



# ANNUAL REPORT

FOR THE YEAR ENDED  
**30 JUNE 2018**



# FINANCIAL HIGHLIGHTS

## RECORD REVENUE

**\$181.7m**

**↑** 69%

## RECORD EBITDA

**\$20.5m**

**↑** 5.7 times

## GROUP REVENUE

**86%** from our high growth business

## RECORD NET PROFIT AFTER TAX

**\$8.0m** turnaround from \$1.8m loss

## GROSS MARGIN

**37.2%**

**↑** 2.7% from 34.5%

## OPERATING CASH INFLOW

**\$23.5m**

**↑** 2.9 times

## STRONG BALANCE SHEET

**\$27.2m** cash & no debt

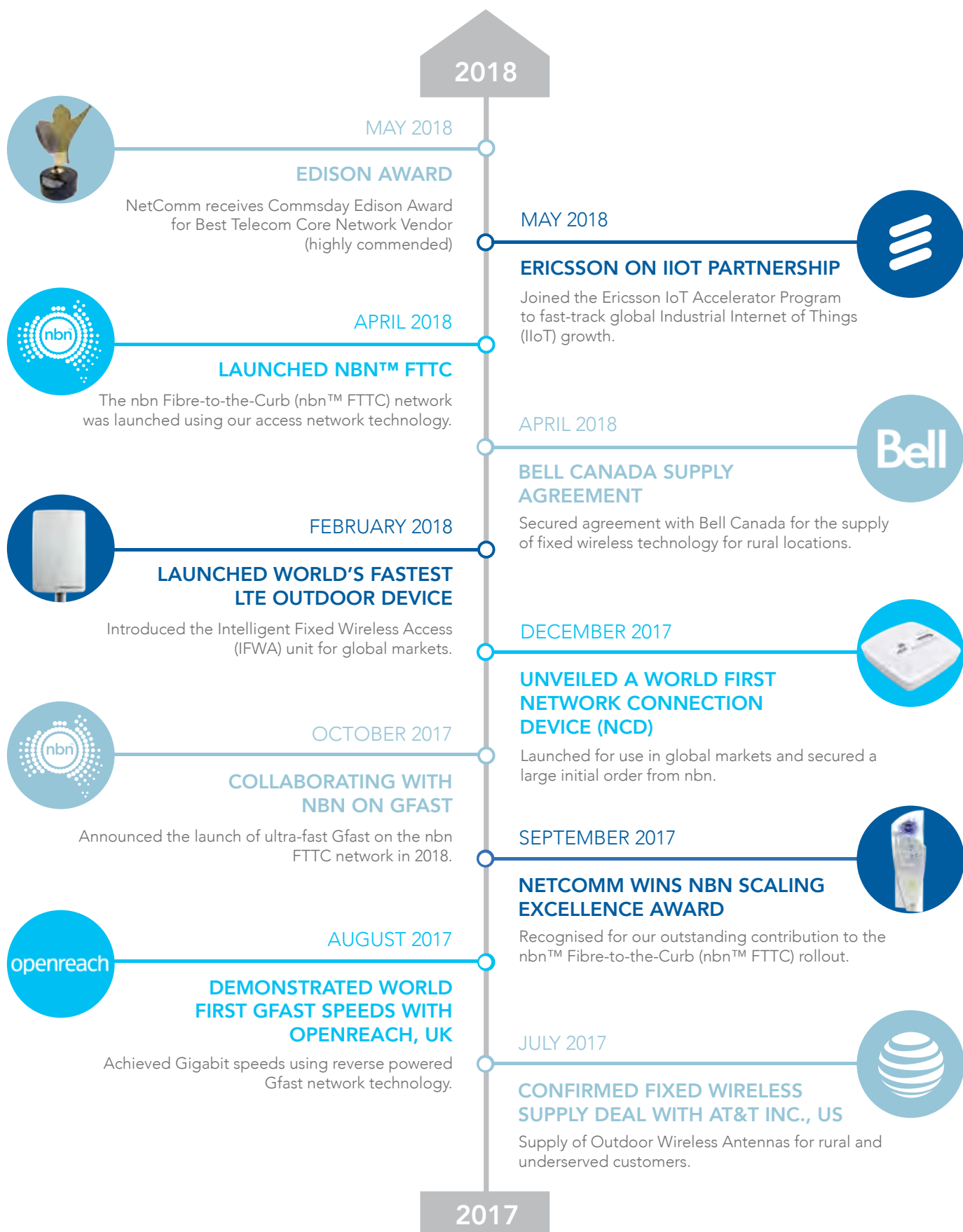
## We are a trailblazer, we are a problem solver.

Established in 1982 by a small team that developed Australia's first modem, NetComm has evolved to become a leading global innovators of carrier grade telecommunications technologies. We have kept that startup spirit ever since, bringing to market many world firsts in solutions for fast broadband, including access networks, industrial IoT and residential broadband. Through our unique "Listen. Innovate. Solve." methodology, we have been solving some of the toughest challenges for our customers, at scale and with total cost of ownership in mind.

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# YEAR IN REVIEW





A woman with long, wavy brown hair is seen from the side, working at a computer in an office. She is wearing a red top. In the background, there is a large green plant in a white pot. The image is partially covered by a blue diagonal overlay on the left side.

# PERFORMANCE HIGHLIGHTS

# STRATEGIC PROGRESS

We have maintained our focus on our 3 key growth pillars:

- European, UK and North American markets as a priority
- Tier 1 operators for whom we can build solutions at scale
- Bespoke solutions where we have a unique proposition and can add value to our customers and their end-users

We have also continued to build our capabilities along our 6 strategic priorities:



## ACCELERATE GROWTH

We had significant business wins over the last 12 months, delivering our best results on record.

Particularly, we leveraged our existing positions with nbn and AT&T, and successfully won with Bell. We are considered their trusted partner.

In ANZ, the team delivered a real turn-around of performance. And our sales funnel is filling up with lab and field trials, which will in turn deliver next year's wins.



## CAPITALISE ON INNOVATION

We don't just do "bespoke" solutions, we create solutions that can be offered around the globe. A win with one customer often opens doors with many others, creating a positive "domino effect".

In the last 12 months, we brought to market a couple of "world first" innovations, helping us get the attention of potential customers around the world.



## DELIVER BEST-IN-CLASS TECHNOLOGIES

Our technology is recognised by our customers and the industry. We won several awards last year, including the nbn "Scaling

Excellence" award and the CommsDay' Edison "Highly Commended" award for Best Telecom Core Network Vendor.

We have been improving further our testing capabilities and increasing the level of production from our factories, whilst improving yield and quality metrics.



## COMPETITIVE ADVANTAGE

Our engineering strength is recognised for being "light-speed", with a focus on quality, time to market and delivering solutions that "just work".

We believe our speed and agility, combined with our engineering excellence, gives us a strong advantage against our competition.



## PEOPLE AND CULTURE

We continued to recruit amongst the "top 10%", attracting top talent, and building our culture of high-performance and a passion to achieve.

A number of engagement initiatives were delivered over the last 12 months which increased our levels of employee engagement. Another key focus was 'Diversity'. We are now registered as a "relevant employer" with annual reporting to the Workplace Gender Equality Agency (WGEA).



## LEADERSHIP

We continue to make organisational changes in supporting the company's growth. We have strengthened our supply chain team to deliver on our contracts. A dedicated product management team was also created to ensure product leadership globally. We appointed Els Baert (previously from Nokia) as Director - Marketing & Comms and Adrian Macarthur-King as Chief Engineering Officer. Both appointments further strengthen the company's leadership team.

# CEO & CHAIRMAN'S LETTER

“ Guided by our Listen. Innovate. Solve methodology, we have set our company apart and further put in place the capabilities needed to sustain our growth.

## *Dear Shareholders,*

The 2018 financial year (FY18) was a defining period for NetComm, marked by record financial results and consolidation of our global growth platform. After investing strongly in FY16 and FY17 to build the right foundations for sustainable long-term growth, FY18 saw us focus on executing significant projects with Tier 1 telecommunications operators, delivering on our promises and starting to see the pay-off from our investments.

### **Growing through innovation, with a talented team and tier 1 customers**

We continue to thrive through innovation. Guided by our “Listen. Innovate. Solve.” approach, we have set our company apart and further put in place the capabilities needed to sustain our growth. We have some of the best engineering and R&D capabilities globally in our industry, and our team is motivated by a supportive corporate culture.

Momentum has built over FY18 with an impressive pipeline of global tier 1 telecommunications operators that is growing. As shown by our awards and commercial success, we have the trust of more and more customers and interest from more and more Tier 1 global telecommunications operators and enterprises keen to benefit from our world-first innovations. We are clearly perceived by the market as a “Problem Solver”, the go-to vendor for challenging access network technology in challenging environments.

### **Broadband has become a utility and our world-leading technology solutions are being used globally**

Governments worldwide are mandating that fast broadband becomes a utility as reliable as turning on a light switch or a tap, and telecommunications operators are facing unique challenges around network complexity and the efficient delivery of broadband to everyone. But it's not only that. Operators are also looking for new and innovative ways to bring high speed broadband services in a more cost-effective way than building Fibre-to-the-Home (FTTH).

NetComm is uniquely placed to help tier 1 telecommunications operators globally, solve these challenges. Indeed, we have demonstrated our expertise working with Ericsson and nbn in Australia, and our world-leading access network technology solutions are now being deployed by leading telecommunications operators in North America, and are being trialled by leading telecommunications operators in Europe.

### **NetComm is solving one of the key connectivity challenges for tier 1 telecommunications operators**

One of the major changes in our industry, driven by this demand for fast broadband, is the wide scale deployment of optical fibre. In our overseas focus markets of North America and UK/Europe, optical fibre is passing more and more homes and businesses. Connecting the final drop between homes and businesses and the fibre remains one of the key challenges in almost all markets as the cost of the last few meters is often prohibitive.

NetComm's position as a market leader in access technologies such as Distribution Point Units (DPUs) and Fixed Wireless Access (FWA) is providing lower cost alternatives with similar broadband speed to directly connecting the fibre to the premises. Furthermore, as the development of 5G technology starts to drive new markets over the next decade, the option to use 5G Fixed Wireless Access for the “last mile” to connect customers to fibre networks becomes even more significant. NetComm is already investing in 5G wireless access and leveraging the strong relationship we have with Qualcomm to be a leader in 5G. We expect to have solutions available for our operator customers in 2019.

### **FY18 delivered strong growth**

To summarise FY18, we delivered strong growth from our existing contracts, as we received large orders and we strengthened our sales presence in our key growth markets of Europe, the UK and North America. Importantly, new contracts were signed to grow our business for



the long term, diversifying our future revenue sources. NetComm remains focused on building a portfolio of Tier 1 telecommunications operators as we solve their connectivity problems, and we are pleased to present the following report outlining our key achievements throughout the year.

### Financial performance saw record revenues and earnings being delivered

We are delighted to have achieved another record result in 2018, with revenue up 69% to \$181.7m, as we began to receive revenue from key projects. Revenue from our high-growth Telecommunications Infrastructure and Industrial Internet Of Things (IIOT) business was up 81% to \$156.5m and now makes up 86% of our revenue, up from 80% in FY17. We believe that this shift will continue over the long term due to market trends.

Revenue from our “traditional” residential Broadband Business recovered, up 18% to \$25.1m, following a decline in FY17. This came as we refocused our product range and put further effort into adapting our solutions to market needs.

The strong growth in Revenue resulted in an uplift in EBITDA of more than 5.7 times to \$20.5m, demonstrating the significant operating leverage in our business as contracts scale.

We experienced a very healthy cash inflow from operating activities of \$23.7 million, driven by the strong growth in profitability combined with careful control of our working capital. It is notable that our capital expenditure reduced by \$6.6 million to \$3.6 million, as the heavy lifting of our research & development investments into our design and testing facilities had largely been completed in FY17.

Our Balance Sheet remains strong, with no bank debt and a cash balance of \$27.2 million, and whilst we continued to invest in our workforce, infrastructure, working capital and product development, we concluded the year with some \$5.2m more cash than we started with. Furthermore our unutilised \$20 million committed banking facility provides additional flexibility.

### Strengthening our range of Machine to Machine technology solutions

The growth of IoT (Internet of Things) is a key growth driver for telecommunications operators, for which we are actively working on developing bespoke solutions.

We are strengthening our range, focusing on Industrial IoT (machine to machine) and are in the process of launching several new products, covering multiple use cases. We also recently joined the Ericsson IoT Accelerator program so operators and other major ecosystem players can be fast-to-market with the connection of remote assets and machines.

We continue to supply M2M devices to large global customers, in the industrial IoT, FMCG and elevator industries and are also actively pursuing M2M opportunities globally with Tier 1 customers, with a particular focus on the USA, UK/Europe and Australia.

We are pleased with the progress made with our product portfolio and roadmap, which gives us confidence we can capitalise on the overall growth of IoT.

### 5G will open up new markets and opportunities

It is critical for us to stay ahead of the technology curve and we have made a priority of developing a 5G roadmap, particularly our 5G fixed wireless capabilities. We expect



Justin Milne, Chairman







NetComm's next exciting developments to occur in the 5G space, where we are actively progressing discussions with Tier 1 telecommunications customers for large-scale opportunities.

5G is a disruptive technology that has the capability of transmitting very high-speed data and performance of 10 Gbps or even higher. We see 5G use cases in high density population areas, where 5G will allow for different applications to run on the same mobile network and will introduce more bandwidth to serve additional endpoints.

It is important to note, that as the transmission frequency increases to allow for increased data throughput, the ability of the signal to propagate reduces and the ability of the signal to penetrate walls and natural surroundings also reduces. This means that while 5G will have applications in urban areas, it will complement our 4G technology rather than replace it, as rural opportunities (where propagation is critical) will still utilise 4G LTE technology for many years to come.

### Culture and leadership

The Leadership and culture of our company is at the core of our commitment to deliver the best results/solutions for our partners, customers and shareholders.

Last year we strengthened our executive management team to support future growth and we have seen significant progress in each of their respective areas of responsibility. In December we confirmed the appointment of Mr David Stewart as a Non-Executive Director to the Company's

Board and in August we appointed Mrs Jacqueline Korhonen as a Non-Executive Director as well.

Our team engagement continues to strengthen with pleasing results over the last 12 months. The Board and Executive Team are committed to further enhancing the diversity of our team and have solid succession plans in place supporting our long-term growth.



Ken Sheridan, CEO & Managing Director

## Outlook

Following the substantial step up in scale in FY18, NetComm expects FY19 to be a year of consolidation to ensure a sustainable platform is in place to drive the next step change in growth expected for FY20:

- Revenue is forecast to grow 15-20%. This forecast growth is dampened due to a slower than expected rollout of the nbn FTTC project (as flagged by nbn) and a slower rollout of the AT&T Fixed Wireless project. This revenue has not been lost, rather it is deferred to future periods.
- Underlying EBITDA is expected to be at a similar level to FY18, with revenue growth offset by lower margins as the sales mix changes from higher margin Australian DPU sales to lower margin NCD sales and higher near-term component costs are incurred due to global industry wide shortages.
- Given NetComm's substantial opportunities in 5G, an investment of \$9 million is planned into 5G solutions, of which \$4 million is operating expense and \$5 million is capital expenditure.


- After allowing for our additional 5G opex spend, reported EBITDA is forecast to be in the range of \$15 million to \$18 million with earnings skewed to the second half based on our expectations of customer ordering patterns.

The investments we plan to make in FY19 will position NetComm at the forefront of a "once in a decade" technology wave, allowing us to be early to market with a commercial fixed wireless 5G solution with applicability in global markets.

While our business is always subject to the ordering patterns of our customers, this will lead to our next step change in revenue and earnings which is expected in FY20 and we are as excited and confident as ever about the outlook for our business, when measured over a multi-year period.



**Justin Milne**  
Chairman



**Ken Sheridan**  
CEO & Managing Director







# BUSINESS REVIEW





# Everyone's connected-life matters

The world will never stop being connected. As technology evolves, the opportunity to connect everyone's life only becomes greater.

However, everyone is different, so there is no single solution that will fit all. People who do not have any internet connection at home just want to get basic high speed broadband services. Others want gigabit speeds to run different streams at the same time and yet another group of people want to have everything they have connected to each other.

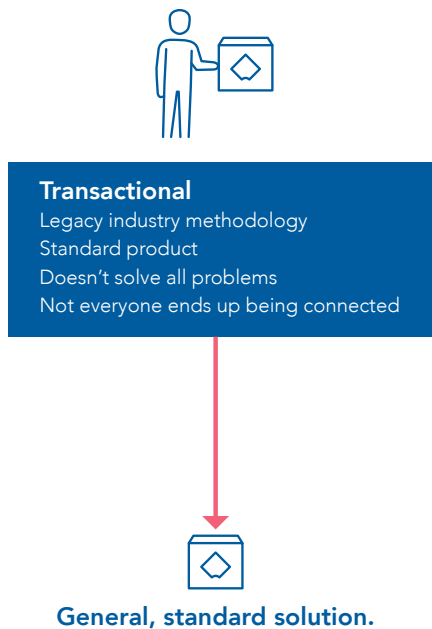
At NetComm, we believe that everyone should get the connected-life they want or need and there is no problem that NetComm can't fix. Whether it's to connect the most remote users, bring fibre-like speeds to the home without the need to bring fibre all the way to the home, connect machines or optimise the in-home connectivity, NetComm works with its customers to build a solution that fits their needs exactly.



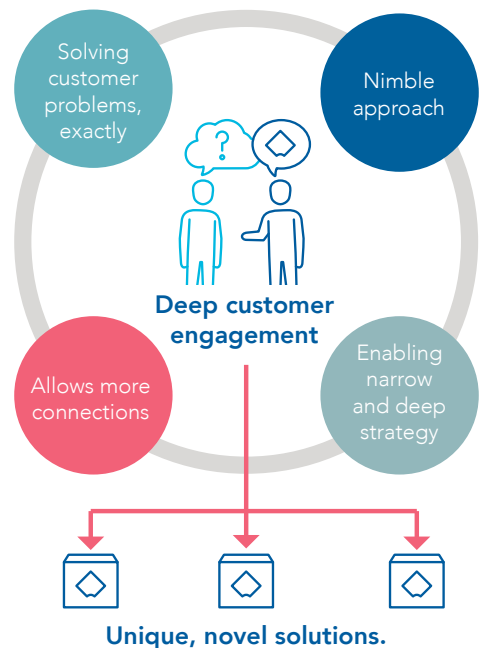


# LISTEN. INNOVATE. SOLVE.

## COMPETITORS BUILD AND THEY WILL COME.



## NETCOMM LISTEN. INNOVATE. SOLVE.



To make sure everyone's connected-life requirements are met in the most optimal way, NetComm has adopted our "Listen. Innovate. Solve." methodology. In an industry where the requirements become more and more specific, the traditional approach of "build and they will come" won't work anymore. For operators to offer a cost-effective service for everyone's connected-life, NetComm works closely with its customers to co-develop solutions that fit their needs exactly.



