SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to __________

Commission File Number 0-27266

Westell Technologies, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**36-3154957**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
750 N. Commons Drive, Aurora, IL	**60504**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(630) 898-2500**

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check or mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No_.

Indicate by check mark whether the registrant is an accelerated filer as defined be rule 12b-2 of the Act.
Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of October 24, 2005:

Class A Common Stock, $0.01 Par Value – 55,051,057 shares
Class B Common Stock, $0.01 Par Value – 14,741,872 shares

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
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Safe Harbor Statement
Certain statements contained in this Quarterly Report of Form 10-Q regarding matters that are not historical facts or that contain the words "believe", "expect", "intend", "anticipate" or derivatives thereof and other words of similar meaning, are forward-looking statements. Such forward-looking statements include risks and uncertainties, and actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those discussed under "Risk Factors" set forth in Westell Technologies, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2005. Our actual results may differ from these forward-looking statements. Westell Technologies, Inc. undertakes no obligation to publicly update these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or otherwise.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2005	March 31, 2005
	(unaudited)	
	(in thousands)	
Current assets:		
Cash and cash equivalents	$43,977	$ 26,350
Investments	1,287	610
Accounts receivable (net of allowance of $318,000 and $278,000 respectively)	27,873	30,167
Inventories	18,786	26,419
Prepaid expenses and other current assets	3,610	2,806
Deferred income tax asset	3,990	3,980
Total current assets	99,523	90,332
Property and equipment:		
Machinery and equipment	44,091	44,505
Office, computer and research equipment	25,523	25,270
Leasehold improvements	8,932	8,810
	78,546	78,585
Less accumulated depreciation and amortization	63,555	62,067
Property and equipment, net	14,991	16,518
Goodwill	6,990	6,990
Intangibles, net	5,509	6,893
Deferred income tax asset and other assets	55,949	59,357
Total assets	$ 182,962	$ 180,090

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 14,437	$ 19,671
Accrued expenses	7,266	7,962
Accrued compensation	6,044	7,898
Deferred revenue	903	1,234
Current portion of long-term debt	79	318
Total current liabilities	28,729	37,083
Other long-term liabilities	809	809
Total liabilities	29,538	37,892
Minority interest	2,687	2,540
Stockholders' equity:		
Class A common stock, par $0.01	555	542
Authorized – 109,000,000 shares		
Issued and outstanding – 54,240,298 shares at March 31, 2005 and 55,450,332 shares at September 30, 2005		
Class B common stock, par $0.01	147	147
Authorized – 25,000,000 shares		
Issued and outstanding – 14,741,872 shares at March 31, 2005 and September 30, 2005		
Preferred stock, par $0.01	--	--
Authorized – 1,000,000 shares		
Issued and outstanding - none		
Deferred compensation	(2,064)	(2,476)
Additional paid-in capital	392,378	389,242
Treasury stock at cost – 93,100 shares	(247)	(247)
Cumulative translation adjustment	(326)	(672)

Accumulated deficit	(239,706)	(246,878)
Total stockholders' equity	150,737	139,658
Total liabilities and stockholders' equity	$ 182,962	$ 180,090

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Six Months Ended September 30,	
	2005	2004	2005	2004
	(unaudited) (in thousands, except per share data)			
Equipment sales	$ 55,127	$ 50,582	$ 118,863	$ 95,502
Services	11,189	10,817	23,094	22,069
Total revenues	66,316	61,399	141,957	117,571
Cost of equipment sales	40,075	36,964	87,209	68,602
Cost of services	5,782	5,156	11,646	11,144
Total cost of goods sold	45,857	42,120	98,855	79,746
Gross margin	20,459	19,279	43,102	37,825
Operating expenses:				
Sales and marketing	5,987	5,530	12,157	10,882
Research and development	4,975	3,528	9,632	7,102
General and administrative	4,164	4,762	8,518	8,776
Restructuring	--	(452)	--	(452)
Intangible amortization	324	324	648	688
Total operating expenses	15,450	13,692	30,955	26,996
Gain on sale of product line	--	1,453	--	1,453
Operating income	5,009	7,040	12,147	12,282
Other income, net	192	32	14	393
Interest expense	(5)	(15)	(9)	(51)
Income before minority interest and income taxes	5,196	7,057	12,152	12,624
Income taxes	2,115	2,567	4,828	4,750
Minority interest	58	120	152	217
Net income	$ 3,023	$ 4,370	$ 7,172	$ 7,657
Net income per common share:				
Basic	$ 0.04	$ 0.06	$ 0.10	$ 0.11
Diluted	$ 0.04	$ 0.06	$ 0.10	$ 0.11
Weighted average number of common shares outstanding:				
Basic	70,097	68,379	69,610	68,336
Diluted	71,584	70,420	71,497	70,805

