Cellnet Group Limited
and its controlled entities

ABN: 97 010 721 749

Half-Year Financial Report
Period Ended 31 December 2021

Section A

Appendix 4D
HALF YEAR REPORT
Statutory Results

Name of Entity	Cellnet Group Limited
ABN	97 010 721 749
Reporting Period	Half-year ended 31 December 2021
Previous Corresponding Period	Half-year ended 31 December 2020

This information presented should be read in conjunction with the 30 June 2021 financial report.

Results for announcement to the market

	Reporting Period $000	**Previous Corresponding Period $000**	**% Change Increase / (Decrease)**
Revenues from ordinary activities	43,678	56,461	(22.64%)
Net Profit/(loss) for the period attributable to members	(1,541)	2,438	(163.21%)

For commentary on the results refer to the Directors' Report which forms part of the Half-year Report.

	Reporting Period	**Previous Corresponding Period**
Final Dividend	$730,784	$nil
Amount per security	$0.003	N/A
Franked amount per security	Nil	N/A
Record Date	21.10.2021	N/A
Interim Dividends	$nil	$nil
Amount per Security	N/A	N/A
Franked Amount per Security	N/A	N/A
Record Date	N/A	N/A

NTA Backing

Net tangible assets backing per share	8.4¢	8.0¢

Additional Appendix 4D Disclosure Requirements

Nil.

Financial Information

This Appendix 4D should be read in conjunction with the Half-year Report for the half-year ended 31 December 2021 as set out on pages 4 to 24.

Compliance Statement

This report is based on accounts that have been reviewed. The review report, which was not subject to audit modification or qualification, is included in the interim financial report.

Cellnet Group Limited
and its controlled entities
Half-Year Financial Report

Condensed Financial Report
for the Half-Year Ended
31 December 2021

Contents

Corporate Information

ABN 97 010 721 749

Directors
Mr Tony Pearson (Chairman)
Mr Kevin Gilmore (Deputy Chairman)
Mr Brian Danos
Mr Giles Karhan
Mr Michael Wendt

Company Secretary
Mr Chris Barnes

Principal Registered Office
Cellnet Group Limited
Tenancy E1, 5 Grevillea Place
Brisbane Airport QLD 4008
Phone: 1300 CELLNET
Fax: 1800 CELLNET

Banker
Westpac Banking Corporation
260 Queen Street
Brisbane QLD 4000

Auditor
Pitcher Partners
345 Queen Street
Brisbane QLD 4000
Phone: 07 3222 8444

Share Registrar
Link Market Services Ltd
Level 21
10 Eagle Street
Brisbane QLD 4000
Phone: 1300 554 474

Stock Exchange
The Company is listed on the Australian Securities Exchange. The home exchange is Brisbane.

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2021.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the periods as detailed below:

Mr Tony Pearson (Chairman)
Mr Kevin Gilmore (Deputy Chairman)
Mr Brian Danos
Mr Giles Karhan
Mr Michael Wendt

Principal activities

The principal activities of the consolidated entity are:

- Sourcing products and the distribution of market leading brands and lifestyle technology products including mobile phone, gaming, table and notebook/hybrid accessories into retail and business channels in Australia and New Zealand; and
- Category management and fulfilment services to the mobile telecommunications and retail industries in Australia and New Zealand

Review and results of operations

- First-half EBITDA of $1.6m
- Cash at bank of $6.1m as of 31 December 2021
- Cellnet partners with Renewable Mobile Group to resell refurbished devices
- Online sales increase 21% on same period last year
- Dividend payment of $730,784 during the period made to shareholders

Trans-Tasman lifestyle technology distributor Cellnet Group Limited ("Cellnet" or the "Company") has announced a first-half FY2022 EBITDA of $1.6m, despite significant ongoing retail headwinds resulting from retail store closures due to Covid-19 restrictions across Australia and New Zealand. Net profit before tax for the period of $205,000, which included a non-cash impairment expense of $613,000.

Cellnet entered a strategic sourcing arrangement with Queensland based Renewable Mobile Group ("RMG") on 25 October 2021. The partnership with RMG provides Cellnet access to locally refurbished iPhones, iPads, and other mobile devices for supply into retail and online channels including Reebelo, Hulii, Kogan and Amazon. The refurbished device category is seen as an emerging high growth segment and highly synergistic for Cellnet. Repairs and warranty support is provided by RMG under the agreement. The partnership was accretive to Cellnet revenue in the reporting period, with expansion into the New Zealand market expected in the coming quarter.

