the economic risk of participating in any share based scheme.

For FY16 the Chairman of the Company received an annual fee of \$97,853 with all other non-executive directors receiving \$57,956 per annum. Given the size of the Company and the Board, no additional payments are made in respect of Chairmanship or Membership of any of the Board Committees.

#### (b) Relationship between the remuneration policy and company performance

The following tables set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2016:

	30 June 2016 \$	30 June 2015 \$	30 June 2014 \$	30 June 2013 \$	30 June 2012 \$
<b>Continuing Operations</b>					
Revenue	85,304,834	74,327,275	64,593,245	42,857,600	59,361,477
Net Profit/(loss) before tax	2,131,682	2,881,706	826,419	(2,681,095)	1,772,049
Net Profit/(loss) after tax	2,027,264	2,464,257	1,017,789	(541,624)	1,570,179
Net (Loss)/profit from discontinued operations	-	-	-	-	(729,668)
Profit/(loss) for the year	2,027,264	2,464,257	1,017,789	(541,624)	840,511
	30 June 2016 \$	30 June 2015 \$	30 June 2014 \$	30 June 2013 \$	30 June 2012 \$
Share price at start of the year	0.74	0.74	0.26	0.12	0.13
Share price at end of the year	2.52	0.74	0.74	0.26	0.12
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
<b>Continuing Operations</b>					
Basic earnings per share (cents)	1.54	1.91	0.79	(0.51)	1.51
Diluted earnings per share (cents)	1.54	1.91	0.79	(0.51)	1.50
<b>Discontinued Operations</b>					
Basic earnings per share (cents)	-	-	-	-	(0.70)
Diluted earnings per share (cents)	-	-	-	-	(0.70)

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

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### 6. Remuneration Report – Audited (continued)

#### (b) Relationship between the remuneration policy and company performance (continued)

As stated above the overall objective of the Board's remuneration policy is to ensure maximum shareholder benefit from the retention of a quality Board and Executive team and to assist in achieving this objective by linking executive rewards to the Group's financial and operational performance. The Board is of the opinion that the remuneration policy and company performance are closely aligned.



# NetComm Wireless Limited

## Directors' Report

### For the Year Ended 30 June 2016

#### 6. Remuneration Report – Audited (continued)

##### (c) Details of Remuneration for Year Ended 30 June 2016.

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

Year ended 30 June 2016:

	Short Term Employee Benefits			Post-employment Benefits	Long Term benefits	Share Based Payments	Other Benefits	Total	% of Remuneration that is performance based	% of Remuneration that consists of Shares
	Salary & Fees	Short Term Incentive Plan	Non-Monetary Benefits							
<b>Independent Non-Executive Directors</b>										
J Milne	88,557	-	-	9,296	-	-	-	97,853	-	-
K Boundy	52,450	-	-	5,506	-	-	-	57,956	-	-
S Black AM	52,450	-	-	5,506	-	-	-	57,956	-	-
<b>Executive Directors</b>										
D P J Stewart	430,000	662,000	-	70,000	28,083	305,053	-	1,495,136	44%	20%
K J P Sheridan	301,440	370,000	-	28,560	27,120	152,527	-	879,647	42%	17%
<b>Executive Officers</b>										
M Corneliuss	183,998	182,000	-	16,002	6,610	30,505	-	419,115	43%	7%
S Collins	231,347	350,000	-	18,653	6,895	152,527	-	759,422	46%	20%
<b>Total Key Management Personnel Compensation</b>	<b>1,340,242</b>	<b>1,564,000</b>	<b>-</b>	<b>153,523</b>	<b>68,708</b>	<b>640,612</b>	<b>-</b>	<b>3,767,085</b>		

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2016

## 6. Remuneration Report – Audited (continued)

### (d) Details of remuneration for year ended 30 June 2015.

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

Year ended 30 June 2015:

	Short Term Employee Benefits			Post-employment Benefits	Long Term benefits	Share Based Payments	Other Benefits	Total	% of Remuneration that is performance based	% of Remuneration that consists of Shares
	Salary & Fees	Short Term Incentive Plan	Non-Monetary Benefits							
<b>Independent Non-Executive Directors</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		
J Milne	89,450	-	-	8,050	-	-	-	97,500	-	-
K Boundy	52,037	-	-	5,463	-	-	-	57,500	-	-
S Black AM	52,037	-	-	5,463	-	-	-	57,500	-	-
<b>Executive Directors</b>										
D P J Stewart	380,000	153,000	-	70,000	7,278	-	-	610,278	25%	-
K J P Sheridan	270,000	64,000	-	26,027	-	-	-	360,027	18%	-
<b>Executive Officers</b>										
D Morrison*	132,074	56,250	-	12,281	-	-	-	200,605	28%	-
R Parker**	33,654	-	-	3,197	-	-	-	36,851	-	-
P Micallef***	34,738	-	-	3,300	-	-	-	38,038	-	-
M Cornelius	158,753	32,000	15,000	14,250	2,498	27,750	-	250,251	13%	11%
S Collins	188,701	40,000	-	18,653	18,905	55,500	-	321,759	12%	17%
<b>Total Key Management Personnel Compensation</b>	<b>1,391,444</b>	<b>345,250</b>	<b>15,000</b>	<b>166,684</b>	<b>28,681</b>	<b>83,250</b>	<b>-</b>	<b>2,030,309</b>		

\* Danny Morrison passed away on 10<sup>th</sup> February 2015

\*\* Ryan Parker commenced as General Manager – Broadband Sales Australia and NZ on 13<sup>th</sup> April 2015

\*\*\* Philip Micallef commenced as General Manager – M2M Sales on 22<sup>nd</sup> April 2015

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2016

## 6. Remuneration Report – Audited (continued)

### (e) Short Term Incentive Plan - Cash Bonuses

Key management personnel and other executives are entitled to a short-term cash incentive based on performance criteria which is defined and granted at the discretion of the Board. Where performance criteria are not met in the current year the bonus is forfeited and may not be carried forward to a future year.

In order to enhance retention of key personnel, one third (33.3%) of any earned "base" incentive is deferred for one year and is payable if the person remains an employee at the time of the payment in August of the following year.

Short term incentive plans are based on the achievement of specified EBITDA levels and personal objectives. For the year ended 30 June 2016, following table discloses the total entitlement and the amount achieved.

Participants	Role	"Base" Incentive	Total "Base" Incentive Achieved	% Achieved	"One Off" Special Incentive Paid During the Year	Amount Payable in August 2016	Amount Deferred to August 2017	Amount Deferred from August 2015 now payable
D P J Stewart	CEO & Managing Director	\$450,000	\$162,000	36%	\$500,000	\$108,000	\$54,000	\$51,000
K J P Sheridan	CFO & Executive Director	\$200,000	\$80,000	40%	\$290,000	\$53,334	\$26,666	\$21,333
S Collins	Chief Technology Officer	\$130,000	\$60,000	46%	\$290,000	\$40,000	\$20,000	\$13,333
M Cornelius	Research & Development Director	\$100,000	\$50,000	50%	\$132,000	\$33,334	\$16,666	\$10,666
<b>Total</b>		<b>\$880,000</b>	<b>\$352,000</b>		<b>\$1,212,000</b>	<b>\$234,668</b>	<b>\$117,332</b>	<b>\$96,332</b>

### *Rationale for Determination of Incentive Payments*

In addition to the "Base" incentive for FY2016 is a "One-Off" Special Incentive which relates to the signing of the USA Fixed Wireless Contract. The amount of this incentive is shown in the column headed "One Off Special Incentive Paid During the Year" and was not subject to any deferral in payment. This incentive, which was documented and set in place in excess of 12 months before the award of the contract, was devised to act as an important driver in relation to management "going the extra mile" in order to win this "transformational" contract. Winning this contract has produced a substantial increase in shareholder value as reflected in the increase in the market capitalisation (adjusted for the equity raise in April 2016) of the Company over the 2016 Financial Year of \$220 million or 224%.

The 2016 short term incentive plan provides the Board with the discretion of applying an adjustment multiplier of between 0 and 1.5 to the incentive entitlement (excluding the "One Off" Special Incentive) based on the overall performance of each individual included in the incentive plan. For FY16, the Board applied a multiplying factor of 1.0 times to the incentive entitlements of the CEO and Managing Director and the CFO and Executive Director. This means that there was no increase or decrease in the incentive entitlement as originally calculated. For the CTO, the multiplying factor was 1.5 times, reflecting an outstanding performance contribution to the business during the year and for the R&D Director it was 1.25 times.

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

### 6. Remuneration Report - Audited (continued)

#### (f) Share Appreciation Rights (SAR's)

Details of the Company's Share Appreciation Rights Plan can be found in Section 5 of this Directors' Report.

On December 8, 2015 the Company issued a total of **2,200,000** Share Appreciation Rights (SAR's) to Key Management Personnel and other employees at a "Base" price of **\$2.98**.

Details of Share Appreciation Rights (SAR) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

	Position	Balance on 1 July 2015	SAR's Granted on 8 December 2016	Fair Value of SAR's on Date of Grant During the Year	SAR's Exercised	Balance at 30 June 2016	Total Vested at 30 June 2016
D P J Stewart	CEO	-	1,000,000	\$1,628,898	-	1,000,000	0%
K J P Sheridan	CFO	-	500,000	\$814,449	-	500,000	0%
S Collins	CTO	-	500,000	\$814,449	-	500,000	0%
M Cornelius	R&D Director	-	100,000	\$162,890	-	100,000	0%
<b>Total</b>			<b>2,100,000</b>	<b>\$3,420,686</b>		<b>2,100,000</b>	

It is important to understand that the Fair Value of the SAR's on Date of Grant are non-cash items and are recognised as an expense in the Profit and Loss based on the period of time elapsed in the financial year compared to the 3 year vesting period, subject to recipients satisfaction of performance conditions.

#### (g) Service Contracts

The following table provides employment details of persons who were, during the financial year, the directors and executive officers of the consolidated group receiving the highest remuneration.

	Position held as at 30 June 2016	Contract details (duration & termination)
J Milne	Non-Executive Director & Chairman	No fixed term. No retirement benefits other than superannuation
K Boundy	Non-Executive Director	No fixed term. No retirement benefits other than superannuation
S Black AM	Non-Executive Director	No fixed term. No retirement benefits other than superannuation
D P J Stewart	CEO & Managing Director	Standard employment agreement. 12 months' notice required to terminate. Entitled to 12 months gross salary upon termination.
K J P Sheridan	CFO & Executive Director	Standard employment agreement. 2 months' notice required to terminate. Entitled to 2 months gross salary upon termination.
S Collins	Chief Technology Officer	Standard employment agreement. 2 months' notice required to terminate. Entitled to 2 months gross salary upon termination.
M Cornelius	Research & Development Director	Standard employment agreement. 2 months' notice required to terminate. Entitled to 2 months gross salary upon termination.



# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2016

## 6. Remuneration Report - Audited (continued)

### (h) Shares Held by Key Management Personnel

Fully paid ordinary shares as at 30 June 2016:

	Balance 1 July, 2015 No.	Movement during the Year No.	Balance 30 June, 2016 No.
J Milne	710,588	25,063	735,651
K Boundy	650,000	-	650,000
S Black	180,000	5,085	185,085
D P J Stewart*	23,000,000	-	23,000,000
K J P Sheridan	566,946	27,585	594,531
S Collins	100,000	5,085	105,085
M Cornelius	1,806,170	(400,000)	1,406,170
<b>Total</b>	<b>27,013,704</b>	<b>(337,182)</b>	<b>26,676,522</b>

\* The 23,000,000 shares held by D P J Stewart's related entities.

Fully paid ordinary shares as at 30 June 2015:

	Balance 1 July, 2014 No.	Movement during the Year No.	Balance 30 June, 2015 No.
J Milne	380,588	330,000	710,588
K Boundy	650,000	-	650,000
S Black	180,000	-	180,000
D P J Stewart*	22,974,596	25,404	23,000,000
K J P Sheridan	367,588	199,358	566,946
P Micallef	-	-	-
R Parker	-	-	-
D Morrison**	350,000	(350,000)	-
S Collins	-	100,000	100,000
M Cornelius	1,756,170	50,000	1,806,170
<b>Total</b>	<b>26,658,942</b>	<b>354,762</b>	<b>27,013,704</b>

\* The 23,000,000 shares held by D P J Stewart's related entities.

\*\* D Morrison passed away on 10 February 2015 and his shares reverted to his Estate.

**END OF AUDITED REMUNERATION REPORT**

# NetComm Wireless Limited

## Directors' Report

For the Year Ended 30 June 2016

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### 7. Other Information

#### (a) Indemnification and Insurance of Directors and Auditors

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.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred by such an officer or auditor.

#### (b) Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

#### (c) Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 17 of the financial report.

#### (d) Non Audit Services

The directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, because the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Fees for non-audit services which were paid/payable to the external auditors (Grant Thornton Audit Pty Ltd) during the year ended 30 June 2016 are disclosed at Note 3(c).

#### (e) Corporate Governance

The Directors of NetComm Wireless 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 Wireless Limited reaffirm their support for the principles of corporate governance and transparency and have reviewed their policies with regard to current best practice. The Corporate Governance Report is available on the Company's website at [www.netcommwireless.com](http://www.netcommwireless.com) under the Investors/Corporate Governance section.

# NetComm Wireless Limited

Directors' Report  
For the Year Ended 30 June 2016

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## 7. Other Information (continued)


### (f) Dividends

No dividends were paid during the financial year 2016 (2015: Nil).

The Directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Director:



J Milne, Chairman  
Sydney  
29 August 2016

Director:



D P J Stewart, CEO & Managing Director  
Sydney  
29 August 2016

Level 17, 383 Kent Street  
Sydney NSW 2000

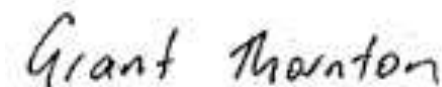
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**Auditor's Independence Declaration  
To the Directors of NetComm Wireless Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of NetComm Wireless Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S M Coulton  
Partner - Audit & Assurance

Sydney, 29 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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# NetComm Wireless Limited

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# NetComm Wireless Limited

## Consolidated Statement of Profit or Loss & Other Comprehensive Income For the Year Ended 30 June 2016

		2016 \$	2015 \$
Revenue from the sale of goods	2	85,135,108	74,263,139
Other revenue	2	169,726	64,136
Change in inventories		1,396,406	2,722,220
Raw materials consumed		(59,527,559)	(53,783,992)
Employee benefits		(12,217,151)	(8,952,575)
Other expenses	3	(8,723,115)	(7,011,265)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>6,233,415</b>	<b>7,301,663</b>
Depreciation and amortisation expense	3	(3,827,581)	(3,815,439)
Finance costs	3	(274,152)	(604,518)
<b>Profit before income tax</b>		<b>2,131,682</b>	<b>2,881,706</b>
Income tax expense	4	(104,418)	(417,449)
<b>Profit for the year</b>		<b>2,027,264</b>	<b>2,464,257</b>
Attributable to equity holders of the parent		<b>2,027,264</b>	<b>2,464,257</b>
<b>Other comprehensive income/(expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		398,240	(146,590)
Reclassification of cash flow hedging to profit and loss		-	5,119
Net change in the fair value of cash flow hedges recognised in equity		(35,116)	-
Income tax relating to components of other comprehensive income	4	10,535	(1,536)
<b>Other comprehensive income/(loss) for the period (net of tax)</b>		<b>373,659</b>	<b>(143,007)</b>
<b>Total comprehensive income for the period</b>		<b>2,400,923</b>	<b>2,321,250</b>
Attributable to equity holders of the parent		<b>2,400,923</b>	<b>2,321,250</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	27	<b>1.54</b>	<b>1.91</b>
Diluted earnings per share (cents per share)	27	<b>1.54</b>	<b>1.91</b>

*The above consolidated statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.*

**NetComm Wireless Limited**  
**Consolidated Statement of Financial Position**  
**For the Year Ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	36,513,640	3,400,344
Trade and other receivables	7	14,531,195	13,647,620
Inventories	8	11,520,487	10,124,081
Other assets	9	2,169,097	1,304,503
<b>Total current assets</b>		<b>64,734,419</b>	<b>28,476,548</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	4,479,268	1,798,290
Contract assets	11(c)	2,899,921	-
Deferred tax assets	4 (c)	5,413,981	4,573,185
Goodwill	12	895,999	895,999
Other intangible assets	13	13,004,312	8,694,400
<b>Total non-current assets</b>		<b>26,693,481</b>	<b>15,961,874</b>
<b>TOTAL ASSETS</b>		<b>91,427,900</b>	<b>44,438,422</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	12,122,042	14,496,109
Contract liabilities	11(c)	-	278,244
Borrowings	15	24,662	2,806,705
Employee benefits	16	1,280,087	951,250
Income tax liability		14,785	174,856
Other current liabilities	17	211,783	301,837
<b>Total current liabilities</b>		<b>13,653,359</b>	<b>19,009,001</b>
<b>Non-current liabilities</b>			
Borrowings	15	55,127	538,122
Employee benefits	16	425,448	296,030
<b>Total non-current liabilities</b>		<b>480,575</b>	<b>834,152</b>
<b>TOTAL LIABILITIES</b>		<b>14,133,934</b>	<b>19,843,153</b>
<b>NET ASSETS</b>		<b>77,293,966</b>	<b>24,595,269</b>
<b>EQUITY</b>			
Issued capital	18	65,058,928	15,432,272
Reserves	19	1,629,595	584,818
Retained earnings		10,605,443	8,578,179
<b>TOTAL EQUITY</b>		<b>77,293,966</b>	<b>24,595,269</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# NetComm Wireless Limited

## Consolidated Statement of Changes in Equity For the Year Ended 30 June 2016

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Foreign Exchange Hedging Reserve	Options and Share Rights Reserve	Total
<b>Balance at 1 July 2015</b>	<b>Note</b> <b>\$</b> <b>15,432,272</b>	<b>\$</b> <b>8,578,179</b>	<b>\$</b> <b>189,010</b>		<b>\$</b> <b>395,808</b>	<b>\$</b> <b>24,595,269</b>
Profit for the period	-	2,027,264	-	-	-	2,027,264
Exchange difference on translation of foreign operations	19 (b)	-	398,240	-	-	398,240
Foreign exchange hedging (Net of tax)	19 (c)	-	-	(24,581)	-	(24,581)
<b>Total comprehensive income for the period</b>		<b>2,027,264</b>	<b>398,240</b>	<b>(24,581)</b>	<b>-</b>	<b>2,400,923</b>
<b>Transaction with owners in their capacity as owners</b>						
Share based payments expense	-	-	-	-	671,118	671,118
Issue of ordinary shares (net of transactions costs and tax)	18 (a)	-	-	-	-	49,626,656
<b>Balance at 30 June 2016</b>	<b>49,626,656</b> <b>65,058,928</b>	<b>10,605,443</b>	<b>587,250</b>	<b>(24,581)</b>	<b>1,066,926</b>	<b>77,293,966</b>
<b>Balance at 1 July 2014</b>	<b>15,349,022</b>	<b>6,113,922</b>	<b>335,600</b>	<b>(3,583)</b>	<b>395,808</b>	<b>22,190,769</b>
Profit for the period	-	2,464,257	-	-	-	2,464,257
Exchange difference on translation of foreign operations	19 (b)	-	(146,590)	-	-	(146,590)
Foreign exchange hedging (Net of tax)	19 (c)	-	-	3,583	-	3,583
- Reclassified to profit and loss account	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>2,464,257</b>	<b>(146,590)</b>	<b>3,583</b>	<b>-</b>	<b>2,321,250</b>
<b>Transaction with owners in their capacity as owners</b>						
Recognition of share based payments	18 (a)	-	-	-	-	83,250
<b>Balance at 30 June 2015</b>	<b>83,250</b> <b>15,432,272</b>	<b>8,578,179</b>	<b>189,010</b>	<b>-</b>	<b>395,808</b>	<b>24,595,269</b>

The above consolidated statement changes in equity should be read in conjunction with the accompanying notes.

# NetComm Wireless Limited

## Consolidated Statement of Cash Flows For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities:</b>			
Receipts from customers		92,630,651	78,402,639
Payments to suppliers and employees		(90,957,453)	(71,165,313)
Costs to obtain and fulfil contracts		(2,899,921)	-
Finance costs		(274,152)	(604,518)
Income taxes paid		(491,129)	(254,055)
<b>Net cash (used in) / provided by operating activities</b>	<b>23</b>	<b>(1,992,004)</b>	<b>6,378,753</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of plant and equipment		119,640	-
Interest received		144,639	64,136
Acquisition of property, plant and equipment		(3,754,723)	(1,388,862)
Acquisition of intangible assets		(7,187,633)	(4,548,160)
<b>Net cash used in investing activities</b>		<b>(10,678,077)</b>	<b>(5,872,886)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of ordinary shares	<b>18(a)</b>	50,976,047	-
Share Issue Costs		(1,927,632)	
Proceeds from borrowings		62,006,998	43,620,856
Repayment of borrowings		(65,272,036)	(45,033,869)
<b>Net cash provided by / (used in) financing activities</b>		<b>45,783,377</b>	<b>(1,413,013)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>33,113,296</b>	<b>(907,146)</b>
Cash and cash equivalents at beginning of financial period		3,400,344	4,307,490
<b>Cash and cash equivalents at end of financial period</b>	<b>6</b>	<b>36,513,640</b>	<b>3,400,344</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies

### ***General Information***

The financial statements are general purpose financial statements that have 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 statements cover the consolidated Group of NetComm Wireless Limited ("the Group" or the "consolidated entity"). NetComm Wireless Limited is a listed public company, incorporated and domiciled in Australia, and is a for-profit entity for the purpose of preparing financial statements.