**Listen.** The first step of this approach is to listen. During the process of development, NetComm keeps a close relationship with its customer and listens to the challenges they are facing when trying to implement a new solution.



**Innovate.** Given the challenges faced by the customers, NetComm comes up with very clever solutions to solve not only the direct problems the customer sees, but also the problems NetComm has seen in previous similar projects that a new customer will likely face as well.



**Solve.** By keeping a close relationship with the customer and continuously refining the solution, NetComm solves the problems the customer had at the start. We build network-grade connectivity solutions at scale.

# WHAT NETCOMM DELIVERS

## FIXED WIRELESS

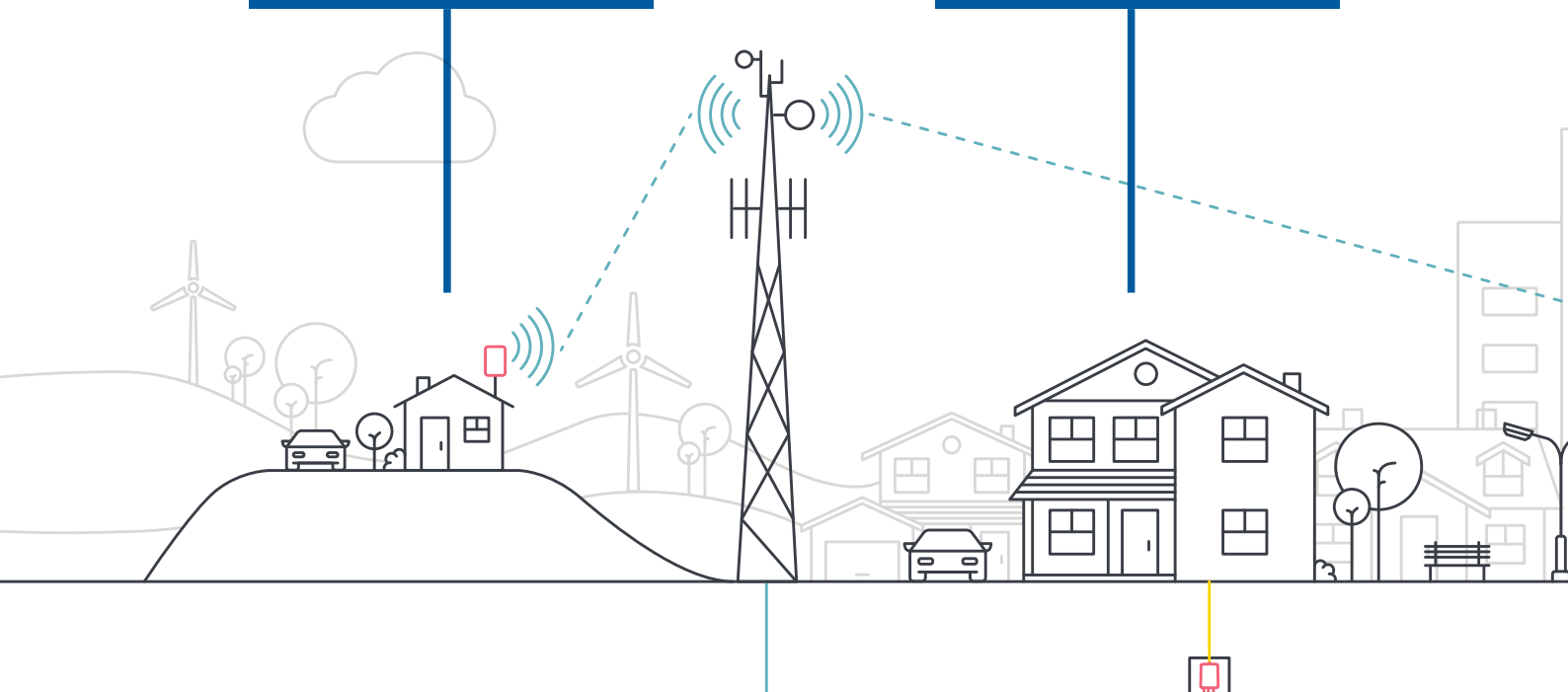
Connect even more remote users

- Go beyond the easy connections
- Broadband is a commodity and 100% coverage required by governments
- Offer an alternative to traditional Fixed Broadband service with reduced cost and time

## FIBRE-TO-THE-DISTRIBUTION POINT

Connect even more FTTdp subscribers

- Millions of homes are passed with fibre, but not all of them can be connected to the fibre network
- Connect homes to the FTTH network, using a DPU with Gfast to allow fibre like speeds



In an ideal world, every house has a fibre connection. However, a Fibre-to-the-Home (FTTH) network is time consuming and expensive to roll-out. The distance towards the home might be too long, the customer might object or the location might be inaccessible. And not to forget, there is a lot of civil works involved in the roll-out of FTTH. Therefore, operators are looking for solutions to bridge the gap between fibre and the home and at NetComm we co-develop these solutions to ensure it fits the requirements exactly.

## M2M & IIoT

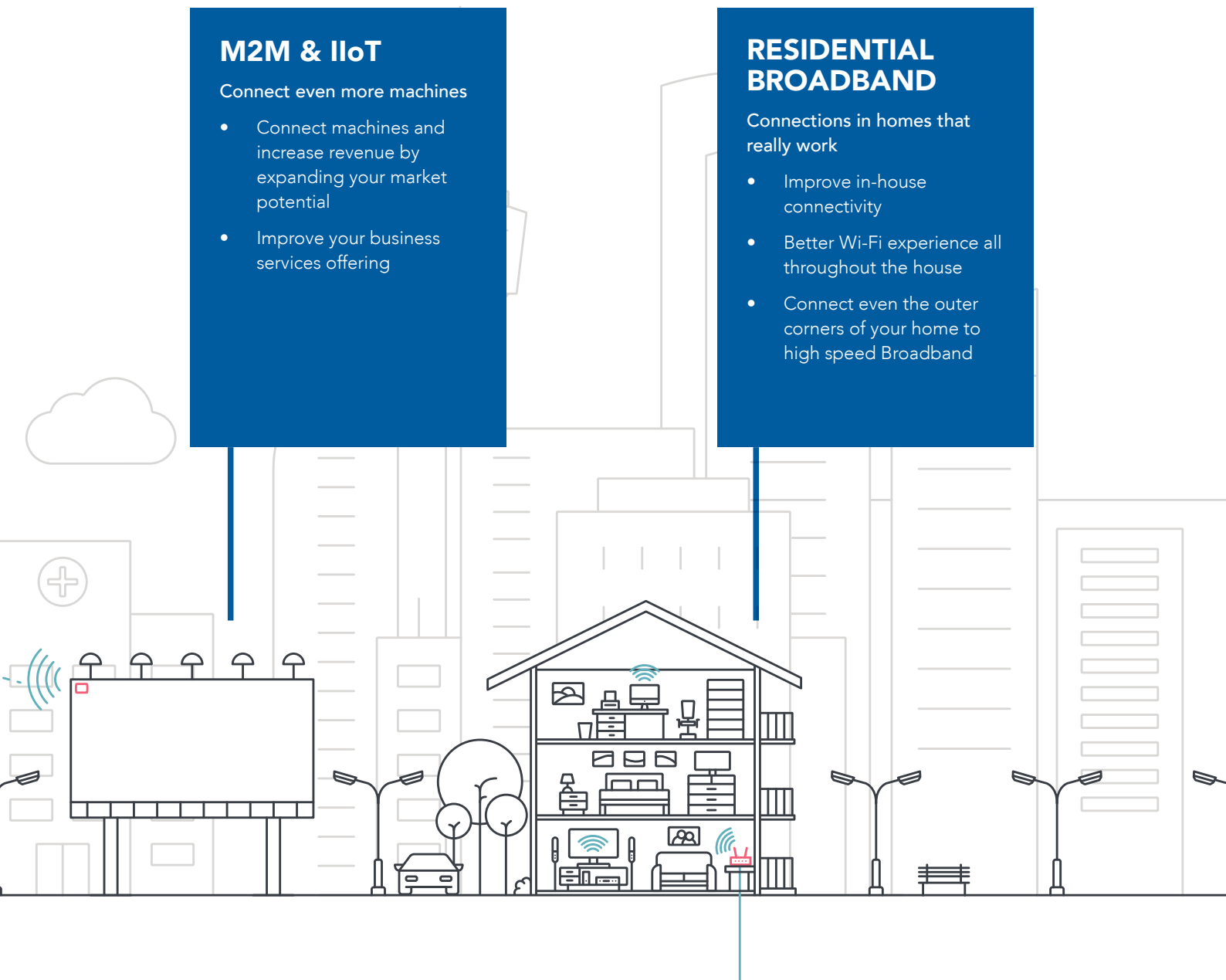
Connect even more machines

- Connect machines and increase revenue by expanding your market potential
- Improve your business services offering

## RESIDENTIAL BROADBAND

Connections in homes that really work

- Improve in-house connectivity
- Better Wi-Fi experience all throughout the house
- Connect even the outer corners of your home to high speed Broadband



# FIXED WIRELESS

Operators are continuously looking for ways to increase revenue and find new revenue streams. Over the last decade, the capabilities and performance of broadband networks have continuously improved and the focus has been to offer higher speeds. With FTTH, operators are now capable to offer gigabit speeds and have upgraded the parts of the network that are the easiest to upgrade. However, operators are now realising that gigabit offerings are mainly a marketing tool to gain customers, but the willingness of users to pay more for ultra-fast speeds of 100Mbps+ is limited.

Governments have recognised this as well and everywhere around the world they have established minimum broadband speed targets to ensure that no one is left behind. New funds have been set aside to support operators to reach that goal.

When thinking about expanding the addressable market and connecting even the most remote areas to meet government targets, operators need to consider the available assets. Where it makes economic sense, Fibre-to-the-Home (FTTH)



will most certainly be the technology of choice. In other cases, by running fibre closer to the home, copper or coax will bring the capabilities required to bring high-speed broadband while avoiding the cost to run fibre all the way to the home. However, in many cases an operator doesn't own the copper or coax lead-in, or the network might be in a bad state which makes the lead-in unusable etc. In those cases, cellular technologies such as 4G and the emerging 5G can bridge the gap at the lowest cost.

As Fixed Wireless is a Fixed Broadband service, end-users expect higher speeds, more reliability and better support from their subscription, which means that the trusted zone of the network needs to be extended to the device in the home (the CPE). NetComm has been providing Fixed Wireless CPEs since 2006 and therefore has extensive experience in making sure the device can meet the expectations required for a Fixed Broadband subscription. Accordingly, operators such as nbn, AT&T and others are looking at NetComm as a key supplier when stepping in the unknown world of Fixed Wireless, which will become even more important when 5G is available.

## THE 5G WORLD

The introduction of 5G is promising to create a new change in how we live. 5G will allow for higher speeds over the network, lower latency and more devices to be connected. In an ever more connected world, with an endless number of IoT devices that will be connected to the network, this is a major milestone in the evolution of cellular technologies. The challenge will be that all applications will have very different requirements. Some applications will require high bandwidth, others won't need as much, but will require very low latency.

One of the first emerging 5G applications is Fixed Wireless. With the new capabilities being added to the standard, 5G will allow for more bandwidth and service separation on the same physical network. For operators that don't own any fixed line lead-ins and for whom the cost of running fibre all the way to the home is too expensive, Fixed Wireless is a viable alternative to offer Fixed Broadband services to compete with existing traditional wireline providers.

NetComm has over 10 years of experience in building Fixed Wireless CPEs and where competing companies mainly focus on the network side of the 5G rollout, NetComm is heavily focused on ensuring an economic way for operators to introduce 5G Fixed Wireless. Unlike traditional Fixed Wireless networks, which were mainly targeting rural areas, 5G Fixed Wireless won't rely solely on professional installation practices. It will require an easy and quick to install solution that still guarantees the most optimal connection to the network. Supporting the largest rural Fixed Wireless networks, NetComm has a tremendous amount of experience and therefore understands the challenges of rolling out a Fixed Wireless network as no other. Building on its experience of outdoor practices, NetComm is investing in developing a world first solution that will make 5G Fixed Wireless deployable at scale. This is a market that's expected to reach over US\$12 billion by 2030.



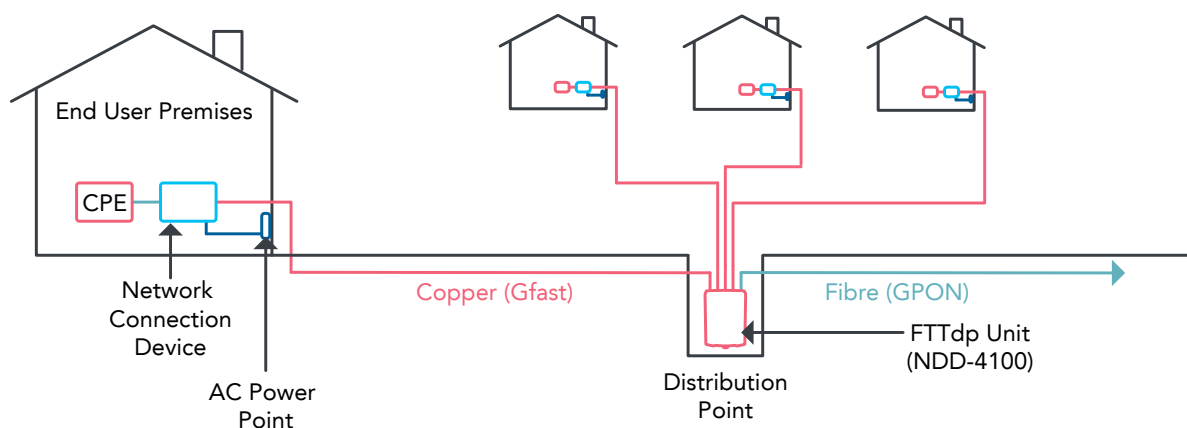
# FIBRE-TO-THE-DISTRIBUTION POINT

To improve broadband connectivity, operators around the world are rolling out Fibre-to-the-Home (FTTH) networks to connect as many users as possible. End-users are excited about the capabilities fibre can bring, but they don't want to experience the time, cost and complexity of getting it installed into their homes. Especially in multi-dwelling-units (MDU), where an agreement needs to be made with multiple apartment owners, it's difficult to bring fibre all the way to the end-user premises. Therefore, operators are looking at new technologies such as Gfast that can bring fibre-like speeds over the existing copper lead-ins.

NetComm's end-to-end solution allows operators to connect the fibre running in the street or basement to the copper lead-ins in the home. The solution consists

of a Distribution Point Unit (DPU) that is installed outside the home or in the basement of a MDU and a Network Connection Device (NCD) that is installed in the home.

As there is typically no power source available at the location the DPU is installed and installing local power is expensive, the DPU is reverse powered from the NCD. Every NCD provides equal power to the device and as long as there is no NCD connected on the line, the traditional DSL service coming from the telephone exchange remains active. As soon as the end-user signs up for the service, the end-user can self-install the NCD at home and the service gets activated automatically, reducing the cost and time associated with activating an end-user significantly.



# RESIDENTIAL BROADBAND



NetComm is an established brand in Oceania for Fixed Broadband and has continued to grow its customer base.

Many Australian Internet Service Providers (ISPs) rely on NetComm to deliver a device that's nbn ready and can bring the high speed requirements of today's society.

When it comes to Fixed Broadband devices, the end-user experience is of utmost importance. NetComm therefore spends a lot of effort optimising the operational aspects, the packaging and installation process. By working closely with our customers and understanding their main challenges, NetComm has continued to streamline its

solutions, providing customers with a wide range of services including pre-configuration, customised packaging and customised firmware.

Additionally, NetComm's Fixed Broadband devices have a zero touch activation process allowing for end-users to self-install the device.

And these are only the first steps. As new functionalities and whole home connectivity solutions are being requested, NetComm continues to lead in this area by driving new innovations focussed on the end-user experience and operational efficiency.



# M2M AND IIoT



## Industrial Internet of Things (IIoT) and Machine-to-Machine (M2M) sector growth

NetComm has built a strong presence in the global M2M / IIoT sector which is expected to add \$14.2 trillion to the global economy by 2030 and will be the biggest driver of productivity and growth in the next decade, according to Accenture.

The Industrial IoT opportunity is significantly larger than the consumer IoT opportunity with manufacturing IoT alone expected to be \$306 billion by 2020, while the consumer IoT is expected to be \$171 billion (IDC).

NetComm maintains longstanding M2M/IIoT partnerships with leading telecommunications carriers including: Deutsche Telekom in Germany, Singtel in Singapore, Telefónica in Spain, Verizon Wireless in the US and Vodafone Global Enterprise.

In May 2018, NetComm joined the Ericsson IoT Accelerator platform to facilitate the adoption of Massive IoT. Our industrial grade 4G LTE M2M devices integrate Lightweight M2M (LwM2M) and now interoperate with the Ericsson IoT platform to streamline device onboarding worldwide.

Operators and other major players in the global IoT ecosystem can go-to-market faster with minimum risk using Ericsson's cloud-based IoT Accelerator platform to access LwM2M devices that enable mass-scale IoT deployments in areas such as automotive, logistics and manufacturing.

*"We're in full progress of expanding the IoT Ecosystem of device and application partners interoperable with the IoT Accelerator platform, and we see this collaboration with NetComm and the portfolio of IIoT devices that they bring as a great contribution to that ecosystem, unleashing opportunities on the Internet of Things for operators leveraging cellular connectivity",* said Steffen Conradsen, Head of Device & Application Partner Ecosystem, IoT at Ericsson.

We work closely with our carrier, enterprise, systems integrator, platform and channel partners to optimise capabilities, overcome complexity, achieve scale and deliver value to customers in areas such as manufacturing, retail, surveillance, logistics, agriculture and transport.

verizon✓

vodafone

Telefonica

Deutsche  
Telekom

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# OUR PEOPLE & CULTURE

Our people are central to everything we do in delivering bespoke solutions to our customers and solving their problems. The past 12 months has been another pleasing year of growing our team both in numbers and capability. Investment has been made in key areas such as Sales, Supply Chain, Engineering, People & Culture and Research. This investment will drive cost efficiencies, increased revenues, innovative products and customer wins.