Online sales, including refurbished devices, increased 21% on the same corresponding period last year through Cellnet's flagship Techunion store and marketplaces across Australia and New Zealand.

Dividends

The group declared a dividend during the half year ended 31 December 2021 of $0.003 per share which resulted in a payment $730,784 inclusive of withholding tax. The group did not pay or declared any dividends for the half-year ended 31 December 2020.

Rounding

The consolidated entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. Amounts in the financial report and Directors' report have been rounded off to the nearest $1,000 unless otherwise stated.

Auditor's Independence Declaration

Attached is a copy of the Auditors Independence Declaration provided under Section 307C of the *Corporations Act 2001* in relation to the review of the half-year ended 31 December 2021. This Auditors Independence Declaration forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

Tony Pearson - Chairman
23 February 2022

Level 38, 345 Queen Street
Brisbane, QLD 4000

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GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Cellnet Group Limited
Tenancy E1, 5 Grevillea Place
BRISBANE AIRPORT QLD 4008

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2021, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Cellnet Group Limited and the entities it controlled during the period.

Pitcher Partners
PITCHER PARTNERS

DANIEL COLWELL
Partner

Brisbane, Queensland
24 February 2022

Interim consolidated statement of comprehensive income

For the six months ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $000	31 Dec 2020 $000 Restated*
Revenue from contracts with customers	4	**43,678**	**56,461**
Other income		2	268
Materials, packaging and consumables used		(33,711)	(42,815)
Depreciation and amortisation expense		(532)	(531)
Employee benefit expense		(4,341)	(4,897)
Finance costs		(254)	(440)
Freight expense		(1,283)	(1,205)
Occupancy expense		(46)	(84)
Warehousing expense		(1,560)	(1,504)
Other expense		(1,135)	(1,800)
Impairment expense	10	(613)	-
Profit before income tax		**205**	**3,453**
Income tax (expense) / benefit	7	(1,746)	(1,015)
Profit/(loss) for the period		**(1,541)**	**2,438**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		45	(136)
Total comprehensive income for the period		**(1,496)**	**2,302**
Earnings per share for profit attributable to the ordinary equity holders of the parent			
Basic earnings/(loss) per share		(0.64)¢	1.03¢
Diluted earnings/(loss) per share		(0.64)¢	1.03¢

* Certain comparative amounts have been restated as a result of changes to the accounting policy in respect of Software as a Service ("SaaS") arrangements following the IFRS Interpretations Committee agenda decision published in April 2021 (refer note 16).

The above interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim consolidated statement of financial position

As at 31 December 2021	**Note**	**Consolidated 31 Dec 2021 $000**	**30 June 2021 $000 Restated***
ASSETS			
Current assets			
Cash and cash equivalents		6,170	6,999
Trade and other receivables	8	20,164	13,161
Inventories	9	21,471	17,700
Other current assets		1,118	1,566
Total current assets		**48,923**	**39,426**
Non-current assets			
Property, plant and equipment		260	293
Right of use asset		873	408
Deferred tax assets (net)		1,350	3,095
Intangible assets	10	4,807	5,559
Total non-current assets		**7,290**	**9,355**
TOTAL ASSETS		**56,213**	**48,781**
LIABILITIES			
Current liabilities			
Trade and other payables	11	15,422	10,073
Current tax liabilities		49	49
Provisions		875	860
Interest-bearing loans and borrowings	12	11,932	8,359
Derivative financial instruments	5	49	-
Lease liabilities		409	229
Total current liabilities		**28,736**	**19,570**
Non-current liabilities			
Provisions		118	69
Lease liabilities		666	252
Total non-current liabilities		**784**	**321**
TOTAL LIABILITIES		**29,520**	**19,891**
NET ASSETS		**26,693**	**28,890**
EQUITY			
Issued capital	13	38,755	38,725
Reserves		12,940	13,626
Accumulated losses		(25,002)	(23,461)
TOTAL EQUITY		**26,693**	**28,890**

* Certain comparative amounts have been restated as a result of changes to the accounting policy in respect of Software as a Service ("SaaS") arrangements following the IFRS Interpretations Committee agenda decision published in April 2021 (refer note 16).