Compliance with Australian Accounting Standards results in the compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Directors on 29 August 2016.

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

### ***Basis of Preparation***

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### ***Early adoption of Accounting Standard***

NetComm Wireless Limited has early adopted AASB 15 Revenue from Contracts with Customers issued by the Australian Accounting Standards Board (AASB). Disclosures required by the standard that are deemed material have been included in this financial report on the basis that they represent a significant change in accounting policy.

The Group has elected to early adopt AASB standard AASB 15 for the annual reporting period commencing 1 July 2015. In accordance with the transition provisions in AASB 15 the standard has been applied retrospectively and by recognising the cumulative effect of initially applying the standard at the date of initial recognition in retained earnings. No cumulative adjustments were required to the opening retained earnings at 1 July 2015.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### ***Adoption of new and revised Accounting Standards that are effective for these financial statements (continued)***

#### ***Change in Accounting Policy***

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations and:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time;
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing); and
- expands and improves disclosures about revenue.

This has resulted in a change in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are explained below and the impact on the financial statements of first time adoption and other disclosures are set out in Note 11. The new accounting policies apply to the period commencing 1 July 2015 and the policies in the 30 June 2015 annual financial statements apply to the comparative periods.

#### ***Clarification of terminology used in the Statement of Comprehensive Income***

Under the requirements of AASB 101: "Presentation of Financials Statements", the Group must classify all of our expenses (apart from any finance costs) according to either the nature (type) of the expense or the function (activity to which the expense relates). We have chosen to classify our expenses using the nature classification as it more accurately reflects the type of operations we undertake.

Earnings before interest, income tax, depreciation and amortisation (EBITDA) reflects our profit for the year prior to including the effect of net finance costs, income taxes, depreciation and amortisation. Depreciation and amortisation are calculated in accordance with AASB 116: "Property, Plant and Equipment" and AASB 138: "Intangible Assets" respectively. We believe that EBITDA is a relevant and useful financial measure used by management to measure the Company's operating performance.

Our management uses EBITDA in combination with other financials measures, primarily to evaluate the Group's operating performance before financing, income tax and non-cash capital related expenses. In addition, we believe EBITDA is useful to investors because analysts and other members of the investment community largely view EBITDA as a key and widely recognised measure of operating performance.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### ***Adoption of new and revised Accounting Standards that are effective for these financial statements (continued)***

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

None of the new standards and amendments that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### ***Critical accounting judgements and key sources of uncertainty***

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods. Refer to Note 1(x) for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

#### **(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NetComm Wireless Limited as at 30 June 2016 and the results of all subsidiaries for the year then ended.

A subsidiary is an entity over which NetComm Wireless Limited has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A list of subsidiaries is contained in Note 31(d) to the financial statements. All subsidiaries have a 30 June financial year end.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Subsidiaries are fully consolidated from the date which control is transferred to the Group. They are deconsolidated from the date control ceases.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (c) Foreign Currency Transactions and Balances & Policy on Hedge Accounting for Foreign Exchange Exposures

#### *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 profit or loss in the period in which they arise.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (c) Foreign Currency Transactions and Balances & Policy on Hedge Accounting for Foreign Exchange Exposures (continued)

#### *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 are recognised in other comprehensive income and 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 statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

#### *Derivative financial instruments and hedge accounting*

Derivative financial instruments are accounted for as financial assets or liabilities at fair value through profit or loss (FVTPL) except for derivatives designated as hedging instruments in foreign exchange hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments are recognised in other comprehensive income and included within the foreign exchange hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (d) Goods and Services Tax (GST)

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

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

### (e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for 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 profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NetComm Wireless Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. The Group notified the Australian Tax Office that it had formed an income tax consolidated Group to apply from 20 August 2006.

The stand-alone taxpayer within a Group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated Group. Each entity in the group recognises its own current and deferred tax assets and liabilities, as if they continue to be a separate taxable entity in their own right, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each Group entity is then subsequently assumed by the parent entity.

NetComm Wireless Limited is entitled to claim R&D tax incentive. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by a 40% non-refundable tax offset. The Group accounts for this tax incentive as tax credits which means that it will reduce income tax payable and current tax expense. A deferred tax asset is recognised for any unclaimed tax credits that are carried forward as deferred tax assets.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (f) Revenue Recognition

Revenue from the sale of goods, including communications and networking devices, are recognised at the time goods are dispatched to customers.

Revenue from a contract to provide services is recognised when the service is provided to the customer.

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group provides a warranty to most of its customers that products will comply with agreed-upon specifications and a provision for warranty is recorded based on previous experience. In instances where a customer purchases a warranty separately or when a warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the warranty is accounted for as a performance obligation and a portion of the transaction price is allocated to that performance obligation.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of goods and services tax (GST).

### (i) Customer Contract Acquisition and Fulfilment Costs

Incremental costs incurred in obtaining a contract with a customer and the costs to fulfil a contract are recognised as contract assets when it is probable that the Group would recover those costs, the costs incurred would not have been incurred if the contract had not been obtained and the costs incurred directly relate to a contract or an anticipated contract that the Group can specifically identify.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred.

Contract assets are amortised on a straight line basis over the period from which revenues are expected to be generated from the contracts.

Subsequent to initial recognition, contract assets are reported at cost less accumulated amortisation and impairment costs.

### (ii) Contract liabilities

Goods are sold to certain customers with volume discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (g) Share-based Payments

Equity settled compensation benefits are provided to employees via the Long Term Incentive Plan based on the issuance of "Share Appreciation Rights". Information relating to this plan is set out in Note 25. The fair value of rights granted is recognised as an employee benefit expense with a corresponding increase in equity.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

### (h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

The carrying amount of property, plant and equipment is reviewed annually by Directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised.

#### **Development assets**

Cost incurred in acquiring assets for research and development is measured at costs less accumulated amortisation and any accumulated impairment losses. Development assets are amortised on a straight line basis over 3-6 years.

### (h) Property, Plant and Equipment

#### **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:

<b>Class of Asset</b>	<b>Useful Life</b>
Plant and equipment	3-6 years
Leasehold improvements	Over the term of the lease
Development assets	3-6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (i) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Impairment of goodwill is not reversed. Refer also to Note 1(y) on goodwill.

### (j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. The interest expense is recognised in the profit or loss so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are recognised in profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

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

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (k) Derivative Financial Instruments

The fair value of all derivative financial instruments outstanding at reporting date are recognised in the statement of financial position 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 profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives embedded in other financial instruments, or other non-financial host contracts, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

### (l) Financial Assets

Financial assets are classified into the following specified category: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### ***Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, deposits held at call with banks and financial institutions, investments in money market instruments with maturities of three months or less from the date of acquisition, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

### (n) Inventories

Finished goods and raw materials are valued at the lower of cost and net realisable value. Cost is the direct cost of purchase, plus freight and duty and any other costs directly attributable to acquisition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventory is recognised on a weighted average cost basis.

### (o) Intangible Assets

#### ***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 and for no longer than 3 years.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment costs.

#### ***Computer software***

Computer software is measured on a cost basis less amortisation and impairment losses. Computer software is amortised on a straight line basis over 3.3 years, commencing from the time the software is ready for use.

### (p) Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (q) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date, including wages and salaries, annual leave and long service leave. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

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. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds (2015: government bonds) that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur. The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Contributions are made by the Group to employee superannuation funds which are of the defined contribution type. Contributions to these defined contribution superannuation schemes are recognised as an expense in the period they are payable.

### (r) Financial Instruments

#### (i) *Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### (ii) *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### (iii) *Trade payables*

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

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (s) Provisions, Contingent Liabilities and Contingent Assets

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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised. Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

### (t) Earnings per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (u) Dividends

A liability is recorded for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of financial year but not distributed at reporting date.

### (v) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of transaction costs and tax, from the proceeds.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (w) Standards and Interpretations Issued not yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Group's assessment of the impact of these new standards and Interpretations are set out below.

#### *(i) AASB 9 Financial Instruments*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a. Financial assets that are debt instruments will be classified based on:
  - the objective of the entity's business model for managing the financial assets; and
  - the characteristics of the contractual cash flows.
- b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI'),
  - the remaining change is presented in profit or loss.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (w) Standards and Interpretations Issued not yet Effective (continued)

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

### *(ii) AASB 16 Leases*

AASB 16 replaces AASB 117 Leases, AASB 117 Leases and some lease-related interpretations:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases,
- provides new guidance on the application of the definition of lease and on sale and lease back accounting,
- largely retains the existing lessor accounting requirements in AASB 117,
- requires new and different disclosures about leases.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

### *(iii) AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)*

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

When these amendments are first adopted for the year ending 1 January 2018, there will be no material impact on the transactions and balances recognised in the financial statements.



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (w) Standards and Interpretations Issued not yet Effective (continued)

#### ***(iv) AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations***

The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e., the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

#### ***v) AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

#### ***(vi) AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements***

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (w) Standards and Interpretations Issued not yet Effective (continued)

#### ***(vii) AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011).

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.

#### ***(viii) AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle***

These amendments arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB.

Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (w) Standards and Interpretations Issued not yet Effective (continued)

#### ***(ix) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101***

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

#### ***(x) AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception***

The narrow-scope amendments to AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities and AASB 128 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

#### ***(xi) AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses***

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (w) Standards and Interpretations Issued not yet Effective (continued)

#### ***(xii) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107***

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.

### (x) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Group.

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### ***Inventories***

Note 8 sets out the categories of inventories carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold.

#### ***Impairment of Assets***

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer Note 12(b). The impairment testing is performed at least annually.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (x) Critical Accounting Estimates and Judgements (continued)

#### *Deferred Tax Asset*

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 profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### *Internally generated intangible assets – research and development expenditure*

Distinguishing the research and development phases of a new customised product and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### *R&D Tax Incentive*

NetComm Wireless Limited is entitled to claim R&D tax incentive. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by a 40% non-refundable tax offset. The Group accounts for this tax incentive as tax credits which means that it will reduce income tax payable and current tax expense. A deferred tax asset is recognised for any unclaimed tax credits that are carried forward as deferred tax assets.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 1 Statement of Significant Accounting Policies (continued)

### (y) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units, or Groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The impairment testing is performed at least annually.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

### (z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Group has two operating segments: Machine to Machine (M2M) and Broadband business. In identifying its operating segments, management generally follows the Group's product mix, which represent the main products and services provided by the Group.