The accompanying notes are an integral part of these Consolidated Financial Statements

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months Ended September 30, 2005	Six months Ended September 30, 2004
	(unaudited) (in thousands)	
Cash flows from operating activities:		
Net income	$ 7,172	$ 7,657
Reconciliation of net income to net cash provided by (used in) operating activities:		
Capitalization of software development costs	--	(929)
Sale of product technology	--	(2,052)
Depreciation and amortization	5,079	4,418
Deferred compensation	412	--
Gain (loss) on sale of fixed assets	(130)	47
Restructuring	(153)	(1,261)
Deferred Taxes	3,530	4,884
Minority interest	152	217
Tax benefit received on stock option exercises	1,260	199
Changes in assets and liabilities:		
Accounts receivable	2,640	(5,084)
Inventory	7,633	(7,669)
Prepaid expenses and other current assets	(804)	(352)
Other assets	(132)	(239)
Accounts payable and accrued expenses	(6,139)	8,502
Accrued compensation	(1,854)	(2,357)
Net cash provided by operating activities	18,666	5,981
Cash flows from investing activities:		
Purchases of property and equipment	(2,168)	(849)
Proceeds from the sale of equipment	130	--
Sale of product line	--	2,000
Purchase of investments	(677)	--
Net cash provided by (used in) investing activities	(2,715)	1,151
Cash flows from financing activities:		
Net repayment of long-term debt and leases payable	(239)	(3,086)
Proceeds from stock options exercised	1,891	1,934
Net cash provided by (used in) financing activities	1,652	(1,152)
Effect of exchange rate changes on cash	24	(15)
Net increase in cash	17,627	5,965
Cash and cash equivalents, beginning of period	26,350	11,241
Cash and cash equivalents, end of period	$ 43,977	$ 17,206

The accompanying notes are an integral part of these Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005.

In the opinion of management, the unaudited interim financial statements included herein reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's consolidated financial position and the results of operations and cash flows at September 30, 2005 and for all periods presented. The results of operations for the three and six month period ended September 30, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2006 ("fiscal year 2006").

Certain amounts in previously issued financial statements have been reclassified to conform to the current year presentation.

Note 2. Computation of Income Per Share

The computation of basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended September 30,		Six months ended September 30,	
Dollars in thousands, except per share amounts	2005	2004	2005	2004
Basic Earnings per Share:				
Net income	$ 3,023	$ 4,370	$7,172	$ 7,657
Average basic shares outstanding	70,097	68,379	69,610	68,336
Basic net income per share	$ 0.04	$ 0.06	$ 0.10	$ 0.11
Diluted Earnings per Share:				
Net income	$ 3,023	$ 4,370	$7,172	$ 7,657
Average basic shares outstanding	70,097	68,379	69,610	68,336
Effect of dilutive securities: stock options and warrants	1,487	2,041	1,887	2,469
Average diluted shares outstanding	71,584	70,420	71,497	70,805
Diluted net income per share	$ 0.04	$ 0.06	$ 0.10	$ 0.11

Options to purchase 5,025,588 and 3,823,723 shares of common stock for the three months ended September 30, 2005 and September 30, 2004, respectively, and options to purchase 4,723,041 and 2,632,891 shares of common stock for the six months ended September 30, 2005 and September 30, 2004, respectively, were not included in the computation of diluted shares because the options' exercise prices were greater than the average market price of the common shares.

Note 3. Restructuring Charge

The Company recognized a restructuring expense of $2.6 million in fiscal year 2003. This charge included personnel and facility costs related primarily to the closing of a Conference Plus, Inc. facility and personnel and facility charges at Westell Limited. Approximately 25 employees were impacted by these reorganizations. In fiscal year 2005, the Company terminated a lease that was partially reserved for in the 2003 restructuring. This termination resulted in the reversal of $0.5 million of restructuring for facility costs. As of September 30, 2005, the Company paid approximately $2.1 million of these accrued restructuring costs leaving a balance of $35,000.

The Company's restructuring accrual balances, all of which are legal, facility and other costs are presented in the following table:

(in thousands)	Balance March 31, 2005	Paid through September 30, 2005	Balance September 30, 2005
Legal, facility and other costs	$188	(153)	35

Note 4. Interim Segment Information

Westell's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and market strategies. They consist of:

1) A telecommunications equipment manufacturer of broadband products, and
2) A multi-point telecommunications service bureau specializing in audio teleconferencing, multi-point video conferencing, broadcast fax and multimedia teleconference services.