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

Interim consolidated statement of changes in equity

For the six months ended 31 December 2021

	Share capital $000	Reserve for own shares $000	Foreign currency translation reserve $000	Share based payment reserve $000	Reserve for profits $000	Accumu-lated losses $000	Total Equity $000
At 1 July 2021	38,725	(25)	(590)	1,945	12,952	(23,461)	29,546
Restatement as a result of change in accounting policy (note 16)	-	-	-	-	(656)	-	(656)
Restated balance at 1 July 2021	**38,725**	**(25)**	**(590)**	**1,945**	**12,296**	**(23,461)**	**28,890**
Loss for the period	-	-	-	-	-	(1,541)	(1,541)
Foreign currency translation	-	-	45	-	-	-	45
Total comprehensive income for the half year	-	-	45	-	-	(1,541)	(1,496)
Transfers to / from reserves	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners:					-	-	-
Share based payments	-	-	-	-	-	-	-
Issue of shares	30	-	-	-	-	-	30
Dividends paid	-	-	-	-	(731)	-	(731)
Balance at 31 December 2021	**38,755**	**(25)**	**(545)**	**1,945**	**11,565**	**(25,002)**	**26,693**
At 1 July 2020	38,389	(25)	(339)	1,695	9,142	(23,461)	25,401
Restatement as a result of change in accounting policy (note 16)	-	-	-	-	(619)	-	(619)
Restated balance at 1 July 2020	**38,389**	**(25)**	**(339)**	**1,695**	**8,523**	**(23,461)**	**24,782**
Profit for the period	-	-	-	-	-	2,438	2,438
Foreign currency translation	-	-	(136)	-	-	-	(136)
Total comprehensive income for the half year	-	-	(136)	-	-	2,438	2,302
Transfers to / from reserves	-	-	-	-	2,438	(2,438)	-
Transactions with owners in their capacity as owners:							
Share based payments	-	-	-	189	-	-	189
Issue of shares	96	-	-	-	-	-	96
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2020	**38,485**	**(25)**	**(475)**	**1,884**	**10,961**	**(23,461)**	**27,369**

* Certain comparative amounts have been restated as a result of changes to the accounting policy in respect of Software as a Service ("SaaS") arrangements following the IFRS Interpretations Committee agenda decision published in April 2021 (refer note 16).

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

Interim consolidated statement of cash flows

For the six months ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $000	31 Dec 2020 $000 Restated*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		42,982	56,593
Payments to suppliers and employees (inclusive of GST)		(46,360)	(60,654)
Income tax paid		-	(34)
Interest paid		(151)	(331)
Net cash flows used in operating activities		**(3,529)**	**(4,426)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(18)
Purchase of intangibles		-	(107)
Net cash flows used in investing activities		**-**	**(125)**
Cash flows from financing activities			
Proceed from share issue		30	96
Principal repayments on leases		(231)	(218)
Proceeds from borrowings		3,573	2,603
Payment of dividends, net of tax withheld		(669)	-
Net cash flows from financing activities		**2,703**	**2,481**
Net increase / (decrease) in cash and cash equivalents		(826)	(2,070)
Cash and cash equivalents at beginning of period		6,999	6,936
Net foreign exchange differences		(3)	(134)
Cash and cash equivalents at end of period		**6,170**	**4,732**

* Certain comparative amounts have been restated as a result of changes to the accounting policy in respect of Software as a Service (“SaaS”) arrangements following the IFRS Interpretations Committee agenda decision published in April 2021 (refer note 16).

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

Notes to the Financial Statement

For the six months ended 31 December 2021

1. Corporate Information

Cellnet Group Limited (the "Company") is a company domiciled in Australia whose shares are publicly traded. The interim condensed consolidated financial statements of the Company as at and for the half-year ended 31 December 2021 comprise the results of the Company and its subsidiaries (together referred to as the "consolidated entity").

The interim condensed consolidated financial statements of the consolidated entity for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 23 February 2022.

The interim condensed consolidated financial statements of the consolidated entity as at and for the half-year ended 31 December 2021 are available upon request from the Company's registered office at Tenancy E1, 5 Grevillea Place, Brisbane Airport QLD 4008 or at www.cellnet.com.au.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2021 and any public announcements made by the Group during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted in the Group's annual report for the year ended 30 June 2021, except to the extent disclosed in note 16.

3. Seasonality of operations

The consolidated entity's balance sheet is impacted by seasonality in sales. December trade balances are generally expected to be higher than those as at the previous financial year end due to greater sales activity around calendar year end. Users of the interim consolidated financial report may therefore benefit from reading this report in conjunction with the interim consolidated financial report for the half-year ended 31 December 2020.