### (aa) Parent Entity Financial Information

The financial information for the parent entity, NetComm Wireless Limited ("NetComm"), disclosed in Note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### ***Investments in subsidiaries, associates and joint venture entities***

Investments in subsidiaries, associates and joint venture entities are account for at cost in the financial statements of NetComm. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 2 Revenue and other income from operations

	2016 \$	2015 \$
<b>Revenue</b>		
Sales revenue	85,135,108	74,263,139
	<u>85,135,108</u>	<u>74,263,139</u>
<b>Other revenue</b>		
Interest revenue	144,639	64,136
Other revenue	25,087	-
	<u>169,726</u>	<u>64,136</u>
<b>Total revenue</b>	<b><u>85,304,834</u></b>	<b><u>74,327,275</u></b>

## 3 Expenses

Included in expenses are the following specific items:

### a) Other expenses comprising

	2016 \$	2015 \$
Advertising and marketing	515,599	488,103
Property expenses	1,315,014	1,014,041
Distribution and selling costs	874,206	713,162
Insurance expenses	468,529	418,186
Legal & professional fees	1,182,839	866,903
Travel expenses	1,773,372	1,392,404
Contractor costs	751,876	748,532
Other expenses	1,841,680	1,369,934
	<u>8,723,115</u>	<u>7,011,265</u>

### b) Depreciation, amortisation and impairments

	2016 \$	2015 \$
Depreciation of property, plant and equipment (Note 10(b))	954,523	785,089
Amortisation of intangible assets (Note 13(b))	2,873,058	3,030,350
	<u>3,827,581</u>	<u>3,815,439</u>

### c) Auditor's remuneration

Grant Thornton is the auditor of the Group. Amounts received or due and receivable by Grant Thornton are detailed below:

	2016 \$	2015 \$
Auditing or reviewing the financial statements	114,750	116,070
Taxation services	25,879	31,353
Other services	25,044	9,363
<b>Total auditors' remuneration</b>	<b><u>165,673</u></b>	<b><u>156,786</u></b>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 3 Expenses (continued)

### d) Rental expenses on operating leases

	2016	2015
	\$	\$
Minimum lease payments	<u>1,096,983</u>	<u>816,869</u>

### e) Finance costs

	2016	2015
	\$	\$
Bank borrowings	269,992	569,964
Finance leases	4,160	34,554
	<u>274,152</u>	<u>604,518</u>

## 4 Income Tax Expense

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

	2016	2015
	\$	\$
i) Tax expense comprises:		
Current tax benefit	(576,368)	(87,016)
Deferred tax expense relating to the origination and reversal of temporary differences	794,112	465,395
(Over)/under provision for tax in prior year	(113,326)	39,070
<b>Income tax expense</b>	<u><b>104,418</b></u>	<u><b>417,449</b></u>

### ii) Income tax recognised in other comprehensive income

Income tax relating to components of other comprehensive income	<u>(10,535)</u>	<u>1,536</u>
<b>Total income tax expense</b>	<u><b>93,883</b></u>	<u><b>418,985</b></u>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 4 Income Tax Expense (continued)

- b) The prima facie income tax expense on pre-tax accounting profit from continuing operations and other comprehensive income reconciles to the income tax expense in the financial statements as follows:

	2016 \$	2015 \$
<b>i) Amounts recognised in profit or loss</b>		
<b>Net profit before tax</b>	<b>2,131,682</b>	<b>2,881,706</b>
<b>Tax at the Australian tax rate of 30%</b>	<b>639,505</b>	<b>864,512</b>
- Non-deductible expenses	12,457	33,481
- Share appreciation rights	201,335	-
- Differential in overseas tax rates	5,582	(18,167)
- Other items	52,473	(53,658)
- (Over)/Under provision for tax in prior years	(113,326)	39,070
- Research & Development tax concession	(693,608)	(447,789)
<b>Income tax expense</b>	<b>104,418</b>	<b>417,449</b>
<b>ii) Amounts recognised in equity</b>		
Net change in the fair value of cash flow hedges	(35,116)	-
Reclassification of cash flow hedging to profit and loss	-	5,119
	<b>(35,116)</b>	<b>5,119</b>
Tax at the Australian tax rate of 30%	(10,535)	1,536
<b>Total amounts recognised in equity</b>	<b>(10,535)</b>	<b>1,536</b>

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

	Opening balance \$	Charged to income \$	Charged to other comprehensive income \$	Closing balance \$
<b>2016</b>				
Unused tax losses/credit	6,324,975	1,624,373	-	7,949,348
<b>Temporary differences</b>				
Accrued expenses	183,338	(77,926)	-	105,412
Provisions	291,466	206,556	-	498,022
Inventory & Warranty	148,044	154,970	-	303,014
Intangibles and Other	(2,374,638)	(1,077,712)	-	(3,452,350)
Cash flow hedges	-	-	10,535	10,535
<b>Total deferred tax assets</b>	<b>4,573,185</b>	<b>830,261</b>	<b>10,535</b>	<b>5,413,981</b>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 4 Income Tax Expense (continued)

2015	Opening balance \$	Charged to income \$	Charged to other comprehensive income \$	Closing balance \$
Unused tax losses/credit	5,799,863	525,112	-	6,324,975
<b>Temporary differences</b>				
Accrued expenses	125,418	57,920	-	183,338
Provisions	278,599	12,867	-	291,466
Inventory & Warranty	296,707	(148,663)	-	148,044
Intangibles and Other	(1,987,117)	(387,519)	-	(2,374,638)
Cash flow hedges	1,536	-	(1,536)	-
<b>Total deferred tax assets</b>	<b>4,515,004</b>	<b>59,717</b>	<b>(1,536)</b>	<b>4,573,185</b>

## 5 Dividends

No dividends were paid during the year-ended 30 June 2016 (2015: Nil).

	2016 \$	2015 \$
<b>Balance of franking account</b>	<u>591,961</u>	<u>591,961</u>

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

## 6 Cash and Cash Equivalents

### a) Cash on hand

	2016 \$	2015 \$
Cash on hand	1,699	1,654
Cash at bank	36,511,941	3,398,690
	<u><b>36,513,640</b></u>	<u><b>3,400,344</b></u>

### b) Effective interest rate

These funds are bearing floating interest rates of between 0.05% and 3.05% (2015: 0.05% to 1.7%).

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2016 \$	2015 \$
Cash and bank balances	4,513,640	3,400,344
Short-term bank deposits	32,000,000	-
	<u><b>36,513,640</b></u>	<u><b>3,400,344</b></u>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 7 Trade and Other Receivables

	2016 \$	2015 \$
Trade receivables (i)	14,588,472	13,718,482
Allowance for doubtful debts	(57,277)	(70,862)
	<u>14,531,195</u>	<u>13,647,620</u>

- (i) The average credit period on sales of goods and rendering of services is 45 days, although a few customers have End of Month 45 day terms. No interest is charged on overdue receivables. An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience. The Group will also consider any change in the quality of the trade receivable from the date credit was initially granted up to the reporting date. Before accepting any new customers, the Group obtains third party references to assess the potential customer's credit quality and define the credit limits by customer.

### Aging of past due but not impaired

	2016 \$	2015 \$
30-60 Days	18,915	3,170,856
60-90 Days	42,529	54,425
90+ Days	-	147,831
	<u>61,444</u>	<u>3,373,112</u>

The Group's trade receivables that are past due but not impaired were \$61,444 (2015: \$3,373,112) as at the reporting date. The Group has not recognized an impairment provision as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these past due receivables is 65 days (2015: 49 days).

### Movement in the allowance for doubtful debts

	2016 \$	2015 \$
Balance at the beginning of the year	70,862	56,580
(Decrease)/Increase in allowance for impairment	(13,585)	14,282
<b>Balance at the end of the year</b>	<u>57,277</u>	<u>70,862</u>

### Aging of impaired receivables

	2016 \$	2015 \$
0-30 Days	-	-
30-60 Days	-	-
60+ Days	57,277	70,862
	<u>57,277</u>	<u>70,862</u>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 8 Inventories

	2016	2015
	\$	\$
<b>Current</b>		
Raw materials and stores	2,209,956	1,543,467
Communication modules	2,073,683	1,977,268
Finished goods	5,312,184	5,424,228
Goods in transit	1,924,664	1,179,118
<b>Total Inventories</b>	<b>11,520,487</b>	<b>10,124,081</b>

## 9 Other Assets

	2016	2015
	\$	\$
<b>Current</b>		
Prepayments	2,005,344	1,181,756
Deposits and bonds	163,753	122,747
	<b>2,169,097</b>	<b>1,304,503</b>

## 10 Property, Plant and Equipment

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

	2016	2015
	\$	\$
<b>Plant and equipment</b>		
At cost	7,642,565	5,535,616
Less accumulated depreciation	(4,756,349)	(4,304,773)
Total plant and equipment	2,886,216	1,230,843
<b>Leased plant and equipment</b>		
At cost	1,028,008	1,028,008
Less accumulated amortisation	(887,738)	(864,679)
Total leased plant and equipment	140,270	163,329
<b>Leasehold improvements</b>		
At cost	1,135,801	228,864
Less accumulated amortisation	(312,775)	(219,231)
Total leasehold improvements	823,026	9,633
<b>Development assets</b>		
At cost	1,839,205	1,217,590
Less accumulated amortisation	(1,209,449)	(823,105)
Total development assets	629,756	394,485
<b>Total property, plant and equipment</b>	<b>4,479,268</b>	<b>1,798,290</b>



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 10 Property, Plant and Equipment (continued)

### (b) Movements in carrying amounts

	Plant and equipment \$	Leased plant and equipment \$	Leasehold improvements \$	Development assets \$	Total \$
<b>2016</b>					
Balance at the beginning of the year	1,230,843	163,329	9,633	394,485	1,798,290
Additions	2,106,949	-	906,937	741,255	3,755,142
Disposals	-	-	-	(119,640)	(119,640)
Depreciation expenses	(451,576)	(23,059)	(93,544)	(386,344)	(954,523)
Carrying amount at the end of the year	2,886,216	140,270	823,026	629,756	4,479,268
<b>2015</b>					
Balance at the beginning of the year	572,154	137,082	16,524	452,837	1,178,597
Additions	1,103,953	112,802	-	188,027	1,404,782
Depreciation expenses	(445,264)	(86,555)	(6,891)	(246,379)	(785,089)
Carrying amount at the end of the year	1,230,843	163,329	9,633	394,485	1,798,290

## 11 Revenue from Contracts with Customers

### (a) Impact of first time adoption of AASB 15

The Group has assessed the impact of first time adoption of AASB 15 in accordance with para C3(b) and no cumulative adjustments were required to the opening retained earnings at 1 July 2015.

For comparative purposes, the contract liabilities relating to volume discounts as at the end of the comparative period 30 June 2015 have been reclassified from Trade and Other Payables and recorded on the balance sheet as Contract Liabilities.

The quantification and explanation of the effect on the line items in the 30 June 2016 financial statements is reflected in the summary table below.