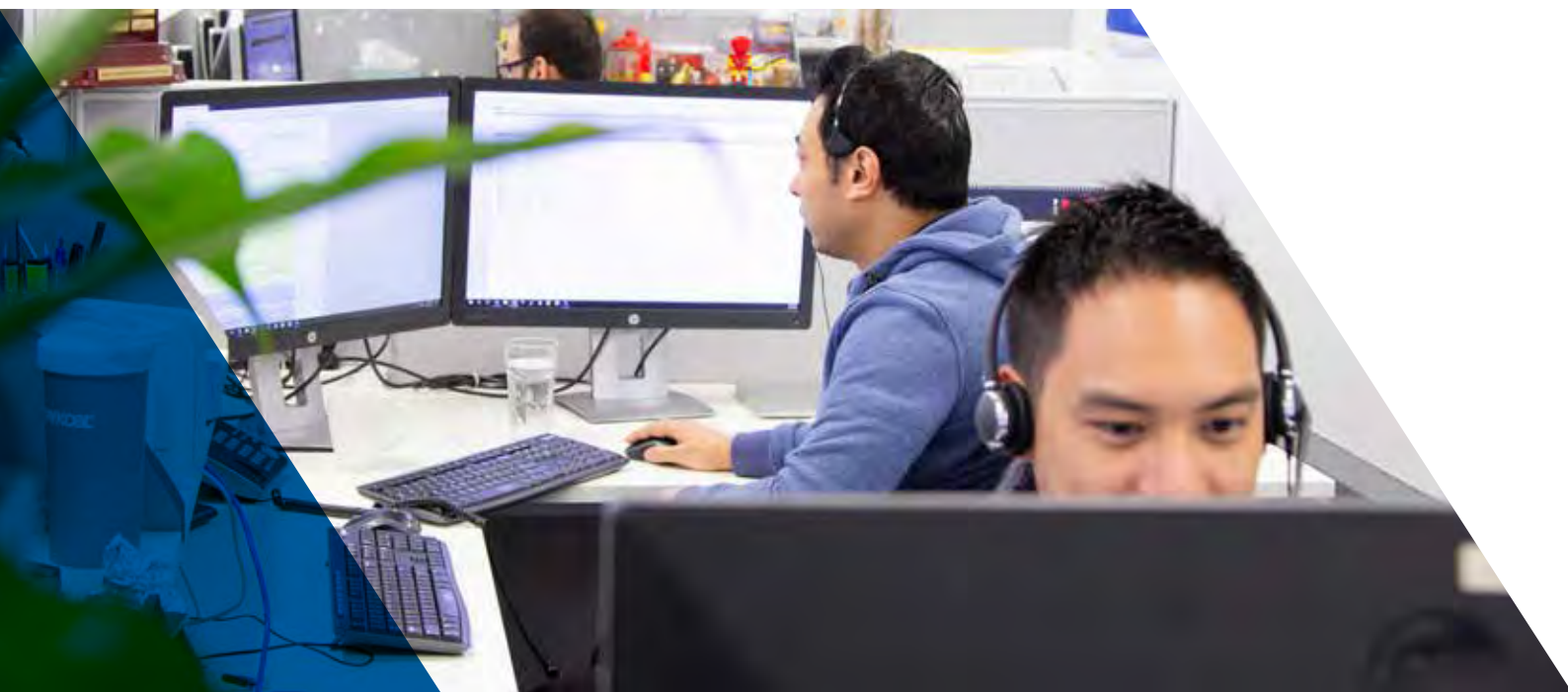
We also continue to invest in our existing team members through various engagement strategies ensuring NetComm continues to be a great place to work. In the past 12 months we have undertaken two (2) engagement surveys utilising a globally recognised partner. Engagement increased over this time demonstrating the initiatives and effort being made with engagement are working.

Over this period of time we have introduced Paid Parental Leave, 401K (U.S. pension benefit), Employee Assistance Program and re-launched our Whistleblower service. The organisation also submitted it's first Workplace Gender

Equality Agency (WGEA) report which included future measures for gender diversity across all levels of the organisation.

Although we have focused on the workforce of today we have also undertaken work on the workforce of tomorrow. Work has been completed on our succession plan for the short term and the long term. This work is critical to identify single point sensitivities and any short-term succession gaps. Resulting from this work was an action plan to ensure we have mitigation plans in place to address areas of concern. Pleasingly it was apparent that we have strength of talent moving through the organisation.

We have firmly adopted the "Listen. Innovate. Solve." ideology internally with our own people. We have heard our team would like to further enhance their own skills and capability. Thus, the year ahead will be a year of development experiences for our team members. This won't be a "one size fits all" approach but a bespoke plan for each person with a solution tailored just for them.



















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Our people are central to everything we do in delivering bespoke solutions to our customers and solving their problems.

	AT END OF			
	30th June 2015	30th June 2016	30th June 2017	30th June 2018
Engineers	61 	91 	142 	155 
Sales & Marketing	31 	29 	40 	47 
Other Teams	18 	23 	32 	37 
<b>Totals</b>	110	143	214	239



# THE YEAR AHEAD

FY18 has been a year of record growth in revenue and EBITDA, and we expect that revenue for the FY19 will be 15-20% higher than FY18.

Although demand for fast growth network-grade connectivity solutions is expected to continue to grow in FY19, rollout plans of our customers are slower than expected. Delays in the nbn FTTC rollout as well as slower rollout of the AT&T Fixed Wireless project are at the base of the reduced growth.

With a planned investment of \$9 million (\$4 million OPEX and \$5 million CAPEX) in 5G, a once in a lifetime opportunity, FY19 EBITDA figures are expected to be between \$15 million and \$18 million allowing for the planned investment.

We have a consistent strategy based on bespoke innovation, we are evolving our capabilities, growing our sales presence in key strategic markets in Europe, the UK and North America and strengthening operating leverage. With this strategy we expect better prospects for FY20 and beyond.

The outlook for NetComm is strong as the Company continues its business transformation and growth. We will continue to invest in our growth business and pursue global opportunities where market demand for M2M/IIoT and access network technologies is particularly strong:

- Fixed Wireless - globally;
- Fibre-to-the-distribution-point (FTTdp) - globally;
- M2M / Industrial Internet of Things (IIoT), globally with a focus on customer "pain points"; and
- Growing our Australian and NZ fixed broadband business.

Our diversified product portfolio adapts to evolving market conditions and we will continue to strengthen our balance sheet, our risk management framework and our culture.

# OUR 3 YEAR AMBITION

Following the strategy set by the Board, NetComm will become an even stronger player in the global market than we are today. To do so, we have defined 4 key focus areas for the next 3 years.







# CASE STUDY:

## Deploying fibre faster with world-first technology

nbn faced the costly challenge of deploying fibre from the exchange to the premises in brownfield locations earmarked for fixed line services. The completion of a national Fibre-to-the-Premises (FTTP) rollout has proven to be unachievable within cost and schedule timeframes. As much of the cost comes from the need for access to private property, civil works, engineering and labour, nbn needed a solution that would bypass the final stretch from the distribution point into the home.

NetComm listened to nbn's unique requirements and innovated a scalable solution that delivers on its broadband speed objectives without adding further cost and inconvenience to the end user.

NetComm's team of Sydney and Melbourne based engineers developed and delivered the world's first reverse powered fibre Distribution Point Unit (DPU), providing nbn with a cost-effective solution. A contract was signed with nbn in November 2016 for the supply of VDSL DPUs that deliver fibre-like services over copper, without requiring access to private property. This contract was extended in August 2018 with additional high port count DPUs to allow for a wider variety of applications.

The reverse power is particularly important as it removes the need for an onsite power supply, drawing power equally from the end user premises over distances up to 150m of copper. This technological research and development was undertaken to meet the requirements of nbn for FTTC even before international standards had been established.

In December 2017, NetComm secured a large order from nbn for a Network Connection Device (NCD) that works

with the DPU to enable nbn's Fibre-to-the-Curb (FTTC) network. This device was developed in only 5 months time, which is lightspeed in terms of development

FTTC allows nbn to reduce their roll out cost to approximately \$3,000 per household, a significant reduction in cost when compared to FTTP which costs \$4,400 per premises in brownfield areas.

NetComm achieved nbn testing milestones, enabling nbn to go to market with a fit-for-purpose solution that meets aggressive network deployment timelines.

As well as being specifically designed to meet nbn's integration requirements and those of the legacy copper network, NetComm's solution had the technical capacity to accommodate new requirements quickly and efficiently as the project evolved.

Having proved to be a fast and cost effective alternative to full fibre, nbn announced plans to add 440,000 homes and businesses to its FTTC footprint soon after its official launch, bringing the total to 1.5 million premises by 2020 using network access technology developed by NetComm.

The initial volume commitment from nbn for the NCD will result in revenues of \$66 million to NetComm. Importantly, this represents incremental revenues (above those relating to the Reverse Power Feed only unit) of approximately \$40 million within a period of 18 months following launch in April 2018.

NetComm is now progressing discussions with Tier 1 Carriers for similar solutions globally.



*"We are honoured to be nbn's supplier on this important world first project. It is the product of Australian innovation and ingenuity and the benefits to Australian households and businesses will be profound. Having met nbn's exacting technical and quality standards, our solution is receiving significant interest from leading telcos in global markets and leading to export sales," said Ken Sheridan, CEO and Managing Director, NetComm.*



A photograph of two business professionals in an office setting. A man in a white shirt and lanyard is standing and looking down at a desk, while a woman in a dark blazer is seated and looking towards him. The background shows large windows with blinds and a cityscape. A blue diagonal overlay covers the left side of the image, and a green plant is visible in the foreground on the right.

# CORPORATE GOVERNANCE

# BOARD OF DIRECTORS



## 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, and a Non-Executive Director of NBN Co Limited, Tabcorp Holdings Limited and Members Equity Bank Limited.



## KEN SHERIDAN

Director since 20 December 2010 CEO and Managing Director since 24 February 2017

Mr Sheridan is a Chartered Accountant with over 35 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, Mr Sheridan was Managing Director and major shareholder of Acelero Pty Ltd, a human resources software company. Mr Sheridan initially commenced with NetComm as a Non-Executive Director before his appointment as CFO and subsequently to Chief Strategy Officer and now CEO.



## 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 past member of the International Federation of Accountants SMP Committee.



## KEN BOUNDY

Non-Executive Independent Director since 24 August 2012

Mr Ken Boundy has extensive technology, marketing and international business experience across a diverse range of industry sectors. A professional independent non-executive director since 2004, he currently sits on five other boards spanning telecommunications, manufacturing, renewable energy and resources. He has also chaired successful start-up businesses in water filtration and information technology. In his executive career, Mr Boundy's roles included: 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.



## JACQUELINE KORHONEN

Non-Executive Independent Director since 27 August 2018

Ms Korhonen has over 30 years of experience in the IT industry. Beginning her career with IBM as an engineer, over 23 years she progressed to hold several executive positions within IBM in Australia and Asia. Since then, Ms Korhonen was CEO with Infosys Australia/NZ (a subsidiary of NASDAQ-listed Infosys, a global leader in consulting, technology and outsourcing) and SMS Management & Technology (ASX listed Consulting and IT services company). Ms Korhonen currently holds the position of Vice President, Asia Pacific for Cognitive Technologies at IBM, which includes areas such as Blockchain, Artificial Intelligence, Data/Analytics, Robotics, IoT and Process Outsourcing.

Ms Korhonen has degrees in Science and Engineering (Hon) from the University of Sydney, is a graduate of the Australian Institute of Company Directors and a member of Chief Executive Women.



## DAVID SPENCE

Non-Executive Independent Director since 22 May 2017

Mr Spence has extensive network communications technology experience in building satellite, wireless and fibre networking businesses as well as working with large global networking and carrier companies. He is Chairman of DiscoveryAg, and was the non-Executive Chairman of Vocus Group Limited and Chairman of Paypal Australia and founder and Chairman of the National Narrowband Network. Mr Spence was the CEO of Unwired Limited from 2003 to 2009, the Company that pioneered wireless broadband to households in Australia.



## DAVID STEWART

Non-Executive Director since 23 December 2017

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 retired from the Board in December 2016 upon stepping down as CEO. Mr Stewart remains the single largest shareholder of NetComm.

# LEADERSHIP TEAM



**KEN SHERIDAN**  
CEO & Managing Director

Mr Sheridan is a Chartered Accountant with over 35 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, Mr Sheridan was Managing Director and major shareholder of Acelero Pty Ltd, a human resources software company. Mr Sheridan initially commenced with NetComm as a Non-Executive Director before his appointment as CFO and subsequently to Chief Strategy Officer and now CEO.



**ELS BAERT**  
Director – Marketing & Comms (joined Leadership Team 19 July 2018)

Miss Baert is an experienced marketing strategist and is responsible for all the marketing and communications activities for NetComm globally. Her specialty lies in bridging the gap between technology and marketing with a focus on bringing value to the customers. Prior to joining NetComm, Miss Baert lead marketing campaigns for the Fixed Networks business of Alcatel-Lucent (now known as Nokia) and supported nbn in becoming successful in their journey to connect everyone in Australia. Coming from Belgium and being in global roles, Miss Baert has an extensive knowledge about the global market and telecom operator requirements worldwide.



**TIMO BROUWER**  
Chief Operating Officer

Mr Brouwer is responsible for overseeing global sales, marketing, operations and customer support. Mr Brouwer has a 30-year background in the telecommunications sector and has extensive experience in engineering, manufacturing, sales and general management disciplines across multiple geographies. Mr Brouwer has previously been CEO and Director of RFS Australia and a member of RFS' global executive. 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 executive roles at Nortel, Motorola Australia and GEC Plessey Telecommunications and started his career as an engineer at Alcatel Australia.





## STEVE COLLINS

### Chief Technology Officer

Mr Collins is a customer focused technology innovator with 25 years of international product design realisation. He is responsible for many world-firsts and is a patent holder himself. Mr Collins possesses the rare gift of taking an incredibly complex technological challenge and providing a solution in understandable terms. Prior to joining NetComm, Mr Collins led Synaptia's strategic enterprise projects and solutions architecture as the Company's owner and director. Prior to that, Mr Collins managed a team of development engineers in the UK and Australia as Head of Development at Minor Planet Systems PLC, and Minor Planet Asia Pacific.



## GILLIAN DAVIE

### Chief People Officer

Ms Davie has global responsibility for People and Culture at NetComm. With over 20 years Human Resources experience in both growth businesses and businesses undergoing transformation. Prior to joining NetComm, Ms Davie as HR Director, led a team of HR professionals responsible for the successful wind down of Masters Home Improvement. Prior to that she was General Manager Human Resources for Progressive Enterprises, New Zealand's largest private employer. She has held senior roles specialising in talent sourcing, workforce planning, remuneration and HR policy as part of her substantial career with Woolworths Limited.



## CHRIS 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. Prior to joining NetComm, Mr Last's 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 ASX listed Blackmores Ltd. In addition, Mr Last previously held senior finance roles at Unilever Australasia and Richemont, the multinational listed luxury goods and tobacco group.



## ADRIAN MACARTHUR-KING

### Chief Engineering Officer (joined Leadership Team 22nd August 2018)

Mr Macarthur-King is responsible for Engineering across NetComm's three design centres located in Sydney, Melbourne and USA. An outcome focussed and driven leader with 15 years' experience in product development, Mr Macarthur-King has risen through the ranks within the Engineering department at NetComm where he has been responsible for leading the development of dozens of innovative and award-winning telecommunications products and technology. Prior to joining NetComm, Mr Macarthur-King held leadership and technical roles in engineering and development at start-ups and SMEs in a range of sectors including telephony, web, and ground transport.



# EFFECTIVE GOVERNANCE

NetComm has a strong and sincere commitment to effective governance in order to:

- Enhance organisational performance.
- Understand and manage risks to minimise the negative aspects and maximise the opportunities.
- Strengthen shareholder confidence.
- Enhance its public reputation through enhanced transparency and accountability.
- Demonstrate how it is discharging its legal, shareholder and ethical obligations.
- Provide a mechanism for benchmarking accountability.
- Assist in the prevention and detection of fraudulent, dishonest and/or unethical behaviour.

The Directors of NetComm have always recognised the need for appropriate standards of corporate behaviours and accountability. We further reaffirm our support for the principles of corporate governance and transparency and keep updating our policies accordingly.

Our strong commitment to effective corporate governance supports a sustainable and ethical organisational performance, risk reduction and long-term value to our shareholders. We are building on the following 8 principles:

**Principle 1** – Lay solid foundations for management and oversight

**Principle 2** – Structure the board to add value

**Principle 3** – Promote ethical and responsible decision-making

**Principle 4** – Safeguard integrity in financial reporting

**Principle 5** – Make timely and balanced disclosure

**Principle 6** – Respect the rights of the shareholders

**Principle 7** – Recognise and manage risk

**Principle 8** – Remunerate fairly and responsibly

Furthermore, we want our customers to have confidence in the products and services we provide, so we are focusing on building on our culture of continual improvement in quality, safety and environmental management:

NetComm is proud to announce that all nationwide and major international sites have now achieved triple-certification, following a comprehensive audit by QMS Certification Services in May 18. These certifications include: ISO 9001 Quality, ISO 14001 Environment, and AS/NZS 4801/OHSAS 18001 Health & Safety.

All relevant process and procedures are developed and rolled out at every site. We have put these in place to help make the business better than ever.

## Quality

NetComm is totally committed to satisfying and delighting our customers by providing them with high quality engineered solutions, products and support through continual improvement. We will continuously strive to excel in telecommunication devices' design, development and manufacturing performance, seeking, refining, and deploying the best quality strategies and tools that we can identify. Additionally, we will endeavour to always update and understand the requirements of products and services, our systems, processes and procedures that sustain us.

## Workforce Health, Safety and Diversity

Health and safety is taken very seriously at NetComm and we have achieved zero total recordable injury during the last 3 years. We meet all national and international legislative requirements. We are also committed to diversity. At NetComm Wireless Limited we are committed to diversity and inclusion because we are passionate about achieving breakthrough results. We believe that a company that reflects the diversity of its customers and their clients will translate into deeper relationships, engagement and insights. The company is registered as a "relevant employer" by the Workplace Gender Equality Agency (WGEA) with annual reporting.

## Environment

At NetComm, we aim to minimise our environmental impact while providing safe products. We are committed to sound environmental management for a sustainable future which in turn improves our business performance. NetComm complies with all relevant Environmental Legislation.