4. Operating segment information

Identification of reportable segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker (the Chief Executive Officer) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments are identified by management based on the manner in which products are sold. The group has identified three operating segments, being Cellnet Australia, Cellnet New Zealand, and Turn Left Distribution. The Cellnet Australia and Cellnet New Zealand operating segments are aggregated into the one reportable segment (Cellnet), based on the similar economic characteristics that exist between these two segments, and similarities in the nature of products, type and class of customer for these products, distribution methods and similar economic and regulatory environments in Australia and New Zealand.

4. Operating segment information (continued)

Financial information for each of the group's reportable segments is set out below:

December 2021	Cellnet $'000	Turn Left $'000	Corporate and Eliminations $'000	Total $'000
Australia	24,646	12,186	-	36,832
New Zealand	6,846	-	-	6,846
Revenue	**31,492**	**12,186**	**-**	**43,678**
Profit/(loss) before tax	**(25)**	**230**	**-**	**205**
Other income	2	-	-	**2**
Segment assets	41,289	14,887	37	56,213
Segment liabilities	21,928	7,591	1	29,520

December 2020	Cellnet $'000	Turn Left $'000	Corporate and Eliminations $'000	Total $'000
Australia	34,136	13,062	-	47,198
New Zealand	9,263	-	-	9,263
Revenue	**43,399**	**13,062**	**-**	**56,461**
Profit/(loss) before tax	**2,356**	**1,165**	**(68)**	**3,453**
Other income	-	-	268	**268**
Segment assets	42,060	17,158	1,620	60,838
Segment liabilities	26,270	6,973	226	33,469

5. Fair value measurements

Outlined below are the judgements and estimates made in determining the fair value of assets and liabilities that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its assets and liabilities into the three levels prescribed under the accounting standards, as follows:

Level 1: The fair value of assets and liabilities traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of assets and liabilities that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. That is, all valuation inputs are observable.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

5. Fair value measurements (cont'd)

The only balances on the group's balance sheet which are measured at fair value are forward foreign exchange contracts. The fair value of forward foreign exchange contracts is determined by calculating the difference between the forward rate and closing rate on these contracts at balance date. Such fair value measurement is included in level 2, as it is based on an observable input. At 31 December 2021 the group recognised a liability of $49,000. There were no forward exchange contracts held at 30 June 2021.

The fair value of the group's other financial instruments approximates their carrying value.

6. Dividends

The group declared a dividend during the half year ended 31 December 2021 of $0.003 per share which resulted in a payment $730,784 inclusive of withholding tax. The group did not pay or declared any dividends for the half-year ended 31 December 2020.

7. Income tax expense

Numerical reconciliation of income tax expense to prima facie tax payable:

	Dec 2021 $000	**Dec 2020 $000**
Profit before income tax	205	3,453
Prima facie tax expense at the Australian tax rate of 30%	62	1,036
Tax effect of adjustments		
Non-deductible expenditure	185	65
Non-taxable income	-	(80)
Difference in New Zealand tax rate (28%)	(1)	(6)
Derecognition of deferred tax assets	1,500	-
Income tax expense	**1,746**	**1,015**

At 30 June 2021, the group assessed that deferred tax assets recognised were recoverable, based on forecast taxable profits over a three year period, and a history of taxable profits arising in all but one (2020) of the last seven financial years. The group has derecognised $1,500,000 of deferred tax assets as at 31 December 2021 based on revised forecasts for the next three year period, reflective of reduced trading results as a result of the loss of key supply agreements (see note 9 and note 17).

8. Trade and other receivables

	Dec 2021 $000	**June 2021 $000**
Receivables from contracts with customers	18,482	13,283
Allowances for expected credit losses	(70)	(993)
	18,412	**12,290**
Other receivables and prepayments	1,752	871
	20,164	**13,161**

8. Trade and other receivables (cont'd)

As disclosed in note 3, December trade balances are generally expected to be higher than those as at the previous financial year end due to greater sales activity around calendar year end. The balance of trade and other receivables at 31 December 2020 was $21,588,000. During the half-year ended 31 December 2021, the group realised an impairment loss of $765,000 against an individual customer account, resulting in a corresponding reduction in the allowance for expected credit losses.

9. Inventories

	Dec 2021 $000	June 2021 $000
Stock on hand	24,333	19,561
Less: provision for obsolescence	(2,862)	(1,861)
	21,471	**17,700**

As disclosed in note 3, December trade balances are generally expected to be higher than those as at the previous financial year end due to greater sales activity around calendar year end. The balance of inventories as at 31 December 2020 was $24,165,000. During the half-year ended 31 December 2021, the group's supply agreement with Optus ended, resulting in the sale of approximately $2.5m in consignment inventory.