	Amount under AASB 118	Amount under AASB 15	Increase/ (Decrease) in Total Assets and Equity
<b>Consolidated Statement of Financial Position as at 30 June 2016</b>			
Contract assets	-	2,899,921	2,899,921
Contract liabilities	-	-	-
Trade and other payables	-	-	-
<b>Consolidated Statement of Profit or Loss &amp; Other Comprehensive Income for the period ended 30 June 2016</b>			
	Amount under AASB 118	Amount under AASB 15	Increase/ (Decrease) in Operating Expenses
Employee benefits expenses	(2,899,921)	-	(2,899,921)

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 11 Revenue from Contracts with Customers (continued)

Earnings Per Share Disclosure per AASB108 (28)	Value under AASB 118	Value under AASB 115	Difference
Basic Earnings Per Share	(0.00)	1.54	1.54
Diluted Earnings Per Share	(0.00)	1.54	1.54

In adopting AASB 15, the Group recognised an asset in relation to the costs it incurred in obtaining and fulfilling customer contracts during the period ended 30 June 2016. These costs otherwise would have been recorded in operating expenses in the Statement of Profit or Loss and other Comprehensive Income. No such costs that meet the criteria for recognition as a contract asset under AASB 15 were incurred in prior years. Refer to Note 11 (c) for additional disclosure.

### (b) Disaggregation of revenues

The Group derives revenues from the transfer of goods and services at a point in time mainly from the following segments and geographical regions:

#### Segment revenues:

30-Jun-16	Broadband Business		M2M Business		Total Revenues
Timing of revenue recognition	Australia & NZ	Overseas	Australia	Overseas	
At a Point in time revenues	26,406,432	-	52,731,88	5,996,858	85,135,108
Over Time	-	-	-	-	-
30-Jun-15					
Timing of revenue recognition					
At a Point in time revenues	40,506,032	-	30,427,32	3,329,755	74,263,139
Over Time	-	-	-	-	-

### (c) Contract assets and liabilities

In accordance with AASB 15 paragraphs 91 and 95, the Group recognises as an asset the eligible costs of obtaining and fulfilling contracts with customers.

The following is an analysis of the costs that the Group has recognised as an asset at 30 June 2016. The costs mainly consist of employee costs. These costs would not have been incurred if the contract(s) had not been obtained and have been incurred in order to satisfy the performance obligations of the contracts. Prior to the adoption of AASB 15 such costs were recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income. There were no material costs of obtaining and fulfilling contracts with customers that were eligible for recognition as contract assets at 1 July 2015.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 11 Revenue from Contracts with Customers (continued)

### (c) Contract assets and liabilities (continued)

	2016	2015
	\$	\$
I) <b>Contract assets</b>		
Cost incurred to obtain a contract (i)	1,798,031	-
Costs incurred to fulfil contracts (ii)	1,101,890	-
	<b>2,899,921</b>	<b>-</b>

The Group has capitalised \$2.9 million for the year ended 30 June 2016 as contracts assets, the Group has not generated and recognised any revenues in relation to the assets capitalised for the year.

	2016	2015
	\$	\$
<b>(i) Costs incurred to obtain a contract</b>		
Asset recognised in relation to incremental costs incurred to obtain a contract at 30 June 2016	1,798,031	-
Amortisation and impairment loss recognised as cost of providing services during the period	-	-
	<b>1,798,031</b>	<b>-</b>

	2016	2015
	\$	\$
<b>(ii) Costs incurred to fulfil contracts</b>		
Asset recognised from costs incurred to fulfil a contract at 30 June 2016	1,101,890	-
Amortisation and impairment loss recognised as cost of providing services during the period	-	-
	<b>1,101,890</b>	<b>-</b>

The contract assets are amortised on a straight-line basis over the term of the specific contract the costs relate to, consistent with the pattern of recognition of the associated revenue.

	2016	2015
	\$	\$
II) <b>Contract liabilities</b>		
Expected volume discount and rebates	-	278,244
<b>Total contract liabilities</b>	<b>-</b>	<b>278,244</b>

On target volume discounts and rebates are offered to certain customers in the Company's broadband business, for the year ended 30 June 2016 there were no contract liabilities as the Group has discontinued dealing the practice of offering rebates and have settled rebates accrued in the previous periods.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 11 Revenue from Contracts with Customers (continued)

### Accounting Policies and significant judgements

The Group early adopted AASB15 from July 1 2015 and have started to recognise assets in relation to costs it incurs in obtaining and fulfilling material contracts. These costs would have been expenses as incurred prior to the adoption of the standard.

The Group manufactures and sells a range of broadband, fixed wireless and M2M products and recognises the revenue at a point in time when the goods are shipped to the customers. The average credit period on sales of goods and rendering of services is 45 days, although a few customers have EOM 45 day terms. No interest is charged on overdue receivables. Once the Group commences to generate material revenues from the contract it is at this point the contract assets will become unconditional and the Group will start to amortise the assets on a straight line basis, consistent with the pattern of recognising the associated revenues.

For the period ending 30 June 2016, the Group has assessed the value of the recognised assets for impairment and is of the view that the associated contract is of significant value and that the value of the assets will be completely recovered based on forecast revenues and net cash flows from the contract. There are no impairments required.

## 12 Goodwill

	2016 \$	2015 \$
<b>Gross carrying amount</b>		
Balance at beginning of financial year	895,999	895,999
<b>Balance at end of financial year</b>	<b>895,999</b>	<b>895,999</b>
<b>Net book value</b>		
At the beginning of the financial year	895,999	895,999
<b>At the end of the financial year</b>	<b>895,999</b>	<b>895,999</b>

### (a) Impairment testing

All Goodwill has arisen from acquisitions made during prior financial years.

The Group assessed the recoverable amount of goodwill by applying a value in use ("VIU") model for each identified cash-generating unit. The recoverable amounts of the cash-generating units were determined based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

For the purpose of annual impairment testing, goodwill has been allocated for impairment testing purposes to the following cash-generating units (CGU's) representing the goodwill that arose in the acquisition of each business:

	2016 \$	2015 \$
M2M business	766,023	766,023
Broadband business	129,976	129,976
	<b>895,999</b>	<b>895,999</b>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 12 Goodwill (continued)

### (b) Key assumptions used

The following describes the key assumptions on which the Group has based its cash flow projections when determining value in use ("VIU") relating to the cash-generating units.

#### i) M2M Business

*Cash flows:*

*The VIU calculations use after tax cash flow projections based on actual operating results and financial forecasts for the next four years which have been approved by management. These forecasts are based on management's best estimates to determine income, expenditure and cash flow for the M2M business. The present value of the expected cash flows of each CGU is determined by applying a discount rate.*

*Growth rates:*

*The primary assumptions underlying the cash flow projections for impairment testing include revenue growth in excess of 40% based on company's financial budgets and outlook for FY17 and significant forecast growth in FY18 and flat growth in FY19 (FY16 actual growth: 74%). The increase against the prior year is due to increased focus on Company's M2M and Fixed Wireless business.*

*Discount rates:*

*Discount rates used are the post-tax weighted average cost of capital ("WACC") with appropriate adjustments for the risk profile relating to each CGU. Having assessed the risk specific to each CGU, management has applied a WACC of 10.0% (2015: 8.5%) to each CGU on the basis that the risk will fall within a similar range across all CGUs.*

#### ii) Broadband Business

*Cash flows:*

*The VIU calculations use after tax cash flow projections based on actual operating results and financial forecasts for the next four years which have been approved by management. These forecasts are based on management's best estimates to determine income, expenditure and cash flow for the broadband business.*

*Growth rates:*

*The primary assumptions underlying the cash flow projections for impairment testing include steady run rate revenues with a growth in excess of 10% budgeted in FY17 and similar revenues projections are applied during FY18-FY19. FY16 had a decrease in revenues of 34.8% compared to last year as FY15 had a one-off increase in revenues due to increased sales of powerline devices to a key customer, following that customer undertaking a major marketing initiative.*

*Discount rates:*

*Discount rates used are the post-tax weighted average cost of capital ("WACC") with appropriate adjustments for the risk profile relating to each CGU. Having assessed the risk specific to each CGU, management has applied a WACC of 10.0% (2015: 8.5%) to each CGU on the basis that the risk will fall within a similar range across all CGUs.*

### (c) Impairment of goodwill

Management believes that any reasonably possible change in the above key assumptions on which recoverable amounts are based would not cause the aggregate amount to exceed the recoverable amount of the CGUs.

There was no impairment of goodwill during the year (2015: Nil).

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 13 Other Intangible Assets

### (a) Summary of intangible assets

	2016 \$	2015 \$
<b>Product development costs</b>		
Cost	26,428,855	19,492,776
Accumulated amortisation	(13,677,586)	(10,892,848)
Net carrying value	12,751,269	8,599,928
<b>Computer software</b>		
Cost	1,180,655	933,764
Accumulated amortisation	(931,976)	(849,284)
Net carrying amount	248,679	84,480
<b>Other intangibles</b>		
Cost	2,470,140	2,470,140
Accumulated amortisation	(2,465,776)	(2,460,148)
Net carrying amount	4,364	9,992
<b>Total</b>	<b>13,004,312</b>	<b>8,694,400</b>

### (b) Movements in carrying amounts

	Product development costs \$	Computer software \$	Other intangibles \$	Total \$
<b>2016</b>				
Balance at the beginning of the year	8,599,928	84,480	9,992	8,694,400
Additions	6,936,079	246,891	-	7,182,970
Amortisation	(2,784,738)	(82,692)	(5,628)	(2,873,058)
<b>Carrying amount at year end</b>	<b>12,751,269</b>	<b>248,679</b>	<b>4,364</b>	<b>13,004,312</b>
<b>2015</b>				
Balance at the beginning of the year	7,108,536	49,424	15,620	7,173,580
Additions	4,478,495	72,675	-	4,551,170
Amortisation	(2,987,103)	(37,619)	(5,628)	(3,030,350)
<b>Carrying amount at year end</b>	<b>8,599,928</b>	<b>84,480</b>	<b>9,992</b>	<b>8,694,400</b>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 14 Trade and Other Payables

	2016 \$	2015 \$
<b>Current unsecured liabilities</b>		
Trade payables (i)	9,066,068	11,501,612
Sundry payables and accrued expenses	3,055,974	2,994,497
<b>Total current trade and other payables</b>	<b>12,122,042</b>	<b>14,496,109</b>

- (i) The average credit period on purchases of certain goods from various Asian countries is 60 days, although some request payment in advance of shipment. No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 15 Borrowings

	2016 \$	2015 \$
<b>Current - secured</b>		
Finance lease (i)	24,662	23,581
Bank loan (ii)	-	2,783,124
<b>Total current borrowings</b>	<b>24,662</b>	<b>2,806,705</b>
<b>Non-current - secured</b>		
Finance lease	55,127	79,789
Bank loan (ii)	-	458,333
<b>Total non-current borrowings</b>	<b>55,127</b>	<b>538,122</b>
<b>Total borrowings</b>	<b>379,789</b>	<b>3,344,827</b>

- (i) The finance lease is secured against the underlying finance lease asset. Refer to Note 22 b(ii) for further details of this borrowing.

- (ii) On 27 May 2015, the Company entered into new facilities with HSBC as outlined below. These facilities are secured by a General Security Agreement with a fixed and floating charge over all assets and liabilities of NetComm Wireless Limited. The Company has repaid all its bank debts after the equity raise in April 2016.