The Corporate Governance report and associated policies are available on the company website at <https://www.netcommwireless.com/investors/corporate-governance>





# FINANCIALS

# Financial Report

For the Year Ended 30 June 2018

## **NETCOMM WIRELESS LIMITED**

FINANCIAL REPORT

For the year ended 30 June 2018

ACN 002 490 486

Your Directors present their report on the Company  
and its controlled entities for the financial year ended 30 June 2018

# Directors' Report

For the Year Ended 30 June 2018

## 1. General Information

### (a) Directors

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

J Milne .....	Non-Executive Director & Chairman
K Boundy .....	Non-Executive Director
S Black AM .....	Non-Executive Director
D P J Stewart <sup>1</sup> .....	Non-Executive Director
D Spence .....	Non-Executive Director
K J P Sheridan .....	CEO & Managing Director

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

<sup>1</sup> David Stewart appointed as Non-Executive Director on 23rd December 2017

### (b) Company Secretary

Mr Chris Last, the company's Chief Financial Officer, is also the Company Secretary.

Mr Peter Beveridge, the company's Commercial Manager and a Company Secretary retired on 2nd July 2018.

Mr Clint Bell, the company's Commercial and Legal Manager has also been appointed as a Company Secretary on 2nd July 2018.

### (c) Principal Activities

NetComm Wireless Limited (ASX: NTC) 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. Our "Listen. Innovate. Solve." methodology supports the unique requirements of leading telecommunications carriers, core network providers, system integrators, government and enterprise customers worldwide.

For over 36 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 USA, Europe/UK and New Zealand.



# Directors' Report

For the Year Ended 30 June 2018

## 2. Review of Operations and Financial Results

### (a) Operating Results

The consolidated profit of the Group after providing for income tax amounted to \$7,981,000 (2017: \$1,794,000 loss).

RESULTS AND DIVIDENDS	Consolidated	
	2018	2017
	\$000	\$000
Total revenue & other income	181,691	107,579
EBITDA	20,528	3,587
EBIT	9,228	(4,859)
Profit/(loss) before income tax	9,262	(4,229)
Income tax (expense)/benefit	(1,281)	2,435
Net profit/(loss) for the year	7,981	(1,794)
Dividends per share (cents)	0.0	0.0

FY18 has been a historic year, a year of exceptional growth and "delivery" for the NetComm Group. During the year the Group delivered record breaking revenues of \$181.7 million, up 68.9% compared to FY17. Earnings before interest, tax and depreciation (EBITDA) of \$20.5 million represented a very significant growth multiple of 5.7 times over the FY17 results of \$3.6 million.

The Group generated a record Net Profit After Tax (NPAT) of \$8 million for the year, this represented a very significant turnaround, over the prior year reported loss of \$1.8 million. Cash generation from operating activities was also exceptional, up from \$8.2 million to \$23.7 million, such that the Group finished the year with cash of \$27.3 million.

Revenues from the Group's high growth business "Telecommunications Infrastructure Equipment and Industrial Internet of Things (IIoT)" formerly known as M2M grew 81% to \$156.5 million compared to \$86.3 million generated during the last financial year. This anticipated and planned expansion was achieved as the Group continued product deliveries of its Distribution Point and Fixed Wireless technologies throughout the year.

The Group's Broadband business performed very well, benefiting from the new leadership structure in place. The decline witnessed in the prior financial year was halted and growth restored at a very healthy 18% to deliver \$25.1 million in revenues (FY17 \$21.3 million).

We not only delivered strong growth in profitability and launched numerous new products but also the Group secured new contracts internationally with many more positive opportunities in the pipeline. The strong results achieved in FY18 reflect the passion and innovation of our staff in bringing new

products to solve our customers' unique problems. Together with extraordinary people, our recent investments in technology and our strategy of "playing by our strengths" enabled growth across our targeted markets of developed economies.

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

During the year the Group;

1. Announced the launch of its Network Connection Device with nbn's Fibre-to-the-Curb project as the initial customer, with initial volume commitments that we expect to generate a minimum of \$66 million in revenues for the Group;
2. Announced an agreement with Bell Canada for supply of our Intelligent Fixed Wireless Access technology devices; and
3. Settled Legal claim with Corning Optical Communications with no material impact on the Group's financial position.

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.



# Directors' Report

For the Year Ended 30 June 2018

## (d) Environmental Regulations

The Group is not subject to significant environmental regulation.

## (e) Financial Position

The Group ended the year with a strong Balance Sheet position, the Group continues to be debt free and held \$27.3 million cash at bank and on deposit as at the end of June 2018. The debt free position enhances the cash conservation with no interest payments and no mandated capital repayment requirements.

The Group is also pleased to announce that during the year it secured \$20 million worth of "committed" debt facilities and \$6 million worth of Bank-Guarantee facilities with its current banking partner HSBC, these replaced the previous \$15 million debt facilities which were non-committed in nature. The debt facilities were completely un-utilised as at 30 June 2018.

Over 2018 NetComm Wireless grew net operating cash inflows from \$8.2 million in FY17 to inflows of \$23.7 million in FY18. The Group was pleased with this achievement as it managed to improve cash inflows by careful working capital management while the Group nearly doubled in scale. The Group managed to keep its inventory levels relatively flat while the increase in debtors was offset by the increase in trade creditors and this underpinned the improved cash flows position for the year.

The Group undertook a carefully targeted Capital Expenditure Investment during the year in the areas of additional Plant & Equipment \$3.8 million (FY17 \$10.2 million) and in Engineering and Customer Development \$14.8 million (FY17 \$13.1 million). This investment directly coincides with increase in Group's innovation activities and introduction of new products to support future growth and international contract wins.

Total Shareholder Equity of \$84.2 million increased by 11% or \$8.6 million from \$75.6 million as at 30 June 2017, with Retained Reserves increasing by \$8 million in line with the profit generated for the period.

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

The Group is delighted with the record performance that was achieved during the FY18 year. Our strategy of "Listen. Innovate. Solve." is working as we have managed to not only sustain and deliver value from the previous award of key contracts but further expanded our product portfolio with key customers and markets. Leveraging on our existing wins and our continuous innovation have helped us win further opportunities with Tier 1 customers in new geographies and further diversify our customer portfolio. This achievement not only underscores our resilience but has also given us a sound platform to sustain the Group's increase scale in future years.

In addition to the solid performance in supplying distribution point technologies to the Group's nbn Fibre-to-the-Curb contract, the Group has started to make initial deliveries of its recently launched Network Connection Device to nbn. The Group continued deliveries under its Australian Ericsson/nbn fixed wireless contract and experienced growth in its USA fixed wireless contract.

The launch of Network Connection Device (NCD) to support nbn's FTTC project is another key milestone. As previously announced the initial volume commitments from nbn will generate \$66 million in revenues, the majority of which will be delivered during FY19. Initial deliveries were completed in June 2018 and the Group anticipates that NCD's will deliver further substantial value to the Group during the FY19 as the pace of the rollout increases, although it is expected sales of the 4 port DPU unit launched in June 2017 will be lower given the delays announced by nbn as they embark upon pit remediation for asbestos and backhaul infrastructure that support the FTTC programme.

During the FY18 year the Group experienced growth in deliveries to AT&T of its fixed wireless technologies although this was at a pace below that initially expected. We expect performance to continue in FY19 and build towards the later part of FY19.

Leveraging on its strong relationships with existing Australian and international Tier 1 operators the Group has been in further active dialogue with new and existing customers to further extend its product portfolio across a number of different use cases, customers and markets.

The Group announced during the year its agreement with Bell Canada to supply our Intelligent Fixed Wireless Access technology devices. The Group received small scale orders from Bell during the year with initial deliveries anticipated during the Q1 FY19. Full ramp up and deployment is expected in the following years starting with a build up during the second half of FY19.

The Group expects to launch multiple products across its Industrial Internet of Things (IIoT) portfolio during the FY19 year and anticipates modest growth within its current customer base. The Group's Broadband business based in Australia and New Zealand had a strong FY18 year of delivery and further more moderated growth is anticipated in the years ahead.

Furthermore, the Group continues to pursue growth opportunities in the following areas:

- Fixed Wireless – globally;
- Fibre to the Distribution Point (FTTdp) – globally;
- Industrial Internet of Things (IIoT) globally with a focus on customer specific "pain points"; and
- Further growing our Australian and NZ fixed broadband business.

# Directors' Report

For the Year Ended 30 June 2018

The Group 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.

The Group's focus in the following years is to aggressively pursue global opportunities predicated on our philosophy of "Listen. Innovate. Solve." This, as demonstrated during the FY18 year will continue to allow us to deliver bespoke solutions to our customers to exactly meet their needs whether they need a fixed wireless, FTTdp or specialised "pain point" IIoT solution.

After undertaking significant R&D investments in the previous years the Group has delivered growth and won opportunities on a global scale and has fundamentally rebased itself to an enterprise capable of meeting the needs of sophisticated Tier 1 customers globally.

The Group is committed to innovate and stay ahead on the technology curve and will undertake investments in the 5G technologies during the FY19 year. This will ensure Group's global leading position in innovation and "First to Market" approach.

## (g) Group Risks

NetComm Wireless is dependent on, and subject to, the rapid pace of change in the technology that people and machines use to communicate with each other. This environment gives rise to exciting new growth opportunities for NetComm Wireless as well as certain risks inherent to the industry in which the Group operates.

The Audit and Risk Committee regularly reviews all material business risks and ensures that the Group implements strategies to mitigate those risks.

The material risks that could impact NetComm Wireless achieving future financial performance and outcomes are as follows and can be found on [www.netcommwireless.com](http://www.netcommwireless.com):

- Industry risk – Competition from new and existing players
- Technology & IT Risks – fast changing and evolving industry sector
- Supply Chain – dependency on variety of contract manufacturers and component suppliers
- Reliance on Customers – concentration risk of material Tier 1 customer and potential for the customer to experience delays in their roll out of technology that impacts a contract becoming revenue generating
- Financial/Treasury – exposure to foreign exchange
- People Risk – retention of key staff and recruitment of emerging talent

## Outlook

Following the substantial step up in scale in FY18, NetComm Wireless expects FY19 to be a year of consolidation to ensure a sustainable platform is in place to drive the next step change in growth expected for FY20:

- Revenue is forecast to grow 15-20%. This forecast growth is dampened due to a slower than expected rollout of the nbn FTTC project (as flagged by nbn) and a slower rollout of the AT&T Fixed Wireless project. This revenue has not been lost, rather it is deferred to future periods.
- Underlying EBITDA is expected to be at a similar level to FY18, with revenue growth offset by lower margins as the sales mix changes from higher margin Australian DPU sales to lower margin NCD sales and higher near-term component costs are incurred due to global industry wide shortages
- Given NetComm Wireless' substantial opportunities in 5G, an investment of \$9 million is planned into 5G solutions, of which \$4 million is operating expense and \$5 million is capital expenditure.
- After allowing for our additional 5G opex spend, reported EBITDA is forecast to be in the range of \$15 million to \$18 million with earnings skewed to the second half based on our expectations of customer ordering patterns.

Commenting on the outlook Mr Sheridan said: "The investments we plan to make in FY19 will position NetComm Wireless at the forefront of a "once in a decade" technology wave, allowing us to be early to market with a commercial fixed wireless 5G solution with applicability in global markets.

While our business is always subject to the ordering patterns of our customers, this will lead to our next step change in revenue and earnings which is expected in FY20 and we are as excited and confident as ever about the outlook for our business, when measured over a multi-year period."

# Directors' Report

For the Year Ended 30 June 2018

## 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 he 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 headed up Telstra's New Media businesses in China. Prior to that he was CEO of OzEmail and MSN Australia. He is currently Chairman of the ABC and MYOB Holdings Ltd., and Non-Executive Director of nbn, Tabcorp Holdings Limited, and Members Equity Bank Ltd.

#### 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<sup>1</sup>

Non-Executive Non-Independent  
Director since 23rd December 2017

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

Mr Stewart has a strong financial background, extensive experience in sales and marketing and has a strong interest in new technologies.



# Directors' Report

For the Year Ended 30 June 2018

## Mr David Spence

Non-Executive Independent Director  
since 22 May 2017

Mr Spence has extensive network communications technology experience in building satellite, wireless and fibre networking businesses as well as working with large global networking and carrier companies. He is Chairman of DiscoveryAg, and was the non-Executive Chairman of Vocus Group Limited and Chairman of Paypal Australia and founder and Chairman of the National Narrowband Network. Mr Spence was the CEO of Unwired Limited from 2003 to 2009, the Company that pioneered wireless broadband to households in Australia.

## Mr Ken Sheridan

Executive Director since 20th December  
2010, CEO since 24th February 2017

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, 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	756,651
K Boundy	650,000
S Black AM	200,000
D Spence	25,000
D Stewart <sup>1</sup>	18,000,000
K J P Sheridan	680,000

<sup>1</sup> David Stewart appointed as Non-Executive Director on 23rd December 2017.

# Directors' Report

For the Year Ended 30 June 2018

## (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	9	9	4	4	2	2
K Boundy	9	9	4	4	2	2
S Black AM	9	9	4	4	2	2
D Spence	9	9	4	4	2	2
D P J Stewart <sup>1</sup>	4	4	2	2	-	-
K J P Sheridan	9	9	4	4	2	2

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 and D Spence are the members of Audit & Risk Committee and Nominations & Remuneration Committee. Mr K Sheridan and Mr D Stewart attend by invitation.

<sup>1</sup> David Stewart appointed as Non-Executive Director on 23rd December 2017.

## 4. Share Options

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

## 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") to Executives. No SAR's are issued to Non-Executive Directors.

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.

# Directors' Report

For the Year Ended 30 June 2018

## 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.

## Share Appreciation Rights in issue

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 2017	Fair Value of SAR's on date of grant	SAR's granted during the year	Fair Value of SAR's Granted during the year on Date of Grant	SAR's Exercised	SAR's Lapsed	Remaining Fair Value of SAR's as at date of grant	Balance at 30 June 2018	% Vested at 30 June 2018
K J P Sheridan	CEO	500,000	\$814,449	400,000	\$349,492	-	-	\$1,163,941	900,000	0%
S Collins	CTO	500,000	\$814,449	200,000	\$174,746	-	-	\$989,195	700,000	0%
G Davie	CPO	-	-	200,000	\$119,091	-	-	\$119,091	200,000	0%
C Last	CFO	-	-	200,000	\$174,746	-	-	\$174,746	200,000	0%
T Brouwer	COO	-	-	200,000	\$174,746	-	-	\$174,746	200,000	0%
S Berriz <sup>1</sup>	SVP Engineering	-	-	200,000	\$174,746	-	(200,000)	-	-	-
M Cornelius	R&D Director	100,000	\$162,890	100,000	\$87,373	-	-	\$250,263	200,000	0%
		<b>1,100,000</b>	<b>\$1,791,788</b>	<b>1,500,000</b>	<b>\$1,254,940</b>	<b>-</b>	<b>(200,000)</b>	<b>\$2,871,982</b>	<b>2,400,000</b>	

<sup>1</sup> Sergio Berriz resigned on 19th June 2018 and the SAR's issued to him lapsed.

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.



# Directors' Report

For the Year Ended 30 June 2018

## Remuneration Report

### Dear Shareholder,

On behalf of the Board, I am pleased to share with you our FY18 Remuneration Report. Your Board is committed to aligning remuneration outcomes with business performance, business strategy and the interests of our shareholders.

This report provides remuneration information for the Chief Executive Officer (CEO), Key Senior Leadership and Non-Executive Directors. This group forms the NetComm Wireless Key Management Personnel (KMP).

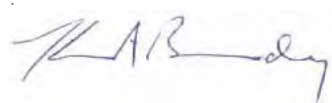
The elements of our remuneration framework were reviewed by the Board in FY18, using feedback provided by our stakeholders and also by seeking further clarification on certain remuneration elements. For the size of the organisation and the operation of the business, the outcome was to deliver elements in a fit for purpose remuneration structure. It was deemed the current elements were still valid, however it was acknowledged we needed to improve transparency on how these plans operate and how they are linked to shareholder value.

The Remuneration Framework and Remuneration Policy (see section 6 a), is designed to responsibly reward through the components of Fixed Remuneration, Short Term Incentives (STI) and Long Term Incentives (LTI). We benchmark against like companies, with NTC fixed remuneration being around the midpoint.

STI's are based on achievement of the financial target (Financial KPI) and the key strategic objectives for the company (Individual KPI). The LTI scheme using Share Appreciation Rights (SARs) is directly linked to Shareholder value creation and only provides benefit to participants if there is share price growth in the long term. Further information on this scheme is included in our "Key Questions" section.

Performance and reward more broadly within the organisation, has also been reviewed over the past 12 months. Structures such as annual objective setting, performance reviews and salary reviews have been introduced for all employees. A formalised Short Term Incentive scheme was also introduced for eligible team members which align to the objectives of the KMP.