10. Intangible assets

	Dec 2021 $000	June 2021 $000
Software assets	126	150
Goodwill	2,373	2,854
Customer relationships	-	-
Supplier relationships	2,308	2,555
	4,807	**5,559**

The group revised its impairment assessment for each of the group's cash-generating units (CGUs) as at 31 December 2021, due to trading conditions throughout the half-year and loss of a key supply agreement as disclosed in note 9 providing an indication of potential impairment.

An impairment charge of $613,000 was recognised against the Cellnet Australia CGU, $481,000 of which was recorded against goodwill and the remaining $132,000 attributed to right-of-use assets. This impairment is a result of a downwards revision of the EBITDA assumption from $2.907m in the impairment assessment completed at 30 June 2021 to an EBITDA loss of $84,000 at 31 December 2021.

There was no significant change in the results of the impairment assessment for the remaining CGUs from those reported in the group's annual financial statements for the financial year ended 30 June 2021.

11. Trade and other payables

	Dec 2021 $000	June 2021 $000
Trade payables	10,625	4,083
Rebate and incentive liability	2,600	2,646
Right of return liability^	1,809	2,127
Other payables and accrued expenses	388	1,217
	15,422	**10,073**

^ An associated right to returned goods asset is recognised in other current assets, representing the expected value of goods to be returned by customers in future periods.

As disclosed in note 3, December trade balances are generally expected to be higher than those as at the previous financial year end due to greater sales activity around calendar year end. The balance of trade and other payables at 31 December 2021 was $18,833,000.

12. Interest bearing loans and borrowings

Secured - current

	Weighted Avg. Interest Rate %	Maturity	Dec 2021 $000	June 2021 $000
Business finance	3.08	4 – 31 January 2022	3,029	-
Business finance	3.06	6 - 29 July 2021	-	2,846
Invoice finance	3.29	Various	8,903	-
Invoice finance	3.29	Various	-	5,513
			11,932	**8,359**

13. Contributed equity

	Dec 2021 No. of shares	Dec 2021 $000	Dec 2020 No. of shares	Dec 2020 $000
Balance at 1 July	242,594,634	38,725	231,601,856	38,389
Share issued – bonus shares*	-	-	992,778	36
Shares issued – exercise of options#	1,000,000	30	2,000,000	60
Balance at 31 December	**243,594,634**	**38,755**	**234,594,634**	**38,485**

* On 25 June 2020, the board approved a bonus of $50,000 for the chairman and $8,000 for the CFO in acknowledgement of their efforts in connection with the entitlement offer announced on 7 May 2020. A total of 992,778 shares were issued during the half-year ended 31 December 2020 at an issue price of 3.6 cents per share, after allowing for withholding tax payable on the bonuses.

A total of 1,000,000 (2020: 2,000,000) shares were issued on exercise of options during the half-year, refer note 14 for further information.

14. Share based payments

Non-executive Director options

The group has issued a number of options to non-executive directors of the company in a prior period. The terms of these options are disclosed in the group's annual financial statements for the year ended 30 June 2021.

The following table illustrates movements in the number of director share options on issue during the half-year:

	2021 #	Weighted Average Exercise Price $	2020 #	Weighted Average Exercise Price $
Opening balance – 1 July	5,000,000	0.03	-	-
Granted during the half-year	-	-	15,000,000	0.03
Forfeited during the period	-	-	-	-
Exercised during the half-year	(1,000,000)	0.03	(2,000,000)	0.03
Outstanding as at 31 December	4,000,000	0.03	13,000,000	0.03
Vested and exercisable	4,000,000	0.03	1,000,000	0.03

The group has recognised share-based payments expense of $nil in respect of these options during the half-year ended 31 December 2021 (31 December 2020: $158,000).

15. Related party transactions

Entity with ultimate control over the group

Wentronic Holding Gmbh and its associated entities hold 53.22% (30 June 2021: 53.45%) of the ordinary shares in Cellnet Group Limited.

At 31 December 2021 the group had a receivable from Wentronic Holding GmbH of $62,000 (30 June 2021: $92,000) which has arisen as a result of expenditure recharge arrangements.