- AUD 7 Million bank loan. Interest is charged at 4.77% per annum.
- AUD 1 Million amortising loan maturing on 26 May 2017. Interest is charged at a floating rate of 5.17% per annum.
- USD 3.4 Million Debtor Finance. Interest is charged at a base rate plus margin.
- AUD 1 Million Debtor Finance. Interest is charged at a base rate plus margin.
- AUD 4 Million unsecured bank loan. Interest is charged at 5.9%.

## 16 Employee Benefits

	2016 \$	2015 \$
<b>Current</b>		
Employee entitlements	1,280,087	951,250
<b>Non - current</b>		
Employee entitlements	425,448	296,030
<b>Total provisions</b>	<b>1,705,535</b>	<b>1,247,280</b>



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 17 Other Liabilities

	2016	2015
Current	\$	\$
Other	211,783	301,837
	<u>211,783</u>	<u>301,837</u>

## 18 Issued Capital

	2016	2015
	\$	\$
146,329,906 (2015: 129,049,890) Ordinary shares		
- paid up no par value	<u>65,058,928</u>	<u>15,432,272</u>

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

	2016 No.	2015 No.	2016 \$	2015 \$
<b>At the beginning of the reporting period</b>	<b>129,049,890</b>	<b>128,899,890</b>	<b>15,432,272</b>	<b>15,349,022</b>
Shares issued 28/4/2016 (i)	16,949,152	-	48,650,656	-
Shares issued 27/5/2016 (ii)	330,864	-	976,000	-
Share-based payments (iii)	-	150,000	-	83,250
<b>At reporting date</b>	<b>146,329,906</b>	<b>129,049,890</b>	<b>65,058,928</b>	<b>15,432,272</b>

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

- (i) On 28 April 2016, the Group issued a total of 16,949,152 ordinary shares at the issue price of \$2.95 per share. Issue costs of \$1,927,632 associated with the issue of shares have been directly paid from the proceeds of the issues. These costs have been deducted, (net of tax benefit of \$578,240) from the issued capital in the statement of financial position, rather than charged as an expense of the Company, as they are considered to form part of the net equity raised.
- (ii) On 27 May 2016, the Group issued a total of 330,864 ordinary shares under a share purchase plan at the issue price of \$2.95 per share.
- (iii) On 16 October 2014, the Group issued 150,000 ordinary shares under share-based payments and the total share-based payment expenses were \$83,250.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 19 Reserves

### (a) Movements in options & share rights reserve

	2016	2015
	\$	\$
Balance at the beginning of the year	395,808	395,808
Transfer to share rights reserve	671,118	-
<b>Balance at the end of the year</b>	<b>1,066,926</b>	<b>395,808</b>

### (b) Movements in foreign currency translation reserve

	2016	2015
	\$	\$
Balance at the beginning of the year	189,010	335,600
Exchange difference on translation of foreign operations	398,240	(146,590)
<b>Balance at the end of the year</b>	<b>587,250</b>	<b>189,010</b>

### (c) Movements in foreign exchange hedging reserve

	2016	2015
	\$	\$
Balance at the beginning of the year	-	(3,583)
Net change in the fair value of cash flow hedges	(35,116)	-
Reclassified to profit and loss account	-	5,119
Tax expense	10,535	(1,536)
<b>Balance at the end of the year</b>	<b>(24,581)</b>	<b>-</b>

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of tax, related to hedged transactions that have not yet occurred.

The cumulative deferred gain or loss on the hedge is recognised in other comprehensive income and included within the cash flow hedge reserve in equity.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit and loss.

# NetComm Wireless Limited

## Notes to the financial statements For the Year Ended 30 June 2016

### 20 Fair Value Measurement

The Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2016 on a recurring basis are as follows:

- Forward contracts as at 30 June 2016: USD440,000 (2015: Nil).

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

Measurement of fair value of forward contracts:

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2016 (2015: Nil).

### 21 Contingent Liabilities

The Group has provided certain guarantees totalling \$647,639 for performance bonds as at 30 June 2016 (2015: \$647,639).

There were no other contingent liabilities in existence at 30 June 2016 requiring disclosure in the financial statements.

### 22 Commitments

#### (a) Capital expenditure commitments

As at 30 June 2016, the Group is committed to purchase plant and equipment of \$4,096,230 (2015: NIL)

#### (b) Expenditure commitments

##### i) Non-cancellable operating lease commitments

	2016	2015
	\$	\$
Not longer than 1 year	1,545,748	555,260
Longer than 1 year and not longer than 5 years	2,787,914	142,090
	<u>4,333,662</u>	<u>697,350</u>

The Group leases its offices in Australia and other countries under operating leases. Leases generally provide the right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount and in some cases an incremental contingent rental. Contingent rents are normally based on movements in the CPI or market reviews.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 22 Commitments (continued)

### ii) Finance lease commitments

	2016	2015
	\$	\$
Not longer than 1 year	27,741	27,741
Longer than 1 year and not longer than 5 years	56,958	84,699
<b>Minimum future lease payments</b>	<b>84,699</b>	<b>112,440</b>
Less future finance charges	(4,910)	(9,070)
<b>Present value of minimum lease payments</b>	<b>79,789</b>	<b>103,370</b>
Included in the financial statements:		
Current borrowings (Note 15)	24,662	23,581
Non - current borrowings (Note 15)	55,127	79,789
	<b>79,789</b>	<b>103,370</b>

Finance leases relate to a motor vehicle. The Group has the option to purchase the motor vehicle at the conclusion of the lease arrangements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

## 23 Cash Flow Information

### Reconciliation of cash flow from operations with profit after income tax

	2016	2015
	\$	\$
<b>Profit for the year</b>	<b>2,027,264</b>	<b>2,464,257</b>
<b>Non-cash flows in profit:</b>		
Depreciation and amortisation	3,827,581	3,815,439
Interest received	(144,639)	(64,136)
Change in the fair value of cash flow hedges	(24,581)	3,583
Foreign exchange translation differences	398,240	(146,590)
Share rights reserve	671,118	83,250
	<b>4,727,719</b>	<b>3,691,546</b>
<b>Changes in operating assets and liabilities:</b>		
(Increase) in trade and other receivables	(883,575)	(2,982,480)
(Increase)/Decrease in inventories	(1,396,406)	(2,722,220)
(Increase)/Decrease in other assets	(3,764,515)	346,997
(Increase) in deferred tax assets	(262,555)	(58,181)
(Decrease)/Increase in trade and other payables	(2,652,311)	5,475,691
(Decrease)/Increase in other liabilities	(245,880)	64,506
Increase in provisions	458,255	98,637
<b>Net cash (used in) / provided by operating activities</b>	<b>(1,992,004)</b>	<b>6,378,753</b>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 24 Related Party Transactions

There were no related party transactions other than transactions with Key Management Personnel.

	2016	2015
	\$	\$
Short term benefits	2,904,242	1,751,694
Post-employment benefits	153,523	166,684
Other long term benefits	68,708	28,681
Share-based payments	640,612	83,250
<b>Total</b>	<b>3,767,085</b>	<b>2,030,309</b>

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

## 25 Share-Based Payments

### (a) Share Appreciation Rights

At the Company's Annual General Meeting on 18 November 2015, the shareholders approved the implementation of a Long Term Incentive Plan based on the issuance of Share Appreciation Rights ("SAR's").

A Share Appreciation Right has the potential to provide an economic benefit similar to a share option. Upon exercise the Participant realises a gain equal to the amount by which the underlying share price has appreciated since the right was granted.

Importantly, the underlying share price must appreciate for a Participant to realise any gain. If, the Company's share price does not appreciate over the relevant period, a Participant's entitlement on vesting and exercise of their Share Appreciation Rights will be nil.

#### ***Vesting & Exercise Conditions:***

The SAR's automatically vest on the date which is 3 years from their date of issue. The only vesting condition is that the recipients have to remain an employee of the Company for the vesting period of three years.

Share Appreciation Rights may be exercised within 12 months from their Vesting Date, if on their exercise date:

- the Share Appreciation Right has vested in accordance with the Rules;
- the Exercise Reference Price exceeds the Base Price; and
- the Share Appreciation Right has not lapsed under the Rules, where:

**Base Price** means, in respect of a share, the Market Value of the Share on the date of an Offer;

**Exercise Reference Price** means the Market Value of the Shares on the exercise date.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 25 Share-Based Payments (continued)

### (a) Share Appreciation Rights (continued)

#### *Lapsing and forfeiture of Share Appreciation Rights*

Subject to the absolute discretion of the Board and to the terms of the Offer made to a Participant, and unless the Rules on death, permanent disability or bona fide redundancy apply (summarised below), the Participant's rights in relation to any Share Appreciation Rights issued to that Participant will lapse immediately and all rights in respect of those Share Appreciation Rights will thereupon be lost if:

- Participant ceases to be an Eligible Employee (including, without limitation, resignation or redundancy);*
- one or more Conditions in an Offer of Share Appreciation Rights is not satisfied or waived by the Board in its absolute discretion or otherwise cannot be satisfied by the relevant Vesting Date;*
- the Share Appreciation Rights are forfeited pursuant to the Plan Rules; or*
- The Share Appreciation Rights are not exercised by 11:59pm (AEST) on the last date of the Exercise Period.*

Notwithstanding any other provision of the Rules, unless otherwise determined by the Board, a Participant (and any person claiming through him or her) will forfeit any Share Appreciation Rights they hold if:

- the Participant is dismissed by a company in the Group for cause, including unlawful or serious misconduct, as determined by the Board in its absolute discretion;*
- in the Board's reasonable opinion the Participant acts fraudulently or dishonestly, is in serious breach of duty (under a contract or otherwise) to the Company or Group, or commits any act of harassment or discrimination;*
- in the Board's reasonable opinion, the Participant has brought the Company into serious disrepute; or*
- The Participant is in material breach of the Rules.*

#### **Issuance of SAR's**

On December 8, 2015 the Company issued a total of 2,200,000 Share Appreciation Rights (SAR's) to Key Management Personnel and other employees at a "Base" price of \$2.98.

Details of Share Appreciation Rights (SAR) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

	<i>Position</i>	<i>Balance on 1 July 2015</i>	<i>SAR's Granted on 8 December 2016</i>	<i>Fair Value of SAR's on Date of Grant During the Year</i>	<i>SAR's Exercised</i>	<i>Balance at 30 June 2016</i>	<i>Total Vested at 30 June 2016</i>
D P J Stewart	CEO	-	1,000,000	\$1,628,898	-	1,000,000	0%
K J P Sheridan	CFO	-	500,000	\$814,449	-	500,000	0%
S Collins	CTO	-	500,000	\$814,449	-	500,000	0%
M Cornelius	R&D Director	-	100,000	\$162,890	-	100,000	0%
Other Employees		-	100,000	\$162,890	-	100,000	0%
<b>Total</b>			<b>2,200,000</b>	<b>\$3,583,576</b>	-	<b>2,200,000</b>	

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 25 Share-Based Payments (continued)

### (a) Share Appreciation Rights (continued)

#### *Issuance of SAR's (continued)*

It is important to understand that the Fair Value of the SAR's on Date of Grant is a non-cash accounting expense that will be recognised on a straight line basis over the vesting period of three years. An expense of \$671,118 was recorded during the year.