Performance of these segments is evaluated utilizing revenue, operating income and total asset measurements. The accounting policies of the segments are the same as those for Westell Technologies, Inc. Segment information for the three-month and six periods ended September 30, 2004 and 2005, are as follows:

(in thousands)	Telcom Equipment	Telcom Service	Consolidated Total
Three months ended September 30, 2004			
Revenues	$ 50,582	$ 10,817	$ 61,399
Operating income	4,695	2,345	7,040
Depreciation and amortization	1,267	876	2,143
Total assets	123,364	17,943	141,307
Three months ended September 30, 2005			
Revenues	$ 55,127	$ 11,189	$ 66,316
Operating income	3,679	1,330	5,009
Depreciation and amortization	1,992	736	2,728
Total assets	164,586	18,376	182,962
Six months ended September 30, 2004			
Revenues	$ 95,502	$ 22,035	$ 117,571
Operating income	8,334	2,670	12,282
Depreciation and amortization	2,583	2,045	4,418
Total assets	123,364	19,013	141,307
Six months ended September 30, 2005			
Revenues	$ 118,863	$ 23,094	$ 141,957
Operating income	9,148	2,999	12,147
Depreciation and amortization	3,536	1,543	5,079
Total assets	164,586	18,376	182,962

Reconciliation of Operating income for the reportable segments to income before income taxes and minority interest:

(in thousands)	Three months ended September 30, 2005	Three months ended September 30, 2004	Six months ended September 30, 2005	Six months ended September 30, 2004
Operating income	$ 5,009	$ 7,040	$ 12,147	$12,282
Other income, net	192	32	14	393
Interest expense	(5)	(15)	(9)	(51)
Income before income taxes and minority interest	$ 5,196	$ 7,057	$ 12,152	$12,624

Note 5. Comprehensive Income

The disclosure of comprehensive income, which encompasses net income and foreign currency translation adjustments, is as follows:

(in thousands)	Three months ended September 30, 2005	Three months ended September 30, 2004	Six months ended September 30, 2005	Six months ended September 30, 2004
Net income	$ 3,023	$ 4,370	$ 7,172	$ 7,657
Other comprehensive income				
Foreign currency translation adjustment	86	(14)	346	35
Comprehensive Income	$ 3,109	$ 4,356	$ 7,518	$ 7,692

Note 6. Inventories

The components of inventories are as follows:

(in thousands)	September 30, 2005	March 31, 2005
Raw material	14,171	$ 16,827
Work in process	111	217
Finished goods	9,767	14,507
Reserve for excess and obsolete inventory and net realizable value	(5,263)	(5,132)
	$ 18,786	$ 26,419

Note 7. Stock Options

The Company has elected to follow Accounting Principle Board Opinion No. 25 “Accounting for Stock Issued to Employees” (APB No. 25) and related interpretations in accounting for its employee stock options and awards. Under APB No. 25, employee stock options are valued using the intrinsic method, and no compensation expense is recognized since the exercise price of the options equals or is greater than the fair market value of the underlying stock as of the date of the grant. The following table shows the effect on net income and income per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, “Accounting for Stock Based Compensation.”

(in thousands, except per-share amounts)	Three months ended September 30, 2005	Three months ended September 30, 2004	Six months ended September 30, 2005	Six months ended September 30, 2004
Net income, as reported	$ 3,023	$ 4,370	$ 7,172	$ 7,657
Stock-based employee compensation expense included in reported net earnings, net of related tax effects		--		--
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,135)	(606)	(2,287)	(1,205)
Pro forma net income	$ 1,888	$ 3,764	$ 4,885	$ 6,452
Earnings per common share:				
As reported	$ 0.04	$ 0.06	$ 0.10	$ 0.11
Pro forma	$ 0.03	$ 0.06	$ 0.07	$ 0.09
Earnings per common share, assuming dilution:				
As reported	$ 0.04	$ 0.05	$ 0.10	$ 0.11
Pro forma	$ 0.03	$ 0.05	$ 0.07	$ 0.09

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for grants in fiscal 2005 and 2006:

	2005	2006
Expected volatility	95%	89%
Risk-free interest rate	3.65%	3.75%
Expected life	5 years	5 years
Expected dividend yield	0.0%	0.0%

Note 8. Warranty Reserve

Most of the Company's products carry a limited warranty ranging from one to seven years. The specific terms and conditions of those warranties vary depending upon the product sold. Factors that enter into the estimate of the Company's warranty reserve include the number of units shipped historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the reserve as necessary. The Company reports warranty reserve as both current and long term liabilities. The following table presents the changes in the Company's product warranty reserve:

(in thousands)	Three months ended September 30, 2005	Three months ended September 30, 2004	Six months ended September 30, 2005	Six months ended September 30, 2004
Total product warranty reserve at the beginning of the period	$ 1,845	$ 1,838	$ 1,806	$ 1,853
Warranty expense	346	478	894	1,017
Adjustments	--	--	--	--
Deductions	(259)	(409)	(768)	(963)
Total product warranty reserve at the end of the period	$ 1,932	$ 1,907	$ 1,932	$ 1,907