We will continue to monitor the effectiveness of our remuneration framework, particularly as the company continues to grow and change. Ensuring there is shared success amongst our executive, our team and our shareholders will continue to be our goal



Ken Boundy

Chair of the Nomination and Remuneration Committee

# Directors' Report

For the Year Ended 30 June 2018

## KEY QUESTIONS

Question	Information										
What are the guiding principles for remuneration?	<p>The guiding principles for remuneration are to align reward with:</p> <ul style="list-style-type: none"> <li>• Business strategy and performance</li> <li>• Shareholder interests</li> <li>• Attracting and retaining quality executives</li> <li>• Our signature behaviours and culture</li> <li>• A simple to understand and transparent framework</li> </ul>										
What remuneration mix is used for KMP?	<p>There are three components that form KMP remuneration:</p> <ul style="list-style-type: none"> <li>• Fixed remuneration</li> <li>• At Risk – Short Term Incentive</li> <li>• At Risk – Long Term Incentive</li> </ul>										
How do you link shareholder interests and remuneration?	<p>Fixed remuneration is reviewed annually to ensure we remain competitive in attracting and retaining key talent. Responsible and moderate increases have been provided to KMP.</p> <p>Short Term Incentives are based on financial outcomes and delivery of strategic imperatives to drive growth for the business.</p> <p>Our Long Term Incentive which is a Share Appreciation Rights (SARs) scheme is directly linked to Shareholder value through share price growth. If there is no share price growth over the period of the scheme there is no benefit provided to the Executive. The number of SARs units granted is based on seniority and level of base salary.</p>										
How does the SARs scheme operate?	<p>The Share Appreciation Rights (SARs) scheme operates in three (3) steps as explained below with a hypothetical example.</p> <table> <tr> <th>Explanation</th><th>Example</th></tr> <tr> <td>An executive is provided with grant of SARs at a determined volume weighted average price (VWAP) based on the then market price.</td><td>100,000 SARs at \$1.30</td></tr> <tr> <td>Three years after this date (vest) a VWAP is determined. The <b>growth</b> in share price is then multiplied by the number of SARs held.</td><td> <p>\$1.40 (VWAP 3 years later)</p> <p><math>\\$1.40 - \\$1.30 = \\$0.10</math></p> <p><math>\\$0.10 \times 100,000 = \\$10,000</math></p> </td></tr> <tr> <td>The outcome is not normally provided in cash. It is provided to the executive in shares.</td><td><math>\\$10,000 \div \\$1.40 = \mathbf{7142 \text{ shares}}</math></td></tr> <tr> <td>However, if the share price does not grow but remains the same or is less three (3) years later (vesting date vs grant date) no shares would be issued as no shareholder gain was derived.</td><td><math>\\$1.20 - \\$1.30 = (\\$0.10)</math> resulting in no shares</td></tr> </table>	Explanation	Example	An executive is provided with grant of SARs at a determined volume weighted average price (VWAP) based on the then market price.	100,000 SARs at \$1.30	Three years after this date (vest) a VWAP is determined. The <b>growth</b> in share price is then multiplied by the number of SARs held.	<p>\$1.40 (VWAP 3 years later)</p> <p><math>\\$1.40 - \\$1.30 = \\$0.10</math></p> <p><math>\\$0.10 \times 100,000 = \\$10,000</math></p>	The outcome is not normally provided in cash. It is provided to the executive in shares.	$\$10,000 \div \$1.40 = \mathbf{7142 \text{ shares}}$	However, if the share price does not grow but remains the same or is less three (3) years later (vesting date vs grant date) no shares would be issued as no shareholder gain was derived.	$\$1.20 - \$1.30 = (\$0.10)$ resulting in no shares
Explanation	Example										
An executive is provided with grant of SARs at a determined volume weighted average price (VWAP) based on the then market price.	100,000 SARs at \$1.30										
Three years after this date (vest) a VWAP is determined. The <b>growth</b> in share price is then multiplied by the number of SARs held.	<p>\$1.40 (VWAP 3 years later)</p> <p><math>\\$1.40 - \\$1.30 = \\$0.10</math></p> <p><math>\\$0.10 \times 100,000 = \\$10,000</math></p>										
The outcome is not normally provided in cash. It is provided to the executive in shares.	$\$10,000 \div \$1.40 = \mathbf{7142 \text{ shares}}$										
However, if the share price does not grow but remains the same or is less three (3) years later (vesting date vs grant date) no shares would be issued as no shareholder gain was derived.	$\$1.20 - \$1.30 = (\$0.10)$ resulting in no shares										
What changes will be made to remuneration in FY19?	<p>For the size and operation of the business the current reward elements are providing alignment and working well. Thus, no change in FY19. However structure is now in place across the organisation (KMP and non-KMP) to review the effectiveness of our reward elements as the business continues to expand.</p>										

# Directors' Report

For the Year Ended 30 June 2018

## 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 2018.

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

J Milne .....	Non-Executive Director & Chairman
K Boundy .....	Non-Executive Director
S Black AM .....	Non-Executive Director
D P J Stewart <sup>1</sup> .....	Non-Executive Director
D Spence .....	Non-Executive Director
K J P Sheridan .....	CEO & Managing Director
C Last .....	Chief Financial Officer
S Collins .....	Chief Technology Officer
S Berriz <sup>2</sup> .....	SVP Engineering
T Brouwer .....	Chief Operating Officer
G Davie .....	Chief People Officer
M Cornelius .....	R&D Director

<sup>1</sup> David Stewart appointed as Non-Executive Director on 23rd December 2017

<sup>2</sup> Sergio Berriz resigned as SVP Engineering on 19th June 2018.

### (a) Remuneration Philosophy

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

- The Nomination & Remuneration Committee assumes 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 FY18 the Chairman of the company received an annual fee of \$150,000 with all other non-executive directors receiving \$75,000 per annum. Given the size of the Company and the Board at the commencement of the reporting period, no additional payments were made in respect of Chairmanship or Membership of any of the Board Committees. This may be reviewed as the size of the company and Board grows.

# Directors' Report

For the Year Ended 30 June 2018

## (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 2018:

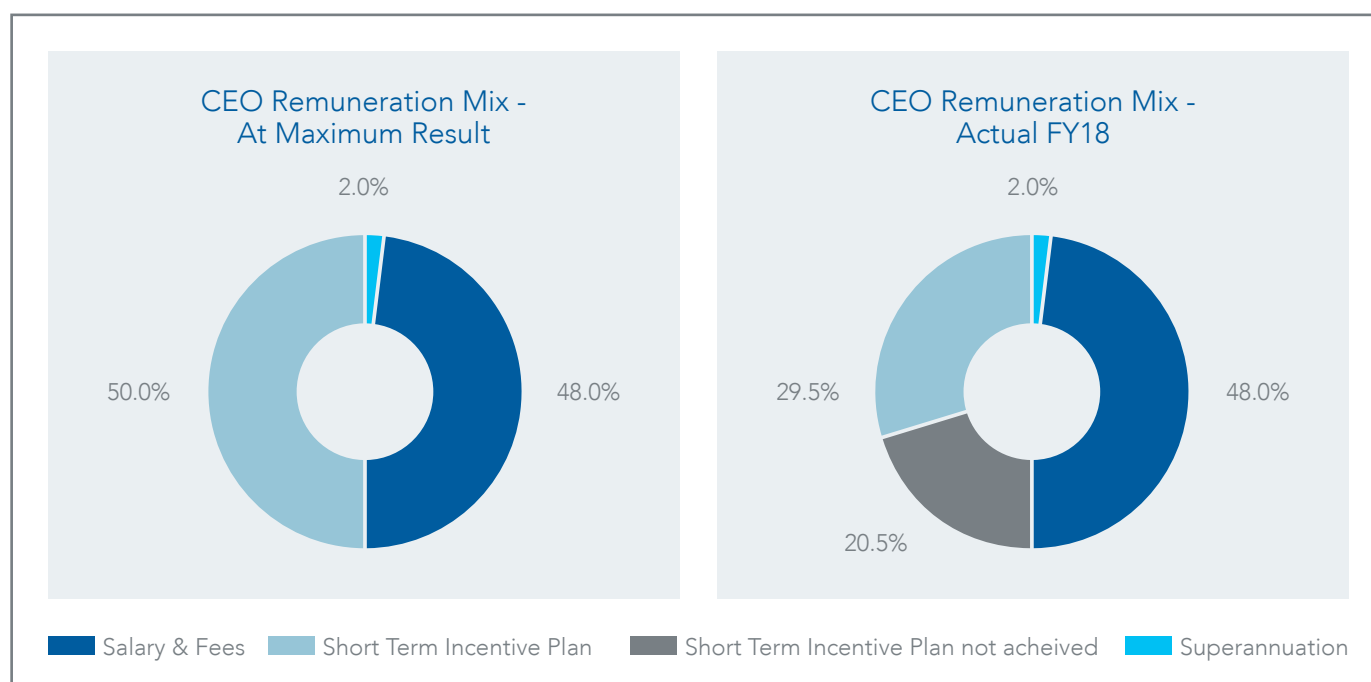
	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Revenue	181,691,458	107,579,371	85,304,834	74,263,139	64,593,245
EBITDA	20,527,580	3,586,303	6,233,415	7,301,663	5,220,894
EBIT	9,227,587	(4,229,313)	2,405,834	3,486,224	1,553,049
Net Profit/(loss) before tax	9,261,726	(4,859,359)	2,131,682	2,881,706	826,419
Profit/(loss) for the year	7,980,988	(1,793,967)	2,027,264	2,464,257	1,017,789

Share price at start of the year	1.72	2.52	0.74	0.74	0.26
Share price at end of the year	1.11	1.72	2.52	0.74	0.74
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-

Basic earnings per share (cents)	5.45	(1.23)	1.54	1.91	0.79
Diluted earnings per share (cents)	5.45	(1.23)	1.54	1.91	0.79

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.

This is also aligned in the KMP Fixed and At Risk Short Term Remuneration Mix. The following demonstrates the potential maximum variable pay for the CEO and the actual result for FY18:





# Directors' Report

For the Year Ended 30 June 2018

## (c) Details of Remuneration for Year Ended 30 June 2018 & Year Ended 30 June 2017.

Details of each element of the remuneration of Key Management Personnel of NetComm Wireless Limited are set out in the following tables:

		Short Term Employee Benefits			Post-Employment Benefits	Long Term benefits	Total Excluding Charge for Share based allocations	Share Based Payments	Other Benefits	Total	% of Remuneration that is performance based	% of Remuneration that consists of Shares
	Year	Salary & Fees	Short Term Incentive Plan	Accomm-odation Benefits	Super-annuation	Long Service Leave		Shares Appreciation Rights Expense	Termination Benefits			
Independent Non-Executive Directors												
J Milne Chairman	2018	136,986	-	-	13,014	-	150,000	-	-	150,000	-	-
	2017	127,537	-	-	13,388	-	140,925	-	-	140,925	-	-
S Black AM Non-executive director	2018	68,493	-	-	6,507	-	75,000	-	-	75,000	-	-
	2017	64,055	-	-	6,724	-	70,779	-	-	70,779	-	-
K Boundy Non-executive director	2018	68,493	-	-	6,507	-	75,000	-	-	75,000	-	-
	2017	64,055	-	-	6,724	-	70,779	-	-	70,779	-	-
D Spence Non-executive director	2018	68,493	-	-	6,507	-	75,000	-	-	75,000	-	-
	2017	7,152	-	-	751	-	7,903	-	-	7,903	-	-
D P J Stewart <sup>1</sup> Non-executive director	2018	35,564	-	-	3,379	-	38,943	-	-	38,943	-	-
	2017	291,851	45,000	-	17,500	20,767	375,118	-	-	375,118	12%	-
Executive Directors												
K J P Sheridan Chief Executive Officer and Managing Director	2018	614,105	368,750	-	24,038	14,850	1,021,743	387,980	-	1,409,723	26%	28%
	2017	471,941	252,000	-	31,233	32,002	787,176	271,483	-	1,058,659	24%	26%
Executive Officers												
S Berriz <sup>2</sup> SVP Engineering	2018	362,509	-	159,068	24,302	-	545,879	-	97,500	643,379	0%	0%
	2017	262,943	105,000	-	15,490	-	383,433	-	-	383,433	27%	-
T Brouwer Chief Operating Officer	2018	366,964	124,000	-	24,038	-	515,002	58,249	-	573,251	22%	10%
	2017	244,913	63,000	-	23,184	-	331,097	-	-	331,097	19%	-

<sup>1</sup> David Stewart appointed as Non-Executive Director 23rd December 2017 and he was CEO and Managing Director in the prior year until he retired on 23rd December 2016.

<sup>2</sup> Sergio Berriz resigned as SVP Engineering on 19th June 2018

# Directors' Report

For the Year Ended 30 June 2018

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	Short Term Employee Benefits			Post-Employment Benefits	Long Term benefits	Total Excluding Charge for Share based allocations	Share Based Payments	Other Benefits	Total	% of Remuneration that is performance based	% of Remuneration that consists of Shares
		Salary & Fees	Short Term Incentive Plan	Accommodation Benefits	Super-annuation	Long Service Leave		Shares Appreciation Rights Expense	Termination Benefits			
<b>S Collins</b>	<b>2018</b>	<b>359,979</b>	<b>130,000</b>	-	<b>24,631</b>	<b>8,572</b>	<b>523,182</b>	<b>329,732</b>	-	<b>852,914</b>	<b>15%</b>	<b>39%</b>
Chief Technology Officer	2017	350,174	140,000	-	30,902	16,834	537,910	271,483	-	809,393	17%	34%
<b>M Cornelius</b>	<b>2018</b>	<b>275,571</b>	<b>70,000</b>	-	<b>24,382</b>	<b>(419)</b>	<b>369,534</b>	<b>83,421</b>	-	<b>452,955</b>	<b>15%</b>	<b>18%</b>
Product Development Director	2017	258,776	70,000	-	23,425	18,793	370,994	54,297	-	425,291	16%	13%
<b>G Davie</b>	<b>2018</b>	<b>361,192</b>	<b>99,000</b>	-	<b>24,706</b>	-	<b>484,898</b>	<b>19,849</b>	-	<b>504,747</b>	<b>20%</b>	<b>4%</b>
Chief People Officer	2017	6,784	-	-	637	-	7,421	-	-	7,421	-	-
<b>C Last</b>	<b>2018</b>	<b>355,240</b>	<b>112,500</b>	-	<b>24,136</b>	-	<b>491,876</b>	<b>58,249</b>	-	<b>550,125</b>	<b>20%</b>	<b>11%</b>
Chief Financial Officer	2017	224,308	70,000	-	21,022	-	315,330	-	-	315,330	22%	-
<b>Total Key Management Personnel Compensation</b>	<b>2018</b>	<b>3,073,589</b>	<b>904,250</b>	<b>159,068</b>	<b>206,147</b>	<b>23,003</b>	<b>4,366,057</b>	<b>937,480</b>	<b>97,500</b>	<b>5,401,037</b>	<b>17%</b>	<b>17%</b>
	2017	2,374,489	745,000	-	190,980	88,396	3,398,865	597,263	-	3,996,128	16%	13%

# Directors' Report

For the Year Ended 30 June 2018

## (d) 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 which occurs late in late August / early September 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 2018, following table discloses the total entitlement and the amount achieved.

Participants	Role	"Base" Incentive	Total "Base" Incentive Achieved	% Achieved	Amount Payable in August 2018	Amount Deferred to August 2019	Amount Deferred from August 2017
K Sheridan	CEO & Managing Director	\$625,000	\$368,750	59%	\$245,833	\$122,917	\$84,000
S Berriz <sup>1</sup>	SVP Engineering	\$200,000	\$0	0%	-	-	\$0 <sup>1</sup>
T Brouwer	COO	\$200,000	\$124,000	62%	\$82,667	\$41,333	-
S Collins	CTO	\$200,000	\$130,000	65%	\$86,667	\$43,333	\$46,667
M Cornelius	Research & Development Director	\$100,000	\$70,000	70%	\$46,667	\$23,333	\$23,333
G Davie	Chief People Officer	\$150,000	\$99,000	66%	\$66,000	\$33,000	-
C Last	CFO	\$150,000	\$112,500	75%	\$75,000	\$37,500	\$23,333
<b>Total</b>		<b>\$1,625,000</b>	<b>\$904,250</b>	<b>56%</b>	<b>\$602,834</b>	<b>\$301,416</b>	<b>\$177,333</b>

<sup>1</sup> Sergio Berriz' s bonus entitlements for current year and the amount deferred from last year lapsed and did not get paid as he resigned on 19th June 2018,

## Rationale for Determination of Incentive Payments

The 2018 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 based on the overall performance of each individual included in the incentive plan.

For FY18, the Board applied a multiplying factor of 1.0 times to the incentive entitlements of eligible participating Key Management Personnel. This means that there was no increase or decrease in the incentive entitlement as originally calculated.

# Directors' Report

For the Year Ended 30 June 2018

## (e) Share Appreciation Rights (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. Of these 1,000,000 have lapsed and none have been exercised.

On July 1, 2017, the Company issued a total of 1,300,000 Share Appreciation Rights (SAR's) to Key Management Personnel and other employees at a "Base" price of \$1.76. On January 1, 2018, the Company issued a total of 200,000 Share Appreciation Rights (SAR's) to the Chief People Officer at a "Base" price of \$1.17. Of this 1,500,000 total, 200,000 have lapsed and none have been exercised.

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 2017	Fair Value of SAR's on date of grant	SAR's granted during the year	Fair Value of SAR's Granted during the year on Date of Grant	SAR's Exercised	SAR's Lapsed	Remaining Fair Value of SAR's as at date of grant	Balance at 30 June 2018	% Vested at 30 June 2018
K J P Sheridan	CEO	500,000	\$814,449	400,000	\$349,492	-	-	\$1,163,941	900,000	0%
S Collins	CTO	500,000	\$814,449	200,000	\$174,746	-	-	\$989,195	700,000	0%
G Davie	CPO	-	-	200,000	\$119,091	-	-	\$119,091	200,000	0%
C Last	CFO	-	-	200,000	\$174,746	-	-	\$174,746	200,000	0%
T Brouwer	COO	-	-	200,000	\$174,746	-	-	\$174,746	200,000	0%
S Berriz <sup>1</sup>	SVP Engineering	-	-	200,000	\$174,746	-	(200,000)	-	-	-
M Cornelius	R&D Director	100,000	\$162,890	100,000	\$87,373	-	-	\$250,263	200,000	-
		<b>1,100,000</b>	<b>\$1,791,788</b>	<b>1,500,000</b>	<b>\$1,254,940</b>	<b>-</b>	<b>(200,000)</b>	<b>\$2,871,982</b>	<b>2,400,000</b>	

<sup>1</sup> Sergio Berriz resigned on 19th June 2018 and the SAR's issued to him were lapsed.

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 years vesting period, subject to recipients satisfaction of performance conditions.



# Directors' Report

## For the Year Ended 30 June 2018

### (f) Service Contracts

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

	Position held as at 30 June 2018	Contract details (duration & termination)
K J P Sheridan	CEO & Managing Director	Standard employment agreement. 12 months' notice required to terminate. Entitled to 12 months gross salary upon termination.
S Berriz <sup>1</sup>	SVP Engineering	Standard employment agreement. 2 months' notice required to terminate. Entitled to 2 months gross salary upon termination.
T Brouwer	Chief Operating Officer	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.
G Davie	Chief People Officer	Standard employment agreement. 2 months' notice required to terminate. Entitled to 2 months gross salary upon termination.
C Last	Chief Financial 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.

<sup>1</sup> Sergio Berriz resigned on 19th June 2018.

# Directors' Report

## For the Year Ended 30 June 2018

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

Fully paid ordinary shares as at 30 June 2018:

	Balance 1 July, 2017	Movement during the Year	Balance 30 June, 2018
	No.	No.	No.
J Milne	756,651	-	756,651
K Boundy	650,000	-	650,000
S Black	200,000	-	200,000
D Spence	-	25,000	25,000
D P J Stewart <sup>2</sup>	23,000,000	(5,000,000)	18,000,000
K J P Sheridan	680,000	-	680,000
S Collins	117,316	-	117,316
M Cornelius	1,606,170	-	1,606,170
C Last	10,800	-	10,800
T Brouwer	-	-	-
S Berriz <sup>1</sup>	-	-	-
G Davie	-	25,000	25,000
<b>Total</b>	<b>27,020,937</b>	<b>(4,950,000)</b>	<b>22,070,937</b>

<sup>1</sup> Sergio Berriz resigned on 19th June 2018.

<sup>2</sup> The 18,000,000 shares are held by D P J Stewart's related entities.