## 26 Retirement Benefit Obligations

### Superannuation commitments:

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

## 27 Earnings per Share

	2016 \$	2015 \$
<b>Earnings reconciliation</b>		
Net profit for the year	2,027,264	2,464,257
Basic and diluted earnings	2,027,264	2,464,257
	2016 No.	2015 No.
<b>Weighted average number of ordinary shares used as the denominator</b>		
Number for basic earnings per share	132,045,216	129,005,917
Number for diluted earnings per share	132,045,316	129,005,917
	2016 Cents	2015 Cents
<b>Earnings per share</b>		
Basic earnings per share	1.54	1.91
Diluted earnings per share	1.54	1.91

## 28 Financial Instruments

### (a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital structure changed significantly during the financial year as it raised \$51 million in equity. The group's overall strategy is to focus on the global M2M and fixed wireless sector. The capital raise will fund the Company's expansion plans and ongoing working capital needs as the business continues to grow and will eliminate the cost of debt to the Company.

Although the Group has repaid all its bank debts and after the equity raise is in a position to fund its future growth, the Company has kept its current banking relationships and facilities in place to fund any opportunity that might require significant and immediate appropriate debt finance. The current capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated profits. Operating cash flows are used to maintain and expand the Group's assets as well as to pay for operating expenses, including tax liabilities.



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 28 Financial Instruments (continued)

### (b) Financial Risk Management Objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency and interest rate risk), credit risk, liquidity risk including counter-party risk. The Group's overall risk management program focuses on the unpredictability of financial and exchange rate markets and seeks to minimise potential adverse effects on the Group's performance.

Risk management is carried out by the Board of Directors through the Audit and Risk Management Committee and during the year the Group incorporated an "Investment Policy" defining the framework for investing surplus funds. The policy was developed for the Group to:

- A) Enhance the return on surplus cash within acceptable levels of risk/return exposure.
- B) Mitigate the credit and liquidity risks that Group is exposed to through investment activities.

The policy defines:

- A) Counterparty Credit Framework** - Group has to comply with the credit guidelines based on the S&P ratings for each counterparty. Exposure to an individual counterparty will be restricted, in terms of the credit limit tables detailed below, by their S&P rating so that single entity exposure is limited. The individual counterparty credit limit structure is as follows:

Short Term Rating	Maximum Exposure
A-1+	AUD \$10 million
A-1	AUD \$5 million

- B) Portfolio Management & Approved Instruments** - The Group portfolio will have the following structural constraints and securities purchased on behalf of Group will be based on the investment framework and comprise of the following asset classes only:

Investment Terms	Approved Instruments
Maximum 90 Days	<ul style="list-style-type: none"><li>• 11am Cash</li><li>• Term Deposits</li><li>• Bank Bills</li><li>• Negotiable Certificates of Deposit</li></ul>

### (c) Foreign Currency Risk Management

*The Group is mainly exposed to US dollars (USD), (2015: US dollars).*

The Group undertakes certain transactions denominated in foreign currencies that are different from the functional currency of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise.

Exchange rate exposures are managed within approved policy parameters utilising hedges. The Group in particular has developed an FX hedging strategy to manage its Foreign Exchange Risk on future purchases using FX Forwards. The strategy is to use USD FX Forwards as a hedge against future USD purchases related to its AUD revenues. This is to reduce the variability in the AUD cash flows arising from USD denominated purchases consisting of firm commitments and highly probable forecast transactions. Any gains or losses on revaluing of the forwards are recognised in Other Comprehensive Income and shown in the balance sheet in Equity as a "Foreign Exchange Hedging Reserve". The amount in this reserve is reversed to the Profit and Loss Account when the forwards are settled.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 28 Financial Instruments (continued)

### (c) Foreign Currency Risk Management (continued)

For the year ended 30th June 2016, circa \$4.4 million of FX forward contracts were put in place and were used as a hedge against future "Specific" purchases the Group made mainly for some of its ANZ broadband customers & for the purchase of a R&D equipment from a Europe based supplier. At balance date there was one exchange contract outstanding and a loss of \$35,116 (gross of tax) was recorded in Other Comprehensive Income on revaluation of the hedge contract to fair value.

In order to avoid exposure to significant foreign exchange gains or losses on revaluation of USD borrowings, the Group continues to denominate its borrowings in AUD. All other foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AUD at the closing rate 0.7426. (2015: 0.7680).

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities holding the monetary assets and liabilities are as follows:

	Closing rate		Liabilities		Assets	
	2016	2015	2016	2015	2016	2015
US Dollars	0.7426	0.768	8,242,994	11,027,583	13,507,903	12,890,713

### Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies (arising from monetary assets and liabilities held at balance date in a currency different to the functional currency of the respective entities holding the assets or liabilities), which represents management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items (including liabilities for goods in transit) and adjusts their translation at a period end for a 10% change in foreign currency rates.

	Profit or Loss	
	2016	2015
US Dollars	584,990	187,014

The foreign exchange impact in the table is attributable to the exposure outstanding on USD receivables and borrowings at year end in the Group. In management's opinion, the above sensitivity analysis is representative of the inherent foreign exchange risk during the course of the year.

The Group includes a New Zealand subsidiary whose functional currency is different to the Group's presentation currency. As stated in the Group's Accounting Policies per Note 1(c), on consolidation the assets and liabilities of this entity are translated into Australian dollars at exchange rates prevailing on the reporting date. The income and expenses of this entity are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The Group's future reported other comprehensive income could therefore be impacted by changes in rates of exchange between the Australian Dollar and the New Zealand Dollar.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 28 Financial Instruments (continued)

### (c) Foreign Currency Risk Management (continued)

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies arising from translation of foreign operations. A positive number indicates an increase in other comprehensive income where the Australian dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on the other comprehensive income and other equity, and the balances below would be negative.

	Other comprehensive income	
	2016	2015
New Zealand Dollars	44,875	15,806

### (d) Interest Rate Risk Management

The Group is exposed to interest rate risk as the parent entity borrows funds at floating interest rates. The Group does not hedge this risk through derivatives such as interest rate swaps.

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

### (e) Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on a 50 basis point change in interest rates taking place at the beginning of the financial year and held constant throughout the reporting period, which represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/(decrease) by \$46,814 (2015: increase/(decrease) by \$25,657). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### (f) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by counterparty limits that are reviewed and approved by the CFO. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group is exposed to the credit risk. The Group has two major customers (Note 30) who generated around 59% (FY15: 50%) revenues to the Group. However, there is minimal credit risk arising from these customers based on these customers' global presence and position, historical information and previous trading experience.

Other than the item noted above, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. Refer further detail in note 7.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 28 Financial Instruments (continued)

### (g) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group also uses a trade payables finance facility to manage its liquidity risk.

The table below details the Company's and the Group's drawn and undrawn facilities.

	Consolidated	
	2016	2015
	\$	\$
<b>Secured Bank Loan</b>	7,000,000	7,000,000
Used at reporting date (Note 15)	-	2,400,000
Used at reporting date (Note 15)	-	-
Unused at reporting date	<b>7,000,000</b>	<b>4,600,000</b>
<b>Unsecured Bank Loan</b>	4,000,000	-
Used at reporting date (Note 15)	-	-
Used at reporting date (Note 15)	-	-
Unused at reporting date	<b>4,000,000</b>	<b>-</b>
<b>Amortising Facility</b>	-	958,333
Used at reporting date (Note 15)	-	958,333
Unused at reporting date	-	-
<b>Debtor Finance (AUD)</b>	1,000,000	1,000,000
Surplus debtor receipts (Note 15)	-	(116,876)
Unused at reporting date	<b>1,000,000</b>	<b>1,116,876</b>
<b>Debtor Finance (USD)</b>	USD 3,400,000	USD 3,400,000
Used at reporting date (Note 15)	-	-
Unused at reporting date	<b>USD 3,400,000</b>	<b>USD 3,400,000</b>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 28 Financial Instruments (continued)

### (g) Liquidity Risk Management (continued)

#### *Liquidity and interest risk tables*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	Consolidated 3 months-1 year \$	1-5 years \$	5+ years \$
<b>2016</b>						
Non-interest bearing	0.00%	5,006,264	3,850,650	-	-	-
Finance lease liability	4.49%	2,312	4,624	20,806	56,958	-
Variable interest rate instruments	4.88%	-	-	-	-	-
<b>Total</b>		<b>5,008,575</b>	<b>3,855,274</b>	<b>20,806</b>	<b>56,958</b>	<b>-</b>
<b>2015</b>						
Non-interest bearing	0.00%	6,344,417	5,383,588	-	-	-
Finance lease liability	4.49%	2,312	4,624	20,806	82,387	-
Variable interest rate instruments	4.88%	2,452,531	126,706	345,786	494,252	-
<b>Total</b>		<b>8,799,260</b>	<b>5,514,917</b>	<b>366,592</b>	<b>576,639</b>	<b>-</b>

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted avg effective interest rate %	Less than 1 month \$	1-3 months \$	3 months-1 year \$	1-5 years \$	5+ years \$
<b>2016</b>						
Non-interest bearing	0.00%	10,727,202	3,633,690	171,303	-	-
Variable interest rate instruments	1.22%	20,513,640	16,000,000	-	-	-
		<b>31,239,842</b>	<b>19,633,690</b>	<b>171,303</b>	<b>-</b>	<b>-</b>
<b>2015</b>						
Non-interest bearing	0.00%	10,274,508	3,373,112	-	-	-
Variable interest rate instruments	1.54%	3,400,344	-	122,747	-	-
		<b>13,674,852</b>	<b>3,373,112</b>	<b>122,747</b>	<b>-</b>	<b>-</b>

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 28 Financial Instruments (continued)

### (h) Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

The Group monitors capital on the basis of the carrying amount of equity plus its borrowings, less cash and cash equivalents as presented on the face of the statement of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

	2016	2015
	\$	\$
Borrowings	(79,789)	(3,344,827)
Cash and cash equivalents	36,513,640	3,400,344
<b>Net Cash</b>	<b>36,433,851</b>	<b>55,517</b>
<b>Total equity</b>	<b>77,293,965</b>	<b>24,595,269</b>
<b>Net Borrowings to Equity ratio</b>	-	-

### (i) Fair Value of Financial Instruments

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

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

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

## 29 Events after the Reporting 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.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 30 Segment Reporting

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

- Broadband Business
- M2M Business

The Broadband business segment supplies communication devices, that range from entry level gateways to high-performance devices that support triple play services covering high-speed data transmission, multi HD/4K IPTV and over-the-top video streaming as well as high quality VoIP phone calls. The Broadband business products combine the latest generation of WiFi with powerful wired networking and powerline options to amplify a fast and reliable connection to multiple devices throughout the home and office.