Note 9. Deferred Compensation

The Company has a deferred compensation program with the Chief Executive Officer that is funded through a rabbi trust. The rabbi trust qualifies as a Variable Interest Entity under *FASB Interpretation No. 46, Consolidation of Variable Interest Entitie*s and as such is consolidated in the Company's financial statements. Approximately $1.3 million of cash has been funded into the rabbi trust as of September 30, 2005 and the Company has recorded a $1.7 million short term liability to accrue for the deferred compensation liability. The rabbi trust is subject to the creditors of the Company. All amounts deferred under this compensation program vest on the earlier of March 31, 2006, the executive's death, permanent disability or a change in control of the Company.

Note 10. Guarantee

In conjunction with a sale of product lines and specified fixed assets in fiscal year 2005, the Company provided an unconditional guarantee in the amount of $1.62 million relating to a 10 year term note payable to the lender that financed the transaction. This guarantee will stay in place until the note is paid in full. The Company must pay all amounts due under the note payable upon demand from the lender. In fiscal year 2005, the Company assessed its obligation under this guarantee pursuant to the provisions of FIN 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"* and recorded a $300,000 liability for the value of the guarantee. The Company will evaluate the liability periodically and adjust the value as required. No adjustments in the liability have been made to date.

Note 11. New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). Under this new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic value method in accordance with APB 25. Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense over the service period. SFAS 123R allows for several alternative transition methods, but the Company has not yet determined the transition method it will use. On April 14, 2005, the Securities and Exchange Commission announced the adoption of a rule that defers the required effective date of SFAS 123R for registrants to the beginning of the first fiscal year beginning after June 15, 2005. The Company expects to adopt this statement in the first quarter of its 2007 fiscal year. The adoption of SFAS 123R will have an impact on the Company's results of operations, although it will have no incremental impact on the Company's overall financial position.

In January 2005, the Financial Accounting Standards Board (FASB) issued revised Statement of Financial Accounting Standards (SFAS) No. 151, *Inventory Costs,* an amendment of ARB No. 43. The amendments made by SFAS 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. SFAS 151 will be effective for the Company beginning in fiscal year 2007. The impact of SFAS 151 is not expected to have a significant impact to the consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

The Company is comprised of two segments: telecommunications equipment manufacturer and teleconference services bureau. The equipment manufacturing segment consists of two product lines: Customer Networking Equipment (CNE) products and Network Service Access (NSA) products. The CNE product line includes broadband and digital subscriber line (DSL) technology products that allow the transport of high-speed data over the local loop and enable telecommunications companies to provide broadband services over existing copper infrastructure. The Company's NSA product line consists of manageable and non-manageable T1 transmission equipment, associated mountings and special service plugs for the legacy copper telephone network. Westell realizes the majority of its revenues from the North American market.

The Company's teleconference service segment is comprised of a 91.5% owned subsidiary, Conference Plus, Inc. Conference Plus provides audio, video, and web conferencing services. Businesses and individuals use these services to hold voice, video or web conferences with many people at the same time. Conference Plus sells its services directly to large customers, including Fortune 1000 companies, and serves other customers indirectly through its private label reseller program.

The equipment manufacturing segment of the Company's business consists of two product lines, offering a broad range of products that facilitate the broadband transmission of high-speed digital and analog data between a telephone company's central office and end-user customers. These two product lines are:

- *Customer Networking Equipment (CNE)*: Westell's family of broadband products enable the transport of high-speed data over existing local telephone lines and allow telecommunications companies to provide broadband services using their current copper infrastructure. The Company's broadband products also enable residential, small business and Small Office Home Office (SOHO) users to network multiple computers, telephones and other devices to access the Internet. Digital Subscriber Lines (DSL) products make up the majority of the revenue in this product group.
- *Network Service Access (NSA):* Westell's NSA product family consists of manageable and non-manageable T1 transmission equipment for telephone services, and an array of mounting products used for connecting telephone wires and cables, and special service plugs. The T1 transmission equipment termed Network Interface Units (NIU) and the associated NIU mounting products make up the majority of revenue from this product group.

Below is a table that compares equipment and service revenues for the quarter and six months ended September 30, 2005 with the quarter and six months ended September 30, 2004 by product line.

