

# annual report



|| 2013|14



# cellnet

ABN 97 010 721 749


**Cellnet Group Limited**

59-61 Qantas Drive, Eagle Farm, QLD 4009 Australia

t: 1300 255 563 [www.cellnet.com.au](http://www.cellnet.com.au)



# hello!



I'm **NEO**. I represent Cellnet's spirit of discovery with a relentless pursuit of the new and the innovative. I am a self admitted consumer electronics junkie, scouring the globe for the latest developments in the world of smartphone, tablet and hybrid accessories.

I would like to share with you some of the great things Cellnet has been doing over the past year as well as some insights on what is to come.

**Are you ready to discover the next?**

discov

---

# er the next

**The next represents the excitement of new innovations and products - the exhilaration of discovery.**

It's what keeps Cellnet on the hunt for the latest and greatest gear in the smartphone, tablet and hybrid accessory market.

As with any journey, a knowledgeable guide is essential.

With our deep experience and relentless dedication to discovery, Cellnet leads you to the next innovation in the world of lifestyle technology products.



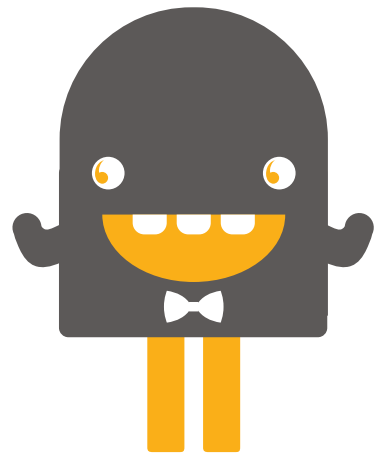
# Summary of

Invigorated senior management team



**cellnet**  
discover the next

Corporate  
rebranding



Consolidation  
of Cellnet  
brands

+ **cellnet**  
/MERCURYAV  
**3SIXT**

key initiatives

Iconic  
brand  
proposition  
to market  
leading  
retailers



**55%**

reduction  
in inventory  
holdings from  
inventory peak

welcome

to my  
playground

This is where I frolick,  
where I find the  
latest and greatest  
technology that the  
STH market has to  
offer through our own  
brands and through  
our innovative partners.