The M2M business segment division specialises in the development of leading Fixed Wireless broadband, wireless Machine-to-Machine (M2M)/Industrial IoT (Internet of Things) and Fibre and Cable to the distribution point (FTTdp / CTTdp) technologies sold to leading telecommunications carriers, core network providers, system integrators, government and enterprise customers worldwide. The M2M business also includes network terminating devices designed to advance global network performance, extend coverage and meet the complex demands of today's M2M/Industrial IoT and national broadband markets.

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

	Revenue		Segment Profit	
	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$
<b>Revenue generated from external customers</b>				
Broadband Business	26,406,432	40,506,032	354,063	3,249,516
M2M Business	58,728,676	33,757,107	5,709,626	3,988,011
<b>Intersegment Revenue</b>				
Broadband Business	2,066,484	1,551,358	-	-
M2M Business	2,484,266	930,701	-	-
Intersegment Eliminations	(4,550,750)	(2,482,059)	-	-
<b>Segment result</b>	<b>85,135,108</b>	<b>74,263,139</b>	<b>6,063,689</b>	<b>7,237,527</b>
Other income			169,726	64,136
<b>EBITDA</b>			<b>6,233,415</b>	<b>7,301,663</b>
Depreciation and amortisation expense			(3,827,581)	(3,815,439)
Finance costs			(274,152)	(604,518)
<b>Group Profit before tax</b>			<b>2,131,682</b>	<b>2,881,706</b>
Income tax expense			(104,418)	(417,449)
<b>Consolidated revenue and profit for the period</b>	<b>85,135,108</b>	<b>74,263,139</b>	<b>2,027,264</b>	<b>2,464,257</b>

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

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

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 30 Segment Reporting (continued)

Revenues from a single customer greater than 10% of total revenues reside in both Broadband & M2M business segment. Segment profit represents the profit earned by each segment without allocation of other income, finance costs and depreciation and amortisation.

	2016			2015		
	Broadband	M2M	Total	Broadband	M2M	Total
Customer A	6,789,716	-	<b>6,789,716</b>	14,400,752	-	<b>14,400,752</b>
Customer B	-	43,108,109	<b>43,108,109</b>	-	22,467,133	<b>22,467,133</b>
Total Revenue	26,406,432	58,728,676	<b>85,135,108</b>	40,506,032	33,757,107	<b>74,263,139</b>
Customer Share of Total (%)	26%	73%	<b>59%</b>	36%	67%	<b>50%</b>

During 2016, \$7,757,977 or 9.1% (2015: \$7,513,826 or 10.1%) of the Group's revenues were generated from New Zealand.

Segment profit represents the profit earned by each segment without allocation of other income, finance costs and depreciation and amortisation.

### (a) Reconciliation of Group's operating segments to financial statements

The totals presented for the Group's operating segments reconcile to the key figures as presented in its financial statements as follows:

	30 June 2016 \$	30 June 2015 \$
<b>Revenue and other income</b>		
Total reportable segment revenues	85,135,108	74,263,139
Other Segment income	169,726	64,136
<b>Revenue &amp; other income</b>	<b>85,304,834</b>	<b>74,327,275</b>
<b>Profit or Loss</b>		
Total reportable segment operating profit	6,063,689	7,237,527
Other segment profit	169,726	64,136
<b>EBITDA</b>	<b>6,233,415</b>	<b>7,301,663</b>
Depreciation and amortisation expense	(3,827,581)	(3,815,439)
Finance costs	(274,152)	(604,518)
<b>Profit before tax</b>	<b>2,131,682</b>	<b>2,881,706</b>



# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

## 31 Parent Entity Disclosures

### (a) Financial position

	2016	2015
	\$	\$
<b>Assets</b>		
Current assets	56,993,901	18,293,032
Non-current assets	29,574,105	20,333,454
<b>Total assets</b>	<b>86,568,006</b>	<b>38,626,486</b>
<b>Liabilities</b>		
Current liabilities	26,703,957	28,898,190
Non-current liabilities	480,576	834,152
<b>Total liabilities</b>	<b>27,184,533</b>	<b>29,732,342</b>
<b>Net assets</b>	<b>59,383,473</b>	<b>8,894,144</b>
<b>Equity</b>		
Issued capital	65,058,975	15,432,319
Retained earnings/(accumulated losses)	(6,837,475)	(6,933,983)
<b>Reserves</b>		
General reserves	1,186,554	395,808
Foreign exchange hedging reserve	(24,581)	-
<b>Total equity</b>	<b>59,383,473</b>	<b>8,894,144</b>

### (b) Financial performance

	2016	2015
	\$	\$
Loss for the year	17,559	(1,245,280)
Other comprehensive expense	(24,581)	(1,536)
<b>Total comprehensive loss</b>	<b>(7,022)</b>	<b>(1,246,816)</b>

### (c) Commitments for the acquisition of property, plant and equipment by the parent entity

	2016	2015
	\$	\$
<b>Finance lease liabilities</b>		
Not longer than 1 year	27,741	27,741
Longer than 1 year and not longer than 5 years	56,958	84,699
	<b>84,699</b>	<b>112,440</b>

Finance leases relate to a motor vehicle. The Group has the option to purchase the motor vehicle at the conclusion of the lease arrangements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

# NetComm Wireless Limited

Notes to the financial statements  
For the Year Ended 30 June 2016

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## 31 Parent Entity Disclosures (continued)

### (d) Subsidiaries

Name of subsidiary	Country of incorporation	Percentage owned	Percentage owned
		2016	2015
		%	%
NetComm Wireless (NZ) Limited	New Zealand	100	100
Call Direct Cellular Solutions 2003 Pty Ltd	Australia	100	100
C10 Communications Pty Ltd	Australia	100	100
NetComm Wireless (Canada) Limited	Canada	100	100
NetComm Wireless Inc.	United States of America	100	100
NetComm Wireless (UK) Limited	United Kingdom	100	100

## 32 Company Details

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

### ***NetComm Wireless Limited***

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

# NetComm Wireless Limited

## Directors' Declaration

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In the opinion of the directors of NetComm Wireless Limited

- (a) the consolidated financial statements and notes of NetComm Wireless Limited are in accordance with the Corporations Act 2001, including:
  - a. giving a true and fair view of its financial position as at 30 June 2016
  - b. and of its performance for the financial year ended on that date; and
  - c. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
- (b) There are reasonable grounds to believe that NetComm Wireless Limited will be able to pay its debts as and when they become due and payable.
- (c) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.
- (d) Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors

On behalf of the Directors



J Milne  
Director  
29 August 2016



D P J Stewart  
Director  
29 August 2016

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

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E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.granthornton.com.au](http://www.granthornton.com.au)

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

### **Report on the financial report**

We have audited the accompanying financial report of NetComm Wireless Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

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

**Auditor's opinion**

In our opinion:

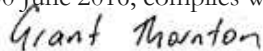
- a the financial report of NetComm Wireless Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**

We have audited the remuneration report included in pages 7 to 14 of the Directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of NetComm Wireless Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY  
LTD Chartered Accountants



S M Coulton  
Partner - Audit & Assurance

Sydney, 29 August 2016

# NetComm Wireless Limited

## ASX Additional Information

The shareholder information set out below was applicable as at 19 August 2016.

### 1) Distribution of Shareholders

Analysis of number of shareholders by size of holding:

Category of Holding	Number	Number of Shares
1 - 1,000	770	443,006
1,001 - 5,000	1,558	4,405,953
5,001 - 10,000	679	5,282,146
10,001 - 100,000	862	25,372,010
100,001 - share and over	126	110,826,791
<b>Total</b>	<b>3,995</b>	<b>146,329,906</b>

### 2) Twenty Largest Shareholders

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

Shareholder	Number of Shares	Percentage of total shares
Brad Industries Pty Ltd & Rooke Lane Pty Ltd	23,000,000	15.72%
JP Morgan Nominees Aust Ltd	13,468,754	9.20%
National Nominees Limited	8,755,949	5.98%
HSBC Custody Nominees	7,439,384	5.08%
UBS Nominees Pty Ltd	5,969,204	4.08%
Citicorp Nominees Pty Limited	4,214,924	2.88%
NBT Pty Ltd	4,200,184	2.87%
ACK Proprietary Ltd	2,277,676	1.56%
Askey Computer Corp	2,053,528	1.40%
Mirrabooka Investments	1,800,000	1.23%
Rapaki Pty Ltd	1,500,000	1.03%
BNP Paribas Noms Pty Ltd	1,495,187	1.02%
Michael John Cornelius	1,456,170	1.00%
Yarradale Investments Pty Ltd	1,250,070	0.85%
Sandhurst Trustees Ltd	1,182,837	0.81%
Brispot Nominees Pty Ltd	1,060,809	0.72%
Ms DG Leong / Mr RA Press	1,050,840	0.72%
AMCIL Limited	846,973	0.58%
Mrs Cher Suey Cheah	825,500	0.56%
Bond Street Custodians Ltd	815,748	0.56%
<b>Total</b>	<b>84,663,737</b>	<b>57.86%</b>

### 3) Voting Rights

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

### 4) Substantial Shareholders

As at 19 August 2016 the substantial shareholders were as follows:

Shareholder	Number of Shares	Percentage of total shares
Brad Industries Pty Ltd & Rooke Lane Pty Ltd	23,000,000	15.72%
Ophir Asset Management Pty Ltd (shares held through JP Morgan Nominees Aust Ltd and National Nominees Limited)	10,223,822	6.99%



# NetCommWireless

## CORPORATE DIRECTORY

30 June 2016

### **DIRECTORS**

J Milne (Non-Executive Director & Chairman)  
K Boundy (Non-Executive Director)  
S Black AM (Non-Executive Director)  
D P J Stewart (CEO & Managing Director)  
K J P Sheridan (CFO & Executive Director)

### **COMPANY SECRETARY**

K J P Sheridan

### **REGISTERED OFFICE**

Level 5, 18-20 Orion Rd  
Lane Cove, NSW 2066

Telephone: +61 (2) 9424-2000  
Facsimile: +61 (2) 9427-9260

### **AUDITOR**

**Grant Thornton Audit Pty Limited.**

Chartered Accountants  
Level 17, 383 Kent Street,  
Sydney, NSW 2000

### **SOLICITORS**

**Maddocks**

Angel Place, 123 Pitt St,  
Sydney, NSW 2000

### **BANKERS**

**HSBC Bank Australia Limited**

Level 31, 500 George Street,  
Sydney, NSW 2000

### **SHARE REGISTER**

**Link Market Services**

Level 12, 680 George St,  
Sydney, NSW 2000

Telephone: +61 (2) 8280 7552

### **WEB ADDRESS**

[www.netcommwireless.com](http://www.netcommwireless.com)



## Notes:

[illegible]







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