	Three months ended September 30,				Six months ended September 30,			
(in thousands)	2005	%	2004	%	2005	%	2004	%
CNE	$ 44,035	66.4%	$ 39,305	64.0%	$ 97,079	68.4%	$ 71,108	60.5%
NSA	11,092	16.7%	11,277	18.4%	21,784	15.3%	24,394	20.7%
Total equipment	55,127	83.1%	50,582	82.4%	118,863	83.7%	95,502	81.2%
Services	11,189	16.9%	10,817	17.6%	23,094	16.3%	22,069	18.8%
Total revenues	$ 66,316		$ 61,399		$ 141,957		$ 117,571	

The prices for the products within each market group vary based upon volume, customer specifications and other criteria and are subject to change due to competition among telecommunications manufacturers and service providers. Increasing competition, in terms of the number of entrants and their size, and increasing size of the Company's customers because of past mergers, continues to exert downward pressure on prices for the Company's products. The Company expects average selling prices on its CNE products to decline less than 20% in fiscal year 2006.

The Company's customer base is highly concentrated and comprised primarily of the Regional Bell Operating Companies (RBOCs), independent domestic local exchange carriers and public telephone administrations located outside the U.S. Due to the stringent quality specifications of its customers and the regulated environment in which its customers operate, the Company must undergo lengthy approval and procurement processes prior to selling its products. Accordingly, the Company must make significant upfront investments in product and market development prior to actual commencement of sales of new products.

To remain competitive, the Company must continue to invest in new product development and invest in targeted sales and marketing efforts to cover new product lines. Failure to increase revenues from new products, whether due to lack of market acceptance, competition, technological change or otherwise, would have a material adverse effect on the Company's business and results of operations. The Company expects to continue to evaluate new product opportunities and engage in extensive research and development activities.

The Company is focusing on expanding its product offerings in the equipment segment from basic high speed broadband to more sophisticated applications such as networking, VoIP, wireless systems, video, multimedia distribution and control and user interfaces. This will require the Company to continue to invest in research and development and sales and marketing, which could adversely affect short-term results of operations. The Company is currently increasing research and development investment levels in the areas of video, VoIP and home networking applications. In view of the Company’s reliance on the DSL market for revenues and the unpredictability of orders and pricing pressures, the Company believes that period-to-period comparisons of its financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Revenues from NSA products such as NIUs have declined in recent years due primarily to reduced demand resulting from the migration by telephone companies to high-speed digital transmission products and the sale of Data Station Termination product lines that occurred in the first quarter of fiscal 2005.

In the equipment manufacturing segment, the Company is focusing on new product opportunities such as the DSL wireless gateway, voice/media-over-IP, and vertical applications. The Company has introduced new products including Ultraline™, ProLine™, VersaLink™, TriLink™ and TR-069 compliant software which are targeted at the home networking, small office/home office (SOHO) and small business markets. The Company continues to support the Verizon One product, a multimedia gateway. Revenue is expected from these products in fiscal year 2006 but a greater impact in fiscal year 2007 is anticipated. The Company has multiple evaluations and is entering trials for TriLink™, UltraLine™ and the Westell Media Gateway, a variation of the Verizon One product marketed outside of the United States. The Company continues to focus on expanding existing and new products into the international markets such as the Europe, Canada, Mexico and the Pacific Rim.

The Company expects DSL service promotions by several customers to generate stronger demand for ProLine ™ modems in the December 31, 2005 quarter than it has experienced in the past. As a result of the stronger demand for ProLine™ modems, the demand for VersaLink™ modems, which has a higher selling price than ProLine ™ modems, has correspondingly declined. The Company believes that its customers continue to expect growth in the broadband market that the Company’s CNE products serve. More users are subscribing to DSL services and some subscribers currently using DSL technology desire new DSL technology as the older modems cannot deliver newer applications that require higher broadband speed.

The NSA market continues to decline as the transition to high-speed digital service continues. The Company expects the NSA market to continue to decline 10% to 15% per year which could impact the Company’s future revenue. The Company’s goal is to increase market share in mountings and NIUs in the NSA market to offset in part reduced prices for NIUs and mountings. The Company is investing in new products in the NSA product line that complement the broadband market products such as PowerSpan that may support the deployment of VoIP in residential markets and partnership derived products such as VirtualEdge™.

Results of Operations

Revenues	Three months ended September 30,			Six months ended September 30,		
	2005	2004	Change	2005	2004	Change
Consolidated revenue	66,316	61,399	4,917	141,957	117,571	24,386
Equipment revenue:						
CNE	44,035	39,305	4,730	97,079	71,108	25,971
NSA	11,092	11,277	(185)	21,784	24,394	(2,610)
Total equipment revenue	55,127	50,582	4,545	118,863	95,502	23,361
Services revenue	11,189	10,817	372	23,094	22,069	1,025