Fully paid ordinary shares as at 30 June 2017:

	Balance 1 July, 2016	Movement during the Year	Balance 30 June, 2017
	No.	No.	No.
J Milne	735,651	21,000	756,651
K Boundy	650,000	-	650,000
S Black	185,085	14,915	200,000
D P J Stewart <sup>1</sup>	23,000,000	-	23,000,000
K J P Sheridan	594,531	85,469	680,000
S Collins	105,085	12,231	117,316
M Cornelius	1,456,170	150,000	1,606,170
C Last	-	10,800	10,800
T Brouwer	-	-	-
S Berriz	-	-	-
G Davie	-	-	-
<b>Total</b>	<b>26,726,522</b>	<b>294,415</b>	<b>27,020,937</b>

<sup>1</sup> The 23,000,000 shares are held by D P J Stewart's related entities.

END OF AUDITED REMUNERATION REPORT

# Directors' Report

For the Year Ended 30 June 2018

## 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) Rounding of Amounts

NetComm is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

### (d) Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 21 of the financial report.

### (e) 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 2018 are disclosed at Note 3(e).

### (f) 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.

### (g) Dividends

No dividends were paid during the financial year 2018 (2017: Nil).

# Directors' Report

For the Year Ended 30 June 2018

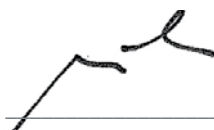
The directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



**Justin Milne, Chairman**  
Sydney

27 August 2018



**Ken Sheridan, CEO & Managing Director**  
Sydney

27 August 2018

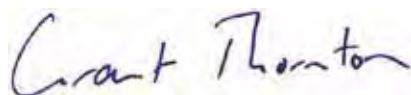


## Auditor's Independence Declaration

### 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 2018, 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



C F Farley  
Partner – Audit & Assurance

Sydney, 27 August 2018

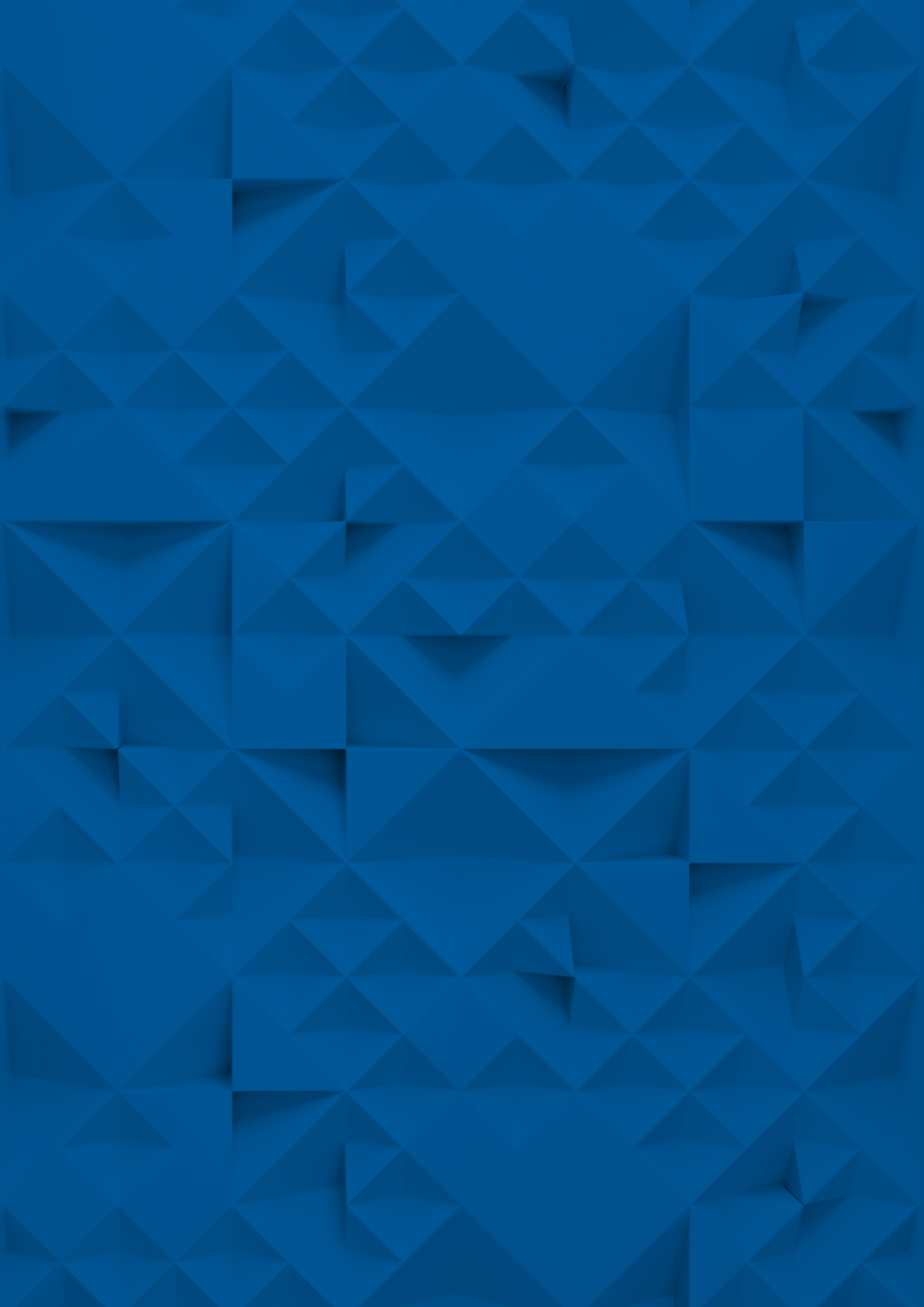
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# Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the Year Ended 30 June 2018

		2018	2017
	Note	\$000	\$000
Revenue from the sale of goods	2	181,691	107,579
Change in inventories		1,636	5,716
Raw materials consumed		(115,788)	(76,168)
Employee benefits		(30,265)	(21,580)
Other expenses	3	(16,746)	(11,960)
<b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)</b>		<b>20,528</b>	<b>3,587</b>
Depreciation and amortisation expense	3	(11,300)	(8,446)
<b>EARNINGS BEFORE INTEREST AND TAX (EBIT)</b>		<b>9,228</b>	<b>(4,859)</b>
Finance income		49	639
Finance costs	3	(15)	(9)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>9,262</b>	<b>(4,229)</b>
Income tax benefit/(expense)	4	(1,281)	2,435
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>7,981</b>	<b>(1,794)</b>
<b>Attributable to equity holders of the parent</b>		<b>7,981</b>	<b>(1,794)</b>

<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:</b>			
Exchange differences arising on translation of foreign operations		(220)	(268)
Net change in the fair value of cash flow hedges recognised in equity		(247)	35
Income tax relating to components of other comprehensive income	4	74	(11)
<b>Other comprehensive income/(loss) for the period (net of tax)</b>		<b>(393)</b>	<b>(243)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>7,588</b>	<b>(2,038)</b>
<b>Attributable to equity holders of the parent</b>		<b>7,588</b>	<b>(2,038)</b>

<b>EARNINGS PER SHARE</b>			
Basic earnings per share (cents per share)	27	5.45	(1.23)
Diluted earnings per share (cents per share)	27	5.45	(1.23)

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



# Consolidated Statement of Financial Position

As at 30 June 2018

		2018	2017
	Note	\$000	\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	27,349	22,125
Trade and other receivables	7	32,757	22,710
Inventories	8	18,873	17,237
Other assets	9	2,395	5,075
<b>Total current assets</b>		<b>81,374</b>	<b>67,147</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	11,183	11,859
Contract assets	11(b)	2,600	3,957
Deferred tax assets	4 (c)	7,271	7,953
Goodwill	12	896	896
Other intangible assets	13	29,790	20,551
<b>Total non-current assets</b>		<b>51,740</b>	<b>45,216</b>
<b>TOTAL ASSETS</b>		<b>133,114</b>	<b>112,363</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	42,943	33,593
Borrowings	15	-	55
Employee benefits	16	2,502	2,195
Income tax liability		356	101
Other current liabilities	17	2,593	388
<b>Total current liabilities</b>		<b>48,394</b>	<b>36,332</b>
<b>Non-current liabilities</b>			
Employee benefits	16	534	453
<b>Total non-current liabilities</b>		<b>534</b>	<b>453</b>
<b>TOTAL LIABILITIES</b>		<b>48,928</b>	<b>36,785</b>
<b>NET ASSETS</b>		<b>84,186</b>	<b>75,578</b>
<b>EQUITY</b>			
Issued capital	18	65,059	65,059
Reserves	19	2,335	1,708
Retained earnings		16,792	8,811
<b>TOTAL EQUITY</b>		<b>84,186</b>	<b>75,578</b>

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

# Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

		Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Foreign Exchange Hedging Reserve	Options and Share Rights Reserve	Total
	Note	\$000	\$000	\$000	\$000	\$000	\$000
<b>BALANCE AT 1 JULY 2017</b>		65,059	8,811	319	-	1,389	75,578
Profit for the period		-	7,981	-	-	-	7,981
Exchange difference on translation of foreign operations	19 (b)	-	-	(220)	-	-	(220)
Foreign exchange hedging (Net of tax)	19 (c)	-	-	-	(173)	-	(173)
<b>Total comprehensive income for the period</b>		-	7,981	(220)	(173)	-	7,588

## Transaction with owners in their capacity as owners

Share based payments expense		-	-	-	-	1,020	1,020
<b>BALANCE AT 30 JUNE 2018</b>		65,059	16,792	99	(173)	2,409	84,186

<b>BALANCE AT 1 JULY 2016</b>		65,059	10,605	587	(24)	1,067	77,294
Loss for the period		-	(1,794)	-	-	-	(1,794)
Exchange difference on translation of foreign operations	19 (b)	-	-	(268)	-	-	(268)
Foreign exchange hedging (Net of tax)	19 (c)	-	-	-	24	-	24
<b>Total comprehensive income for the period</b>		-	(1,794)	268	24	-	(2,038)

## Transaction with owners in their capacity as owners

Share based payments expense		-	-	-	-	322	322
<b>BALANCE AT 30 JUNE 2017</b>		65,059	8,811	319	-	1,389	75,578

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

# Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

		2018	2017
	Note	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		188,730	109,430
Payments to suppliers and employees		(164,845)	(99,867)
Costs to obtain and fulfil contracts		-	(1,057)
Finance costs		(15)	(9)
Income taxes paid		(211)	(249)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>23</b>	<b>23,659</b>	<b>8,248</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of plant and equipment		198	-
Interest received		49	639
Acquisition of property, plant and equipment		(3,781)	(10,158)
Acquisition of intangible assets		(14,846)	(13,093)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(18,380)</b>	<b>(22,612)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of borrowings		(55)	(25)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(55)</b>	<b>(25)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>		<b>5,224</b>	<b>(14,389)</b>
Cash and cash equivalents before Foreign Exchange Impact at beginning of financial period		22,480	36,497
Foreign Exchange Impact on Cash and Cash Equivalents		(355)	17
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>6</b>	<b>27,349</b>	<b>22,125</b>

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

# Notes to the financial statements

For the Year Ended 30 June 2018

## 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 27 August 2018.

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.

### 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.

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 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.



# Notes to the financial statements

For the Year Ended 30 June 2018

## 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(y) 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 2018 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.

### (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

# Notes to the financial statements

For the Year Ended 30 June 2018

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.

## 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.

## (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.

# Notes to the financial statements

For the Year Ended 30 June 2018

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 38.5% 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.

## (f) Revenue Recognition

The Group early adopted AASB15: Revenue from Contracts with Customers from 1 July 2015.

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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## (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.

### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

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

Class of Asset	Useful Life
Plant and equipment	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.

## (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(o) 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.



# Notes to the financial statements

For the Year Ended 30 June 2018

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.

## (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.

## (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) 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

# Notes to the financial statements

For the Year Ended 30 June 2018

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.

## (p) Intangible Assets

### Capitalised 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.

## (q) Borrowing Costs

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

## (r) 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 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.

## (s) 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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## (t) 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.

## (u) 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.

## (v) 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.

## (w) 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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.

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.

# Notes to the financial statements

For the Year Ended 30 June 2018

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.

Following a detailed assessment of the requirements of the standard, the Group expects that there will not be a significant impact on the financial statements on application.

The Group will adopt AASB 9 from 1 July 2018 and will not restate comparative information as permitted by the Standard.

## - Classification and Measurement

The Group does not expect any impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9. Financial assets currently held at fair value will continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principle and interest. These receivables will be measured at amortised cost.

## - Impairment

It is expected that the revised methodology for calculation of impairment will not have a significant impact on the financial statements. The Group will use the simplified approach.

## - Hedge Accounting

All open hedge relationships as at the balance date will continue. There are no expected changes to designations or reclassifications between Profit and Loss and Cash Flow Hedge Reserve once the standard is adopted.

## (ii) AASB 16 Leases

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

- 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.

AASB 16 will be applicable to reporting periods beginning on or after 1 January 2019 (i.e. the Group's 30 June 2020 year-end). Included in Note 22(b) of the financial accounts is the

Group's Non-cancellable operating lease commitments which amounts to \$10 million over the life of the leases.

Management have undertaken a detailed assessment of the impact of AASB 16. The likely impact on the first-time adoption of the Standard for the year ending 30 June 2020 includes:

- An increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBITDA in the statement of profit or loss and other comprehensive income will increase materially as the lease payments for former off-balance sheet leases will be presented as part of Depreciation costs associated with Right of Use asset rather than being included in operating expenses and;
- EBIT in the statement of profit or loss and other comprehensive income will also slightly increase as the implicit interest in lease payments for former off-balance sheet leases will be presented as part of finance costs rather than being included in operating expenses,
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

The Group is well progressed in preparation for the implementation of this standard, which will bring a significant number of operating leases onto the Balance Sheet and result in the recognition of a material right of use asset and lease liability. Management is proceeding with the Modified Retrospective approach, where for the Group's more recent and material leases, the right of use asset and depreciation calculation will be completed retrospectively. The remainder of the lease portfolio (for both right of use asset and liability) will be recognised using Simplified Transition methodology (assuming all remaining leases started on 1 January 2019).

## (y) 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.



# Notes to the financial statements

For the Year Ended 30 June 2018

## 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.

## Warranties

The Group generally carries warranty obligations on all product sales, under which it promises customers to repair or replace certain types of damage to its products within a certain number of days following the sale date. Group's warranty obligations vary between different contracts and customers. The Group reasonably estimates the amount of warranty claims likely to arise under its obligations and accrues an expense that reflects the cost of these anticipated claims. The estimates are based on historical return rates and previous experiences and are reviewed on a regular basis.

## 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).

## 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 in Australia & United States. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by a 8.5% (Australia) and 7% (United States) 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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## (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 reporting segments: Telecommunications Infrastructure Equipment & IIoT and the 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.

Following the commencement of rolling out the Network Termination Device Business, the information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance, is separate financial information on each operating segment, being the Broadband business, the Telecommunications Infrastructure Equipment & IIoT and the Network Termination Device Business. In accordance with AASB 8, for financial statements presentation purposes, the Telecommunications Infrastructure Equipment & IIoT and the Network Termination Device Business operating segments have been aggregated into a single reportable segment of Telecommunications Infrastructure Equipment & IIoT taking into account the following factors:

- these operating segments have similar economic characteristics;
- the nature of the products and their production process is similar;

- the type of customer for these services is similar;
- the methods used to distribute the products are similar;
- the long-term gross profit margins are similar; and
- the regulatory environment is similar

As a result of the above, the Directors have determined there are two reportable segments, being the Broadband business and the Telecommunications Infrastructure Equipment & IIoT business.

## (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.

## 2 Revenue and other income from operations

	2018	2017
	\$000	\$000
<b>REVENUE</b>		
Sales revenue	181,691	107,579
<b>TOTAL REVENUE</b>	<b>181,691</b>	<b>107,579</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## 3 Expenses

Included in expenses are the following specific items:

### a) Distribution and selling expenses

	2018	2017
	\$000	\$000
Distribution and selling expenses	1,578	1,347
<b>TOTAL DISTRIBUTION AND SELLING EXPENSES</b>	<b>1,578</b>	<b>1,347</b>

### b) Administrative expenses

	2018	2017
	\$000	\$000
Insurance expenses	1,406	728
Legal and professional fees	1,965	1,448
Travel expenses	2,558	2,154
Contractor costs	1,967	906
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>7,896</b>	<b>5,236</b>

### c) Other expenses

	2018	2017
	\$000	\$000
Advertising and marketing	1,238	467
Property expenses	3,079	2,535
Other expense	2,955	2,375
<b>TOTAL OTHER EXPENSES</b>	<b>7,272</b>	<b>5,377</b>

### d) Depreciation, amortisation and impairments

	2018	2017
	\$000	\$000
Depreciation of property, plant and equipment (Note 10(b))	4,335	2,782
Amortisation of intangible assets (Note 13(b))	5,608	5,551
Amortisation of contract assets (Note 11(b))	1,357	113
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENTS</b>	<b>11,300</b>	<b>8,446</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## e) Auditor's remuneration

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

	2018	2017
	\$	\$
<b>GRANT THORNTON AUSTRALIA</b>		
Auditing or reviewing the financial statements	175,696	153,270
Taxation services	83,270	65,556
Advisory services	-	33,001
Leadership, Talent and Cultural roll out services	23,650	197,010
<b>Total Grant Thornton Australia</b>	<b>282,616</b>	<b>448,837</b>
<b>Total Grant Thornton Network Firms</b>	<b>29,768</b>	<b>16,226</b>
<b>TOTAL AUDITOR'S REMUNERATION</b>	<b>312,384</b>	<b>465,063</b>

## f) Rental expenses on operating leases

	2018	2017
	\$000	\$000
Minimum lease payments	2,479	2,151

## g) Finance costs

	2018	2017
	\$000	\$000
Bank borrowings	14	6
Finance leases	1	3
<b>TOTAL FINANCE COSTS</b>	<b>15</b>	<b>9</b>

## 4 Income Tax Expense

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

	2018	2017
	\$000	\$000
<b>I) TAX EXPENSE COMPRISES:</b>		
Current tax expense/(benefit)	2,779	(5,019)
Deferred tax expense relating to the origination and reversal of temporary differences	(824)	2,820
(Over)/under provision for tax in prior year	(674)	(236)
<b>INCOME TAX EXPENSE/(BENEFIT)</b>	<b>1,281</b>	<b>(2,435)</b>
<b>II) INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>		
Income tax relating to components of other comprehensive income	(74)	11
<b>TOTAL INCOME TAX EXPENSE/(BENEFIT)</b>	<b>1,207</b>	<b>(2,424)</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

- (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:

	2018	2017
	\$000	\$000
<b>I) AMOUNTS RECOGNISED IN PROFIT OR LOSS</b>		
Net profit/(loss) before tax	9,262	(4,229)
Tax at the Australian tax rate of 30%	2,779	(1,269)
- Non-deductible expenses	7	22
- Share appreciation rights	305	97
- Differential in overseas tax rates	43	13
- Other items	-	2
- (Over)/Under provision for tax in prior years	(674)	(236)
- Research & Development tax concession	(1,179)	(1,064)
<b>INCOME TAX EXPENSE/(BENEFIT)</b>	<b>1,281</b>	<b>(2,435)</b>

<b>II) AMOUNTS RECOGNISED IN EQUITY</b>		
Net change in the fair value of cash flow hedges	(247)	35
Tax at the Australian tax rate of 30%	74	(11)
<b>TOTAL TAX AMOUNTS RECOGNISED IN EQUITY</b>	<b>74</b>	<b>(11)</b>

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

	Opening balance	Charged to income	Charged to other comprehensive income	Closing balance
2018	\$000	\$000	\$000	\$000
Unused tax losses/credit	13,319	1,082	-	14,401
<b>Temporary differences</b>				
Accrued expenses	199	63	-	262
Provisions	679	558	-	1,237
Inventory & Warranty	525	165	-	690
Intangibles and Other	(6,769)	(2,624)	-	(9,393)
Cash flow hedges	-	-	74	74
<b>Total deferred tax assets</b>	<b>7,953</b>	<b>(756)</b>	<b>74</b>	<b>7,271</b>



# Notes to the financial statements

For the Year Ended 30 June 2018

	Opening balance	Charged to income	Charged to other comprehensive income	Closing balance
2017	\$000	\$000	\$000	\$000
Unused tax losses/credit	7,949	5,370	-	13,319
<b>Temporary differences</b>				
Accrued expenses	105	94	-	199
Provisions	498	181	-	679
Inventory & Warranty	303	222	-	525
Intangibles and Other	(3,452)	(3,317)	-	(6,769)
Cash flow hedges	11	-	(11)	-
<b>Total deferred tax assets</b>	<b>5,414</b>	<b>2,550</b>	<b>(11)</b>	<b>7,953</b>

## 5 Dividends

No dividends were paid during the year-ended 30 June 2018 (2017: Nil).