Transactions and balances with entities under common control

Wentronic Asia Pacific Limited
During the current and comparative half-years ended 31 December, the group enlisted the services of Wentronic Asia Pacific Limited (WAPL). WAPL is a wholly owned subsidiary of Wentronic Holding GmbH, Cellnet's controlling shareholder. A function of WAPL is to source and procure inventory through bulk buying arrangements with third party suppliers on behalf of the Wentronic Group. Cellnet pays WAPL a 6% services fee for coordination of the purchasing and logistics function provided by WAPL under a service agreement.

The total value of transactions with WAPL under these arrangements during the half-year ended 31 December 2021 was $334,000 (31 December 2020: $155,000). At 31 December 2021, the group had a total of $42,000 owing to WAPL in respect of these arrangements (30 June 2021: 9,000).

Wentronic GmbH
During the half-year ended 31 December 2021, the group purchased a total of $35,000 of inventory from Wentronic GmbH (31 December 2020: $nil). There was no amount owing to Wentronic GmbH at 31 December 2021 (30 June 2021: $nil).

16. Change in accounting policy

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred in relation to implementation of Software as a Service (SaaS) arrangements. As a result, the Group has changed its accounting policy with respect to these costs. The nature and effect of these changes is described below.

The Group's accounting policy has historically been to capitalise costs related to the configuration of SaaS arrangements as non-current assets in the Consolidated Statement of Financial Position. Under the group's revised accounting policy, to the extent that such costs modify or enhance a software application that the group does not control (as is typically the case for SaaS applications used by the group), these costs are expensed as incurred.

This change in accounting policy has been applied retrospectively, as required by Australian Accounting Standards. Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements, as follows:

	30 June 2021 as reported $000	**Adjustments $000**	**As Restated $000**
Interim consolidated statement of financial position			
Intangible assets	6,495	(936)	5,559
Deferred tax assets	2,815	280	3,095
Total non-current assets	**10,011**	**(656)**	**9,355**
Total assets	**49,437**	**(656)**	**48,781**
Net assets	**29,546**	**(656)**	**28,890**
Reserves	14,282	(656)	13,626
Total equity	**29,546**	**(656)**	**28,890**

	1 July 2020 as reported $000	**Adjustments $000**	**As Restated $000**
Consolidated statement of financial position			
Intangible assets	6,812	(884)	5,928
Deferred tax assets	2,750	265	3,015
Total non-current assets	**10,561**	**(619)**	**9,942**
Total assets	**49,347**	**(619)**	**48,728**
Net assets	**25,401**	**(619)**	**24,782**
Reserves	10,473	(619)	9,854
Total equity	**25,401**	**(619)**	**24,782**

16. Change in accounting policy (cont'd)

	31 Dec 2020 as reported $000	Adjustments $000	As Restated $000
Interim consolidated statement of comprehensive income			
Other expenses	(1,779)	(21)	(1,800)
Depreciation and amortisation expense	(595)	64	(531)
Profit / (loss) before income tax	**3,410**	**43**	**3,453**
Income tax (expense) / benefit	(1,002)	(13)	(1,015)
Net profit / (loss) for the period	**2,408**	**30**	**2,438**

	31 Dec 2020 as reported $000	Adjustments $000	As Restated $000
Interim consolidated statement of cash flows			
Payments to suppliers and employees (inclusive of GST)	(60,633)	(21)	(60,654)
Net cash used in operating activities	**(4,405)**	**(21)**	**(4,426)**
Purchase of intangibles	(128)	21	(107)
Net cash flows used in investing activities	**(146)**	**21**	**(125)**

17. Events subsequent to balance date

On 14 February 2022, the group received notification that effective 1 April 2022 Vinci Brands LLC ("Vinci Brands") intends to amend its distribution arrangements with the group to exclude Australian retail and online, engaging other distributors for these specific channels. In the calendar year ended 31 December 2021, sales into Australian retail and online channels of Vinci Brands represented 7.1% of group revenue.

Other than those already disclosed in this report there are no other matters or circumstances that have arisen since the end of this financial period which 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 future periods.

Directors' declaration

In accordance with a resolution of the Directors of Cellnet Group Limited, I declare that:

In the opinion of the Directors:

1. the financial statements and notes of the consolidated entity for the half year ended 31 December 2021 are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date of the consolidated entity; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,

Tony Pearson - Chairman
23 February 2022

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Independent Auditor's Review Report to the Members of Cellnet Group Limited

Conclusion

We have reviewed the half-year financial report of Cellnet Group Limited (the 'Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Pitcher Partners

PITCHER PARTNERS

DANIEL COLWELL
Partner

Brisbane, Queensland
24 February 2022