CNE revenue increased in the second quarter of fiscal 2006 compared to the same quarter in the prior year due to a 9.3% increase in the number of units shipped offset in part by a 1.7% decrease in selling price per unit. CNE revenue increased in the first half of fiscal 2006 compared to the same period in the prior year due to a 25.1% increase in the number of units shipped and a 5.5% increase in selling price per unit. The selling price per unit in fiscal year 2006 was positively impacted by the sale of VersaLink™ product that has a higher selling price per unit than traditional modems. Traditional modems unit sales decreased 6.6% and 8.5% and the average selling price per unit decreased 9.9% and 11.4% in the second quarter and first half of fiscal 2006 compared to the same periods last year. NSA revenues decreased due to lower unit sales and lower selling prices per unit. In addition, NSA product revenue in the first half of fiscal 2005 included an $883,000 contractual settlement from a customer, $900,000 of non-recurring revenue and approximately $500,000 of revenue from a product line subsequently sold. The overall decrease in NSA product revenue is due to reduced demand resulting from the migration by telephone companies to high-speed digital transmission products. Revenue in the services segment increased due to an increase in minutes billed in the fiscal year 2006 offset in part by lower revenue per minute at the Company’s Conference Plus, Inc. subsidiary.

Gross Margin	Three months ended September 30,			Six months ended September 30,		
	2005	2004	Change	2005	2004	Change
Consolidated Margin	30.9%	31.4%	(0.5)%	30.4%	32.2%	(1.8)%
Equipment Margin	27.3%	26.9%	0.4%	26.6%	28.2%	(1.6)%
Service Margin	48.3%	52.3%	(4.0)%	49.6%	49.5%	0.1%

Gross margin as a percent of sales in the equipment segment increased in the second quarter of fiscal 2006 compared to the same period in fiscal 2005 due primarily to non recurring expediting and other costs related to the introduction of the VersaLink™ product in the second quarter of fiscal 2005. This more than offset the change in sales mix from higher margin NSA products to lower margin CNE products and a $600,000 charge taken for excess and obsolete inventory in the second fiscal quarter of 2006. The decrease in equipment margin percentage in the first half of fiscal 2006 when compared to the same period in fiscal 2005 was due primarily to a higher mix of lower margin CNE sales compared to NSA sales and a $600,000 charge taken for excess and obsolete inventory. In addition, the September 30, 2004 margin includes the $883,000 contractual settlement mentioned above. The Company believes continued pricing pressures and continued reduction of NSA sales affecting its equipment segment could continue to adversely impact margins in the future. The service margins decrease in the second quarter of fiscal 2006 compared to the same period in fiscal 2005 is due to increased overhead costs related to web outsourcing and credit card fees. The increase in services margin for the first half of fiscal 2006 compared to the same period in fiscal 2005 is primarily due to a reduction in long distance expense which more than offset increases in overhead expenses. It is the Company’s strategy to offset the effects of these anticipated price reductions with continued cost reductions and introducing new products that have higher sales prices and margins.

Sales and Marketing	Three months ended September 30,			Six months ended September 30,		
	2005	2004	Change	2005	2004	Change
Consolidated sales and marketing expense	5,987	5,530	457	12,157	10,882	1,275
Equipment sales and marketing expense	3,904	4,038	(134)	7,935	7,845	90
Services sales and marketing expense	2,083	1,492	591	4,222	3,037	1,185

The equipment segment sales and marketing expenses were relatively flat in the second quarter and first half of fiscal 2006 compared to the same periods last year. Sales and marketing expense increased in the Company's services segment in the second quarter and first half of fiscal 2006 compared to the same periods last year due primarily to more employees at Conference Plus. The Company believes that sales and marketing expense in the future will continue to be a significant percent of revenue and will be required to expand its product lines, bring new products to market and service customers.

Research and Development	Three months ended September 30,			Six months ended September 30,		
	2005	2004	Change	2005	2004	Change
Consolidated research and development expense	4,975	3,528	1,447	9,632	7,102	2,530
Equipment research and development expense	4,536	3,139	1,397	8,737	6,311	2,426
Services research and development expense…	439	389	50	895	791	104

Engineering expenses have increased in the second quarter and first half of fiscal year 2006 compared to the same periods in fiscal year 2005. The increase is due in part to recording a $900,000 credit for customer reimbursed engineering costs offset in part by a $300,000 expense for engineering period performed by a third party in fiscal year 2005. No such offset existed in fiscal year 2006. In addition, there were approximately 17% more engineering employees in fiscal year 2006 which resulted in $413,000 and $773,000 more salary expense in the second quarter and first half of fiscal 2006 compared to same periods in fiscal 2005. In fiscal year 2005, the Company capitalized $570,000 and $929,000 of engineering expenses as an intangible asset for TR-069 compliant software in the three and six months ended September 30, 2004. No costs were capitalized in the periods ended September 30, 2005. The Company believes that research and development expenses will increase in fiscal year 2006 as the Company continues to expand its product offerings. Areas of focus include VoIP, video, multimedia distribution and control, wireless systems, user interfaces and other broadband applications.