	2018	2017
	\$000	\$000
<b>Balance of franking account</b>	<b>592</b>	<b>592</b>

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

	2018	2017
	\$000	\$000
Cash on hand	-	1
Cash at bank	27,349	22,124
	<b>27,349</b>	<b>22,125</b>

### b) Effective interest rate

These funds are bearing floating interest rates of between 0.05% and 3.05% (2017: 0.05% to 3.05%).

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:

	2018	2017
	\$000	\$000
Cash and bank balances	24,201	7,929
Short-term bank deposits	3,148	14,196
	<b>27,349</b>	<b>22,125</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## 7 Trade and Other Receivables

	2018	2017
	\$000	\$000
Trade receivables (i)	32,788	22,717
Allowance for doubtful debts	(31)	(7)
	<b>32,757</b>	<b>22,710</b>

- (i) The average credit period on sales of goods and rendering of services is 45 days, a few customers have End of Month 45 day terms and some primarily North America based customers 60 days. 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.

	2018	2017
	\$000	\$000
<b>AGING OF PAST DUE BUT NOT IMPAIRED</b>		
30-60 Days	184	6
60-90 Days	19	13
90+ Days	-	5
	<b>203</b>	<b>24</b>

The Group's trade receivables that are past due but not impaired were \$202,982 (2017: \$24,007) as at the reporting date. The Group has not recognised 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 47 days (2017: 78 days).

	2018	2017
	\$000	\$000
<b>MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS</b>		
Balance at the beginning of the year	7	57
Increase (Decrease) in allowance for impairment	24	(50)
<b>Balance at the end of the year</b>	<b>31</b>	<b>7</b>

	2018	2017
	\$000	\$000
<b>AGING OF IMPAIRED RECEIVABLES</b>		
0-30 Days	-	-
30-60 Days	-	-
60+ Days	31	7
	<b>31</b>	<b>7</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## 8 Inventories

	2018	2017
	\$000	\$000
<b>CURRENT</b>		
Raw materials and stores	3,143	4,479
Communication modules	1,720	2,005
Finished goods	9,894	6,358
Goods in transit	6,389	4,395
<b>Provision for Stock Obsolescence</b>	<b>(2,273)</b>	<b>(1,802)</b>
<b>Total Inventories</b>	<b>18,873</b>	<b>17,237</b>

## 9 Other Assets

	2018	2017
	\$000	\$000
<b>CURRENT</b>		
Prepayments	2,375	4,911
Deposits and bonds	20	164
	<b>2,395</b>	<b>5,075</b>

## 10 Property, Plant and Equipment

(a) Summary of property, plant and equipment

	2018	2017
	\$000	\$000
<b>PLANT AND EQUIPMENT</b>		
At cost	10,334	9,651
Less accumulated depreciation	(7,076)	(5,558)
<b>Total plant and equipment</b>	<b>3,258</b>	<b>4,093</b>
<b>LEASED PLANT AND EQUIPMENT</b>		
At cost	917	1,028
Less accumulated amortisation	(907)	(911)
<b>Total leased plant and equipment</b>	<b>10</b>	<b>117</b>
<b>LEASEHOLD IMPROVEMENTS</b>		
At cost	3,956	2,865
Less accumulated amortisation	(1,233)	(704)
<b>Total leasehold improvements</b>	<b>2,723</b>	<b>2,161</b>
<b>DEVELOPMENT ASSETS</b>		
At cost	10,260	8,263
Less accumulated amortisation	(5,068)	(2,775)
<b>Total development assets</b>	<b>5,192</b>	<b>5,488</b>
<b>Total property, plant and equipment</b>	<b>11,183</b>	<b>11,859</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## (b) Movements in carrying amounts

	Plant and equipment	Leased plant and equipment	Leasehold improvements	Development assets	Total
	\$000	\$000	\$000	\$000	\$000
<b>2018</b>					
Balance at the beginning of the year	4,093	117	2,161	5,488	11,859
Additions	686	-	1,092	2,003	3,781
Disposal	-	(112)	-	-	(112)
Net foreign currency translation differences	(4)	-	-	(6)	(10)
Depreciation expense	(1,517)	5	(530)	(2,293)	(4,335)
Carrying amount at the end of the year	3,258	10	2,723	5,192	11,183
<b>2017</b>					
Balance at the beginning of the year	2,886	140	823	630	4,479
Additions	2,005	-	1,729	6,424	10,158
Net foreign currency translation differences	4	-	-	-	4
Depreciation expense	(802)	(23)	(391)	(1,566)	(2,782)
Carrying amount at the end of the year	4,093	117	2,161	5,488	11,859

## 11 Revenue from Contracts with Customers

### (a) 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:

	Broadband Business		Telecommunications Infrastructure Equipment & IIoT		Total Revenues
	Australia & NZ	Overseas	Australia	Overseas	
	\$000	\$000	\$000	\$000	\$000
<b>2018 TIMING OF REVENUE RECOGNITION</b>					
At a Point in time revenues	25,164	-	135,086	21,441	181,691
Over Time	-	-	-	-	-
<b>2017 TIMING OF REVENUE RECOGNITION</b>					
At a Point in time revenues	21,273	-	69,371	16,935	107,579
Over Time	-	-	-	-	-

# Notes to the financial statements

For the Year Ended 30 June 2018

## (b) 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 2018. 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 during the period.

	2018	2017
	\$000	\$000
<b>I) CONTRACT ASSETS</b>		
Opening Balance	3,957	-
Costs incurred to obtain a contract (i)	-	1,798
Costs incurred to fulfil contracts (ii)	-	2,272
Amortisation costs during the period	(1,357)	(113)
	<b>2,600</b>	<b>3,957</b>

The Group has a carrying value of \$2.6 million in contract assets for the year ended 30 June 2018, the assets value has decreased by approximately \$1.4 million compared to the year ended 30 June 2017 and the decrease is mainly due to the amortisation costs group has recognised during the year. The Group did not incur any further material costs to fulfil or obtain contracts.

### (i) Costs incurred to obtain a contract

	2018	2017
	\$000	\$000
Asset recognised in relation to incremental costs incurred to obtain a contract at 30 June 2018	-	1,798
Amortisation and impairment loss recognised as cost of providing services during the period	-	(50)
<b>TOTAL COSTS INCURRED TO OBTAIN A CONTRACT</b>	<b>-</b>	<b>1,748</b>

### (ii) Costs incurred to fulfil contracts

	2018	2017
	\$000	\$000
Asset recognised from costs incurred to fulfil a contract at 30 June 2018	-	2,272
Amortisation and impairment loss recognised as cost of providing services during the period	(1,357)	(63)
<b>TOTAL COSTS INCURRED TO FULFIL A CONTRACT</b>	<b>(1,357)</b>	<b>2,209</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.

On target volume discounts and rebates were offered to certain customers in the Company's broadband business. For the year ended 30 June 2018 there were no contract liabilities as the Group had discontinued dealing the practice of offering rebates and had settled rebates accrued in the previous periods.



# Notes to the financial statements

For the Year Ended 30 June 2018

## Accounting Policies and significant judgements

The Group early adopted AASB15 from July 1 2015 and has 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, distribution point and IIoT 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 or longer. 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 2018, 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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 12 Goodwill

	2018	2017
	\$000	\$000
<b>GROSS CARRYING AMOUNT</b>		
Balance at beginning of financial year	896	896
<b>Balance at end of financial year</b>	<b>896</b>	<b>896</b>
<b>NET BOOK VALUE</b>		
At the beginning of the financial year	896	896
<b>At the end of the financial year</b>	<b>896</b>	<b>896</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:

	2018	2017
	\$000	\$000
Telecommunications Infrastructure Equipment & IIoT	766	766
Broadband business	130	130
Network Termination Devices (NTD)	-	-
	<b>896</b>	<b>896</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## (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) Telecommunications Infrastructure Equipment & IoT

#### 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 Telecommunications Infrastructure Equipment & IoT 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 25% based on company's financial budgets and outlook for FY19 and significant forecast growth in FY20 and flat growth in FY21 (FY18 actual growth greater than 50%). The increase against the prior FY17 year is due to delivery of revenues from contracts previously won.

#### 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% (2017: 10%) 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 for FY19 in line with FY18 performance and similar revenues projections are applied during FY20-FY21. FY18 had a increase in revenues of 18% compared to last year benefiting from the new leadership structure in place. The broadband business continues to steadily grow in the New Zealand market.

#### 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% (2017: 10%) to each CGU on the basis that the risk will fall within a similar range across all CGUs.

### iii) Network Termination Devices (NTD)

There Group has no Goodwill allocated to its NTD business.

## (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 (2017: Nil).

# Notes to the financial statements

For the Year Ended 30 June 2018

## 13 Other Intangible Assets

### (a) Summary of intangible assets

	2018	2017
	\$000	\$000
<b>PRODUCT DEVELOPMENT COSTS</b>		
Cost	38,359	23,563
Accumulated amortisation	(8,923)	(3,640)
<b>Net carrying value</b>	<b>29,436</b>	<b>19,923</b>
<b>COMPUTER SOFTWARE</b>		
Cost	1,894	1,844
Accumulated amortisation	(1,540)	(1,216)
<b>Net carrying amount</b>	<b>354</b>	<b>628</b>
<b>OTHER INTANGIBLES</b>		
Cost	2,470	2,470
Accumulated amortisation	(2,470)	(2,470)
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>29,790</b>	<b>20,551</b>

### (b) Movements in carrying amounts

	Product development costs	Computer software	Other intangibles	Total
	\$000	\$000	\$000	\$000
<b>2018</b>				
Balance at the beginning of the year	19,923	628	-	20,551
Additions	14,797	49	-	14,846
Amortisation	(5,284)	(324)	-	(5,608)
Net foreign currency translation differences	-	1	-	1
<b>Carrying amount at year end</b>	<b>29,436</b>	<b>354</b>	<b>-</b>	<b>29,790</b>
<b>2017</b>				
Balance at the beginning of the year	12,751	249	4	13,004
Additions	12,435	658	-	13,093
Amortisation	(5,263)	(284)	(4)	(5,551)
Net foreign currency translation differences	-	5	-	5
<b>Carrying amount at year end</b>	<b>19,923</b>	<b>628</b>	<b>-</b>	<b>20,551</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## 14 Trade and Other Payables

	2018	2017
	\$000	\$000
<b>CURRENT UNSECURED LIABILITIES</b>		
Trade payables (i)	31,770	27,744
Sundry payables and accrued expenses	11,173	5,849
<b>Total current trade and other payables</b>	<b>42,943</b>	<b>33,593</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 generally paid within the credit timeframe.

## 15 Borrowings

	2018	2017
	\$000	\$000
<b>CURRENT - SECURED</b>		
Finance lease (i)	-	55
Bank loan (ii)	-	-
<b>Total current borrowings</b>	<b>-</b>	<b>55</b>
<b>Total borrowings</b>	<b>-</b>	<b>55</b>

- (i) The finance lease was secured against the underlying finance lease asset. Refer to Note 22 b(ii) for further details of this borrowing.
- (ii) As at 30 June 2018, the Company had 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.
- AUD 20 Million bank loan. Interest charged at BBSY + maximum 2.25% per annum.



# Notes to the financial statements

For the Year Ended 30 June 2018

## 16 Employee Benefits

	2018	2017
	\$000	\$000
<b>CURRENT</b>		
Employee entitlements	2,502	2,195
<b>NON - CURRENT</b>		
Employee entitlements	534	453
<b>Total Employee entitlements</b>	<b>3,036</b>	<b>2,648</b>

## 17 Other Liabilities

	2018	2017
	\$000	\$000
<b>WARRANTY PROVISION</b>		
Opening Balance	388	301
Movements during the year	1,878	87
<b>Balance at the end of the year</b>	<b>2,266</b>	<b>388</b>
<b>OTHER</b>		
Opening Balance	-	-
Movement during the year	327	-
<b>Balance at the end of the year</b>	<b>327</b>	<b>-</b>
<b>Total Other Liabilities</b>	<b>2,593</b>	<b>388</b>

## 18 Issued Capital

	2018	2017
	\$000	\$000
146,329,906 (2017: 146,329,906) Ordinary shares - paid up no par value	65,059	65,059

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

	2018	2017	2018	2017
	No.	No.	\$000	\$000
<b>At the beginning and end of the reporting period</b>	<b>146,329,906</b>	<b>146,329,906</b>	<b>65,059</b>	<b>65,059</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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 19 Reserves

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

	2018	2017
	\$000	\$000
Balance at the beginning of the year	1,389	1,067
Transfer to share rights reserve	1,020	322
Balance at the end of the year	2,409	1,389

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

	2018	2017
	\$000	\$000
Balance at the beginning of the year	319	587
Exchange difference on translation of foreign operations	(220)	(268)
Balance at the end of the year	99	319

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

	2018	2017
	\$000	\$000
Balance at the beginning of the year	-	(24)
Net change in the fair value of cash flow hedges	(247)	35
Reclassified to profit and loss account	-	-
Tax expense	74	(11)
Balance at the end of the year	(173)	-

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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 20 Fair Value Measurement

The Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2018 on a recurring basis are as follows:

- Forward contracts as at 30 June 2018:  
\$7.2 million (2017: 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 2018 (2017: Nil).

## 21 Contingent Liabilities

The Group has following quantifiable contingencies at the reporting date:

- The Group has provided certain guarantees totalling \$3,790,328 for performance bonds as at 30 June 2018 (2017: \$1,260,972).

There were no other quantifiable contingent liabilities in existence at 30 June 2018 requiring disclosure in the financial statements.

### Non quantifiable contingencies

At any time during the normal course of business the Group's entities can be subject to claims or threatened claims none of which were material to be reported in the financial statements.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 22 Commitments

### (a) Capital expenditure commitments

As at 30 June 2018, the Group is committed to purchase plant and equipment of \$685,556 (2017: \$777,031)

### (b) Expenditure commitments

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

	2018	2017
	\$000	\$000
Not longer than 1 year	2,506	2,610
Longer than 1 year and not longer than 5 years	7,743	4,218
	<b>10,249</b>	<b>6,828</b>

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.

## 23 Cash Flow Information

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

	2018	2017
	\$000	\$000
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>7,981</b>	<b>(1,794)</b>

#### NON-CASH FLOWS IN (LOSS)/PROFIT:

Depreciation and amortisation	11,300	8,446
Interest received	(49)	(639)
Change in the fair value of cash flow hedges	(173)	24
Foreign exchange translation differences	(220)	(268)
Share rights reserve	1,020	322
	<b>11,878</b>	<b>7,885</b>

#### CHANGES IN OPERATING ASSETS AND LIABILITIES:

(Increase) in trade and other receivables	(10,047)	(8,179)
(Increase) in inventories	(1,636)	(5,717)
Decrease/(Increase) in other assets	2,680	(3,962)
Decrease/(Increase) in deferred tax assets	682	(2,539)
Increase in trade and other payables	9,350	21,471
Increase in other liabilities	2,383	140
Increase in provisions	388	943
	<b>3,800</b>	<b>3,824</b>

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>23,659</b>	<b>8,248</b>
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# Notes to the financial statements

For the Year Ended 30 June 2018

## 24 Related Party Transactions

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

	2018	2017
	\$	\$
Short term benefits	4,136,907	3,119,489
Post-employment benefits	206,147	190,980
Other long term benefits	23,003	88,396
Share-based payments	937,480	197,263
Termination benefits	97,500	-
<b>TOTAL</b>	<b>5,401,037</b>	<b>3,996,128</b>

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

In the prior year, NetComm Wireless Limited executed an agreement with nbn for the supply of Distribution Point Units (DPUs) in the nbn FTTC network. Mr Justin Milne is the Chairman of NetComm Wireless Limited and a Director of the nbn. Mr Milne recused himself from the Board meeting for the period of time whereby the Directors approved the section of this contract. The following aggregate receipts for goods and services occurred with the above party.

	2018	2017
	\$000	\$000
Receipts for goods and services from entities with common key management personnel	115,070	2,130



# Notes to the financial statements

For the Year Ended 30 June 2018

## 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 ("SARs").

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 SARs 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 3 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;
- 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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 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:

	Position	Balance on 1 July 2017	Fair Value of SAR's on date of grant	SAR's granted during the year	Fair Value of SAR's Granted during the year on Date of Grant	SAR's Lapsed	Remaining Fair Value of SAR's as at grant date	Balance at 30 June 2018	% Vested at 30 June 2018
K J P Sheridan	CEO	500,000	\$814,449	400,000	\$349,492	-	\$1,163,941	900,000	0%
S Collins	CTO	500,000	\$814,449	200,000	\$174,746	-	\$989,195	700,000	0%
G Davie	CPO	-	-	200,000	\$119,091	-	\$119,091	200,000	0%
C Last	CFO	-	-	200,000	\$174,746	-	\$174,746	200,000	0%
T Brouwer	COO	-	-	200,000	\$174,746	-	\$174,746	200,000	0%
S Berriz <sup>1</sup>	SVP Engineering	-	-	200,000	\$174,746	(200,000)	-	-	-
M Cornelius	R&D Director	100,000	\$162,890	100,000	\$87,373	-	\$250,263	200,000	0%
<b>Total</b>		<b>1,100,000</b>	<b>\$1,791,788</b>	<b>1,500,000</b>	<b>\$1,254,940</b>	<b>(200,000)</b>	<b>\$2,871,982</b>	<b>2,400,000</b>	

<sup>1</sup> Sergio Berriz resigned on 19th June 2018 and the SAR's issued to him lapsed

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 \$1,019,994 (2017: \$321,951) 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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 27 Earnings per Share

	2018	2017
	\$000	\$000
<b>EARNINGS RECONCILIATION</b>		
Net profit/(loss) for the year	7,981	(1,794)
Basic and diluted earnings	7,981	(1,794)
	2018	2017
Weighted average number of ordinary shares used as the denominator	No.	No.
Number for basic earnings per share	146,329,906	146,329,906
<b>Number for diluted earnings per share</b>	<b>146,329,906</b>	<b>146,329,906</b>
	2018	2017
<b>Earnings per share</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	5.45	(1.23)
Diluted earnings per share	5.45	(1.23)

# Notes to the financial statements

For the Year Ended 30 June 2018

## 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 is well balanced on the back of the \$50 million equity it raised in 2015.

The Group has continued to be debt free and has more than \$27 million in Cash balances at the end of financial year. The Group has maintained its banking 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 losses. Operating cash flows are used to maintain and expand the Group's assets as well as to pay for operating expenses, including tax liabilities.

### (b) Financial Risk Management Objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency and interest rate risk), credit risk, 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 last financial year Group incorporated an "Investment Policy" defining the framework for investing the surplus funds. The policy developed for the Group to:

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

The policy defines:

#### A) Counterparty Credit Framework

The 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>

# Notes to the financial statements

For the Year Ended 30 June 2018

## (c) Foreign Currency Risk Management

The Group is mainly exposed to US dollars (USD) and EUROS (EUR), (2017: US dollars and EUROS(EUR)).

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 manage its Foreign Exchange Risk on future purchases & receipts using FX Forwards and swaps. The strategy is to use USD FX Forwards as a hedge against future surplus USD cashflows that the group denominates in to AUD to fund its operational expenses. This is to reduce the variability in the AUD cash flows arising from USD denominated purchases & receipts 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.

At balance date there were \$7.2 million worth of foreign exchange contracts outstanding.

In order to avoid exposure to significant foreign exchange gains or losses on revaluation of US\$ borrowings, the Group continues to denominate its borrowings in A\$. 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 0.7391. (2017: 0.7426).

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	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
US Dollars	0.7391	0.7692	19,947,403	18,570,314	30,760,434	18,822,126
EUROS	0.6344	0.6730	108,436	-	674,389	1,228,365

## Foreign currency sensitivity analysis

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

The sensitivity analysis includes only outstanding foreign currency denominated monetary items (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	
	2018	2017
	\$	\$
US Dollars	1,625,555	36,374
EUROS	(326,235)	(202,801)



# Notes to the financial statements

For the Year Ended 30 June 2018

The foreign exchange impact in the table is attributable to the exposure outstanding on USD receivables and borrowings and EUR receivables 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.

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	
	2018	2017
	\$	\$
New Zealand Dollars	26,155	45,022

## (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 \$104,599 (2017: increase/(decrease) by \$150,578). 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 and includes government backed entities. 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 72% (FY17: 60%) revenues to the Group. However, there is minimal credit risk arising from this customer based on customer's 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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## (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	
	2018	2017
	\$000	\$000
<b>Secured Bank Loan</b>	<b>20,000</b>	<b>7,000</b>
Used at reporting date (Note 15)	-	-
Used at reporting date (Note 15)	-	-
<b>Unused at reporting date</b>	<b>20,000</b>	<b>7,000</b>
<b>Debtor Finance (AUD)</b>	<b>-</b>	<b>1,000</b>
Surplus debtor receipts (Note 15)	-	-
<b>Unused at reporting date</b>	<b>-</b>	<b>1,000</b>
<b>Debtor Finance (USD)</b>	<b>-</b>	<b>USD 7,150</b>
Used at reporting date (Note 15)	-	-
<b>Unused at reporting date</b>	<b>-</b>	<b>USD 7,150</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## 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.

	Consolidated					
	Weighted avg effective interest rate	Less than 1 month	1-3 months	3 months -1 year	1-5 years	5+ years
	%	\$000	\$000	\$000	\$000	\$000
2018						
Non-interest bearing	0.00%	15,698	13,394	1,561	-	-
Total		15,698	13,394	1,561	-	-

<b>2017</b>						
Non-interest bearing	0.00%	18,086	8,511	-	-	-
Finance lease liability	4.49%	2	5	50	-	-
<b>Total</b>		<b>18,088</b>	<b>8,516</b>	<b>50</b>	<b>-</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
	%	\$000	\$000	\$000	\$000	\$000
<b>2018</b>						
Non-interest bearing	0.00%	32,127	661	-	-	-
Variable interest rate instruments	2.17%	24,201	3,148	-	-	-
		<b>56,328</b>	<b>3,809</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>2017</b>						
Non-interest bearing	0.00%	20,121	2,437	-	-	-
Variable interest rate instruments	2.17%	7,929	14,196	-	-	-
		<b>28,050</b>	<b>16,633</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements

For the Year Ended 30 June 2018

## (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:

	2018	2017
	\$000	\$000
Borrowings	-	(55)
Cash and cash equivalents	27,349	22,125
<b>Net Cash</b>	<b>27,349</b>	<b>22,070</b>

<b>Total equity</b>	<b>84,186</b>	<b>75,578</b>
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Net Borrowings to Equity ratio

- -

## (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.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 30 Segment Reporting

The Group has two reporting segments: Telecommunications Infrastructure Equipment & IIoT and Broadband business (Note 1 (z)). These reporting segments are monitored by the Group's chief decision maker for the purposes of resource allocation and assessment of segment performance.

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 Telecommunications Infrastructure Equipment & IIoT 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 Telecommunications Infrastructure Equipment & IIoT 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:

FOR 30 JUNE 2018	Broadband Business	Telecommunications Infrastructure Equipment & IIoT	Consolidated Segment Result
Revenue	25,164	156,527	181,691
EBITDA	1,932	18,596	20,528
Depreciation & Amortisation	(671)	(10,629)	(11,300)
EBIT	1,261	7,967	9,228
Finance Income			49
Finance Cost			(15)
<b>Group Profit before tax</b>			<b>9,262</b>
Income tax (expense)			(1,281)
<b>Consolidated profit for the period</b>			<b>7,981</b>

FOR 30 JUNE 2017	Broadband Business	Telecommunications Infrastructure Equipment & IIoT	Consolidated Segment Result
Revenue	21,273	86,306	107,579
EBITDA	751	2,836	3,587
Depreciation & Amortisation	(1,154)	(7,292)	(8,446)
EBIT	(403)	(4,456)	(4,859)
Finance Income			639
Finance Cost			(9)
<b>Group Loss before tax</b>			<b>(4,229)</b>
Income tax benefit			2,435
<b>Consolidated loss for the period</b>			<b>(1,794)</b>



# Notes to the financial statements

For the Year Ended 30 June 2018

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

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

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.

	BROADBAND	
	2018	2017
	\$000	\$000
Customer A	\$3,644	\$3,576
Customer B	\$3,616	\$2,581
Customer C	\$3,284	-
<b>Total Broadband Revenue</b>	<b>\$25,164</b>	<b>\$21,273</b>
Customer A Share of Total	14%	17%
Customer B Share of Total	14%	12%
Customer C Share of Total	13%	-

	Telecommunications Infrastructure Equipment & IIoT	
	2018	2017
	\$000	\$000
Customer A	\$109,254	\$15,665
Customer B	\$21,856	\$42,993
<b>Total Telecommunications Infrastructure Equipment &amp; IIoT Revenue</b>	<b>\$156,527</b>	<b>\$86,306</b>
Customer A Share of Total	70%	18%
Customer B Share of Total	14%	50%

During 2018, \$10.2 million or 5.6% (2017: \$9.9 million or 9.2%) of the Group's revenues were generated from New Zealand.

# Notes to the financial statements

For the Year Ended 30 June 2018

## 31 Parent Entity Disclosures

### (a) Financial position

	2018	2017
	\$000	\$000
<b>ASSETS</b>		
Current assets	73,031	65,165
Non-current assets	52,983	46,963
<b>Total assets</b>	<b>126,014</b>	<b>112,128</b>
<b>LIABILITIES</b>		
Current liabilities	59,363	51,645
Non-current liabilities	534	453
<b>Total liabilities</b>	<b>59,897</b>	<b>52,098</b>
<b>Net assets</b>	<b>66,117</b>	<b>60,030</b>
<b>EQUITY</b>		
Issued capital	65,059	65,059
Retained earnings/(accumulated losses)	(756)	(6,273)
<b>RESERVES</b>		
General reserves	1,987	1,244
Foreign exchange hedging reserve	(173)	-
<b>TOTAL EQUITY</b>	<b>66,117</b>	<b>60,030</b>

### (b) Financial performance

	2018	2017
	\$000	\$000
Profit for the year	5,517	565
Other comprehensive Income/(loss)	(173)	24
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>5,344</b>	<b>589</b>

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

	2018	2017
	\$000	\$000
<b>FINANCE LEASE LIABILITIES</b>		
Not longer than 1 year	-	57
Longer than 1 year and not longer than 5 years	-	-
	<b>-</b>	<b>57</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.

# Notes to the financial statements

For the Year Ended 30 June 2017

## (d) Subsidiaries

Name of subsidiary	Country of incorporation	Percentage owned 2018	Percentage owned 2017
		%	%
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 5, 18-20 Orion Road,  
Lane Cove, NSW 2066

# Directors' Declaration

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:
  - giving a true and fair view of its financial position as at 30 June 2018
  - and of its performance for the financial year ended on that date; and
  - 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 2018.
- 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

27 August 2018



**Ken Sheridan**  
CEO & Managing Director

27 August 2018

# Independent Auditor's Report

## To the Members of NetComm Wireless Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of NetComm Wireless Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Capitalised product development costs (Note 13)</b>	

Capitalised product development costs had a net carrying value of \$29,436,000 at 30 June 2018.

During the year the Group capitalised \$14,797,000 of project development costs. These intangible assets are being amortised over a 3 year period.

AASB 138: *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138.

This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138 and in relation to the estimate of the assets' useful lives.

Our procedures included, amongst others:

- Assessing the Group's accounting policy in respect of product development costs for adherence to AASB 138, and evaluating management's assessment of each project for compliance with the recognition criteria set out in AASB 138;
- Testing a sample of amounts capitalised to supporting documentation and assessing compliance with the recognition criteria of AASB 138;
- Testing management's cash flow forecasts by evaluating assumptions and agreeing inputs to source data to support the generation of future economic benefits from the capitalised costs;
- Evaluating the reasonableness of useful lives to be applied in future reporting periods; and
- Assessing the adequacy of related disclosures in the financial statements.

## Recoverable amount of intangible assets (Notes 12 and 13)

As at 30 June 2018, the Group's intangible assets of \$30,686,000 consist of goodwill (\$896,000), product development costs (\$29,436,000) and software (\$354,000).

The Group is required to perform an annual impairment test of goodwill in accordance with AASB 136: *Impairment of Assets*.

Management has identified the cash generating units (CGUs), and has allocated the goodwill and other intangible assets to these CGUs. Management has tested the CGUs for impairment by comparing their carrying amounts with their recoverable amounts and has determined that no impairment existed at 30 June 2018. The recoverable amounts were determined on a value-in-use basis.

We have determined this is a key audit matter due to the judgements and estimates required in determining the appropriate CGUs and calculating the recoverable amount on a value-in-use basis.

Our procedures included, amongst others:

- Obtaining an understanding of management's processes and controls related to the assessment of impairment, including management's identification of CGUs and the calculation of the recoverable amount for each CGU;
- Testing management's value-in-use calculations against the requirements of AASB 136, by:
  - testing the mathematical accuracy of the calculations;
  - evaluating management's ability to perform accurate estimates by reference to past history of forecasting;
  - testing the forecasted cash inflows and outflows to be derived by the CGUs assets;
  - agreeing discount rates applied to forecast future cash flows to external sources; and
  - performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and
- Assessing the adequacy of related disclosures in the financial statements.

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

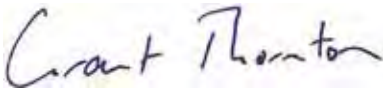
#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 11 to 18 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of NetComm Wireless Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



C F Farley  
Partner – Audit & Assurance

Sydney, 27 August 2018

# ASX Additional Information

The shareholder information set out below was applicable as at 13 August 2018.

## 1) Distribution of Shareholders

Analysis of number of shareholders by size of holding:

Category of Holding	Number	Number of Shares
1 - 1,000	718	396,043
1,001 - 5,000	1,429	4,134,938
5,001 - 10,000	703	5,559,412
10,001 - 100,000	1,109	33,759,289
100,001 - share and over	179	102,480,224
<b>Total</b>	<b>4,138</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 & David Stewart	18,000,000	12.3%
JP Morgan Nominees Aust Ltd	6,173,961	4.2%
National Nominees Limited	5,891,727	4.0%
Citicorp Nominees Pty Limited	5,566,474	3.8%
UBS Nominees Pty Ltd	4,679,217	3.2%
NBT Pty Ltd	4,568,025	3.1%
HSBC Custody Nominees	4,607,160	3.1%
Sandhurst Trustees Ltd	2,872,241	2.0%
FF Okram Pty Ltd	2,045,678	1.4%
Asia Union Investments Pty Ltd	2,000,000	1.4%
Rapaki Pty Ltd	1,900,000	1.3%
BNP Paribas Noms Pty Ltd	1,896,928	1.3%
Mr Michael John Cornelius	1,606,170	1.1%
Mrs Cher Suey Cheah	1,244,500	0.9%
Ms DG Leong / Mr RA Press	1,129,440	0.8%
Dr Colin Rose	1,127,730	0.8%
Mirrabooka Investments Limited	1,095,000	0.7%
Caprera Pty Ltd	1,000,000	0.7%
Yarradale Investments Pty Ltd	971,570	0.7%
Beta Gamma Pty Ltd	800,000	0.5%
<b>Total</b>	<b>69,175,821</b>	<b>43.3%</b>

## ASX Additional Information

### 3) Voting Rights

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

### 4) Substantial Shareholders

As at 13 August 2018 the substantial shareholders were as follows:

Shareholder	Number of Shares	Percentage of total shares
Brad Industries Pty Ltd & Rooke Lane Pty Ltd & David Stewart	18,000,000	12.3%



# Corporate Directory

## Directors

## Position held

Justin Milne .....	(Non-Executive Director & Chairman)
Ken Boundy .....	(Non-Executive Director)
Stuart Black AM .....	(Non-Executive Director)
David Spence .....	(Non-Executive Director)
David P J Stewart .....	(Non-Executive Director)
Ken Sheridan .....	(CEO & Managing Director)

## Company Secretary

Mr Christopher Last.....	(appointed 28th November 2016)
Mr Peter Beveridge .....	(retired on 2nd July 2018)
Mr Clint Bell .....	(appointed on 2nd July 2018)

## 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 Street,  
Sydney, NSW 2000

## Bankers

### **HSBC Bank Australia Limited**

Level 31, HSBC Centre, 580 George Street,  
Sydney, NSW 2000

## Share Registry

### **Link Market Services Limited**

Level 12, 680 George Street, Sydney, NSW 2000

Telephone: +61 (2) 8280 7552

## Web Address

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

## ASX Code

NTC



## ACOMMS AWARD

NetComm was named winner of the Vendor Innovation award at the Annual Communications Alliance ACOMM Awards Dinner in August 2018. The prestigious award was presented to NetComm for its network-grade Distribution Point Unit (DPU) and Network Connection Device (NCD), the first access network technologies to provide an end-to-end broadband solution that is reverse powered from the customer premises and remotely managed by the network operator.

## nbn SUPPLIER AWARD

At nbn's yearly Supplier Summit in September 2018, NetComm received the "We Care" award, which recognizes the supplier that has shown the most care in delighting nbn's customers and making the nation a better place.

NetComm received the award for the development of the NCD, a key element in the Fibre-to-the Curb ("FTTC") network. The NCD provides power to the Distribution Point Unit ("DPU") in the pit and connectivity in the home. It can be self-installed by the end-user, avoiding expensive truck rolls and speeding up activations.



NetComm

# AGM

NOV  
21  
2018

**Time:** 9:30am

**Location:** Grant Thornton  
Level 17, 383 Kent Street  
Sydney NSW 2000

## Brokers coverage

(see website: <https://www.netcommwireless.com/investors> )

**Baillieu Holst**  
Since 1889

BAILLIEU HOLST

Luke Macnab

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RBC CAPITAL MARKETS

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**BLUE OCEAN**  
EQUITIES

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CANACCORD GENUITY

Conor O'Prey

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**LINK** Market  
Services

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Phone: +61 -2 8097 1200

**Market Eye**



### KEY TERMS

M2M Machine-to-Machine

IIoT Industrial Internet of Things

IoT Internet of Things

FTTH Fibre-to-the-Home

FTTC Fibre-to-the-Curb

FTTdp Fibre-to-the-distribution-point

IFWA Intelligent Fixed Wireless Access

NCD Network Connection Device

DPU Distribution Point Unit

CPE Customer Premises Equipment

GPON Gigabit Passive Optical Network

ISP Internet Service Provider

LTE Long Term Evolution

VDSL Very-high-bitrate Digital Subscriber Line

Gfast ITU standard

MDU Multi Dwelling Unit

5G 3GPP standard

ITU International Telecommunications Union



# Listen. Innovate. Solve.

More than just a tag line, **Listen. Innovate. Solve.** is the embodiment of how we partner with our customers.

We **listen** to understand the challenge they have, we **innovate** using the resources we've built within our company and we **solve** the challenge exactly.



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