General and Administrative	Three months ended September 30,			Six months ended September 30,		
	2005	2004	Change	2005	2004	Change
Consolidated general and administrative expense	4,164	4,762	(598)	8,518	8,776	(258)
Equipment general and administrative expense	2,609	2,855	(246)	5,187	5,136	51
Services general and administrative expense…	1,555	1,907	(352)	3,331	3,640	(309)

The decrease in general and administrative expense in the equipment segment for the second quarter of fiscal 2006 compared to the same periods in fiscal 2005 is due primarily to lower franchise tax expense. The increase in general and administrative expense in the equipment segment for the first half of fiscal 2006 compared to the same period in fiscal 2005 is due primarily to increased personnel costs in the UK entity offset in part by lower franchise tax expense. The decrease in general and administrative expense in the services segment for the second quarter and first half of fiscal 2006 period compared to the same periods in fiscal 2005 is due primarily to lower franchise tax expense.

Intangible amortization Intangible assets include product technology related to the March 17, 2000 acquisition of Teltrend Inc. Intangible amortization expense, which is attributed to the equipment segment, was $324,000 for the three months ended September 30, 2005 and 2004. Intangible amortization was $648,000 and $687,000 in the six months ended September 30, 2005 and 2004, respectively.

Other income, net Other income, net was $192,000 and $32,000 in the three months and $14,000 and $393,000 in the six months ended September 30, 2005 and 2004, respectively. The June 30, 2004 quarter contained income from a $400,000 legal settlement in the equipment segment. The remainder of other income, net was comprised of interest income earned on temporary cash investments and unrealized gains or losses on intercompany balances denominated in foreign currency.

Interest expense Interest expense decreased to $5,000 in the three months ended September 30, 2005 from $15,000 in the three months ended September 30, 2004 and decreased from $9,000 in the six months ended September 30, 2005 from $51,000 in the six months ended September 30, 2004. The decrease in interest expense during the current period is a result of lower net obligations outstanding during the period.

Income taxes The Company recorded $2.1 million and $4.8 million of income tax expense in the three and six month periods ended September 30, 2005 based on an estimated tax rate for the year of approximately 40% compared to $2.6 million and $4.8 million of income tax expense in the three and six month periods ended September 30, 2004.

Liquidity and Capital Resources

At September 30, 2005, the Company had $44.0 million in cash and cash equivalents consisting primarily of federal government agency instruments and the highest rated grade corporate commercial paper. At September 30, 2005, the Company had no amounts outstanding and $26.7 million available under its secured revolving credit facility.

On September 30, 2005, the Company had a revolving credit facility that provided for maximum borrowings of up to $30 million. The term on the credit facility expires on June 30, 2006. This asset based revolving credit facility provides for total borrowings based upon 85% of eligible accounts receivable and 30% of eligible inventory not to exceed $3.4 million as of September 30, 2005. The $3.4 million inventory limitation is reduced by $0.1 million on the first day of each month. Borrowings under this facility provide for the interest to be paid by the Company at the prime rate or LIBOR rate plus 2.5%. This credit facility contains covenants regarding EBITDA, tangible net worth and maximum capital expenditures. The Company was in compliance with these covenants on September 30, 2005 and expects to comply with these covenants for the term of the credit facility. The Company expects to replace the existing credit facility with a new facility with similar borrowing capacity prior to June 30, 2006.

In connection with the Company’s management changes implemented at its subsidiary Conference Plus, Inc., in fiscal year 2003, the Company purchased 3.2% of the outstanding shares of common stock of Conference Plus, Inc. from former officers of Conference Plus, Inc. for approximately $1.6 million payable in cash and promissory notes. The purchase price was based upon the minority interest value set forth in an appraisal of Conference Plus, Inc. As of September 30, 2005, there was $67,000 outstanding under these notes.

The Company’s operating activities generated cash of $18.7 million in the six month period ended September 30, 2005. Cash generated by operations resulted primarily from net income, non-cash depreciation and amortization in both segments and reductions in inventory offset in part by reductions in accounts payable and accrued expenses and in accrued compensation in the equipment segment

Capital expenditures for the six month period ended September 30, 2005 were $2.2 million. The capital expenditures in the equipment segment were $1.6 million and were primarily for machinery and research and development equipment purchases. The services segment capital expenditures were $565,000. These expenditures were primarily for computer and telecom bridge equipment.

At September 30, 2005 the Company’s principle sources of liquidity were $44.0 million of cash and the secured revolving credit facility under which the Company was eligible to borrow up to an additional $26.7 million based upon receivables and inventory levels. Cash in excess of operating requirements, if any, will be invested on a short-term basis in federal government agency instruments and the highest rated grade commercial paper. The Company believes its future cash requirements for the next twelve months will be satisfied by cash generated from operations and its current credit facility.

The Company had deferred tax assets of approximately $66.6 million at September 30, 2005, consisting primarily of net operating loss carryforwards. The Company has recorded a valuation allowance reserve of $7.3 million to reduce the recorded net deferred tax asset to $59.3 million.

The net operating loss carryforwards begin to expire in 2012. Realization of deferred tax assets associated with the Company's future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. The Company uses estimates of future taxable income and a tax planning strategy that involves the potential sale of the Company's 91.5% subsidiary Conference Plus, Inc. to assess the valuation allowance required against deferred tax assets. Management periodically evaluates the recoverability of the deferred tax assets and will adjust the valuation allowance against deferred tax assets accordingly.

Critical Accounting Policies

There were no changes in critical accounting policies during the quarter.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

Westell is subject to certain market risks, including foreign currency and interest rates. The Company has foreign subsidiaries in the United Kingdom and Ireland that develop and sell products and services in those respective countries. The Company is exposed to potential gains and losses from foreign currency fluctuations affecting net investments and earnings denominated in foreign currencies. Market risk is estimated as the potential decrease in pretax earnings resulting from a hypothetical decrease in the ending exchange rate of 10%. If such a decrease occurred, the Company would incur approximately $775,000 in additional other expense based on the ending intercompany balance outstanding at September 30, 2005. The Company's future primary exposure is to changes in exchange rates for the U.S. dollar versus the British pound and the Euro.

As of September 30, 2005, the balance in the cumulative foreign currency translation adjustment account, which is a component of stockholders' equity, was an unrealized loss of $326,000.

The Company does not have significant exposure to interest rate risk related to its debt obligations, which are primarily U.S. Dollar denominated. The Company's market risk is the potential loss arising from adverse changes in interest rates. In the past 12 months the Company's debt consisted primarily of subordinated term notes. Market risk is estimated as the potential decrease in pretax earnings resulting from a hypothetical increase in interest rates of 10% (i.e. from approximately 6.3% to approximately 6.9%) average interest rate on the Company's debt. If such an increase occurred, the Company would incur approximately $2,000 per annum in additional interest expense based on the average debt borrowed during the twelve months ended September 30, 2005. The Company does not believe such additional expense is significant.

The Company does not currently use any derivative financial instruments relating to the risk associated with changes in foreign currency or interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2005 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is not currently involved in any legal proceedings

Item 4. SUMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On September 22, 2005, the Company held its annual meeting of stockholders.

The following directors were re-elected to serve until the annual meeting of stockholders in 2006:

Nominee	For	Withheld
John W. Seazholtz	107,629,398	2,225,243
E. Van Cullens	107,854,667	1,999,974
Paul A. Dwyer.	107,502,042	2,352,599
Eileen A. Kamerick	107,787,123	2,067,518
Robert C. Penny III	107,073,946	2,780,695
Roger L. Plummer	107,638,908	2,215,733
Bernard F. Sergesketter	107,781,013	2,073,627
Melvin J. Simon	107,779,549	2,075,092

The stockholders voted to approve the proposal to ratify the appointment of Ernst &Young LLP, independent auditors as auditors for fiscal year ending March 31, 2006:

	For	Against	Abstain
Appointment of independent auditors	109,566,741	287,903	451,805

ITEM 6. EXHIBITS

Exhibit 31.1 Certification by the Chief Executive Officer Pursuant . to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 Certification by the Chief Financial Officer Pursuant to Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002

Exhibit 32.1 Certification by the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTELL TECHNOLOGIES, INC.
(Registrant)

DATE: November 9, 2005

By: /s/ E. VAN CULLENS
E. VAN CULLENS
Chief Executive Officer

By: /s/ NICHOLAS C. HINDMAN, Sr.
NICHOLAS C. HINDMAN, Sr.
Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, E. Van Cullens, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2005 of the Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 9, 2005

/s/ E. VAN CULLENS
E. Van Cullens
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nicholas C. Hindman, Sr., certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2005 of the Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 9, 2005

/s/NICHOLAS C. HINDMAN, Sr.
Nicholas C. Hindman, Sr.
Treasurer, Secretary, Senior Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Westell Technologies, Inc. (the "Company") on Form 10-Q for the fiscal period ending September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on their knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of and for the periods covered in the Report.

/s/ E. VAN CULLENS
E. Van Cullens
Chief Executive Officer
November 9, 2005

/s/NICHOLAS C. HINDMAN, Sr.
Nicholas C. Hindman, Sr.
Chief Financial Officer
November 9, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Westell Technologies, Inc. and will be retained by Westell Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.