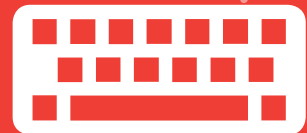
Screen  
Protection



Cases

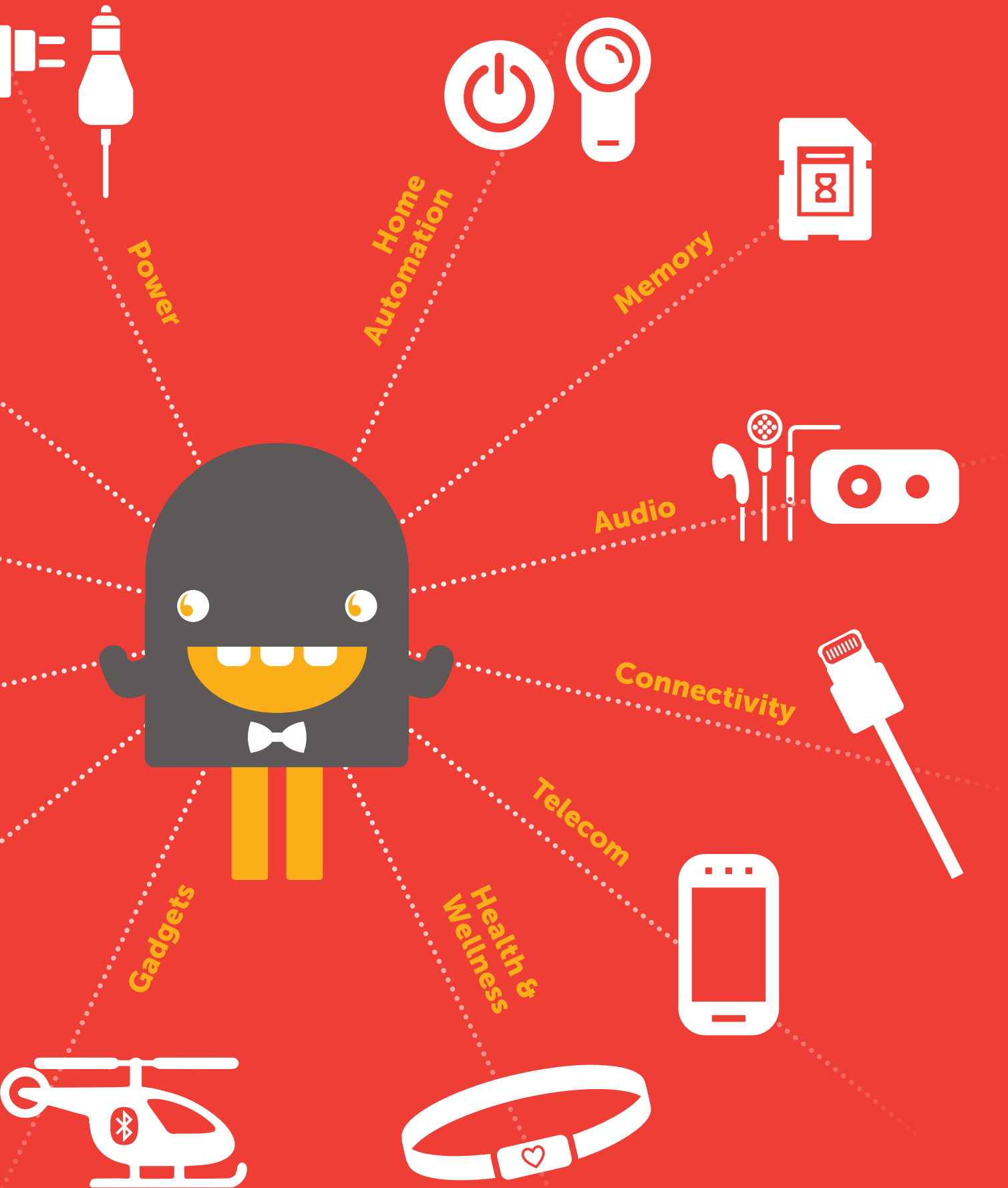


Video &  
Imaging



Input  
Devices





# brand consolidation

This year, Cellnet streamlined our vendor portfolio down from 72 to 12. In doing this, we were able to ensure that our category playground is focused when it came to our message to customers. Cellnet represents market leading and emerging brands across a wide range

of categories from cases and covers, power, health & wellness and memory just to name a few. The brands we represent are known in our industry as being innovative and reliable and all are backed by the expertise of a dedicated Cellnet business unit management team.

plantronics

Lexar™  
by micron

PHILIPS

3SIXT

LIFEPROOF™  
LET'S GO!

tech21™  
IMPACTOLOGY

Otter  
BOX

ZAGG®

striiv

INCIPIO

kanex

merc  
london



# introducing 3SIXT

Enhance me.

Today's consumer is more demanding, time-starved, informed & choice saturated than ever before.

For the world of technology, it seems like a new product is hitting the shelf every day. To endure, a brand must build value by creating strong bonds with their customers.

What does this mean for 3SIXT? It's time for a change – instead of talking 'at' the consumer in tech speak, it's time to talk 'to' the consumer in everyday language they can understand and relate to. The 3SIXT customer knows what they need and we're going to make it easy for them to find it.



**Complete full category management capability**  
**Increased margin availability | Flexibility**  
**Continuous innovation - discovering the next**

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## Corporate Information

### Directors

A. Beard (Chairman)  
M. Brookman  
E. Kaplan

### Company Secretary

C. Barnes

### Principal Registered Office

Cellnet Group Limited  
59-61 Qantas Drive  
Eagle Farm QLD 4009  
Phone: 1300 255 563  
Fax: 1800 255 563

### Banker

Westpac Banking Corporation  
260 Queen Street  
Brisbane QLD 4000

### Auditor

Pitcher Partners  
345 Queens Street  
Brisbane QLD 4000

### Share Register

Link Market Services Ltd  
Level 15 ANZ Building  
324 Queen Street, Brisbane QLD 4000  
Phone: 1300 554 474

### Solicitors

Thomson Geer  
Level 16 Waterford Place  
1 Eagle Street, Brisbane QLD 4000

### Securities Exchange

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



# Director's Report

Your Directors submit their report for the year ended 30 June 2014.

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities

#### Alexander Beard *B.Com, MAICD, FCA*

(Non-Executive Chairman – appointed Director 15 December 2006 and Chairman 20 August 2007)

Mr Beard is a Chartered Accountant and an experienced financier of growth companies as well as having gained considerable industry experience through his investee board roles. He is a fellow of the Institute of Chartered Accountants and a member of the Institute of Company Directors.

Mr Beard is Executive Director of CVC Limited (ASX:CVC), Executive Director of CVC Property Fund (ASX:CJT) and Chairman and Non-Executive Director of Villa World Group Limited (ASX:VLW). Mr Beard is currently a member of the Audit and Risk Management and Remuneration Committees.

During the past three years, Mr Beard also served as Chairman and Non-Executive Director of Mnemon Limited (formerly Mnet Group Limited) (ASX:MNZ), Non-Executive Director of Lonestar Resources Limited (ASX:LNR) and Non-Executive Director of Cyclopharm Limited (ASX:CYC).

#### Mel Brookman

(Non-Executive Director – appointed 4 June 1992)

Mr Brookman was a co-founder of Cellnet in 1992. He has over 20 years experience in mobile phone and distribution industries. He was previously the Managing Director of the Company from 1999 to November 2002, and is presently chair of the Remuneration Committee and a member of the Audit and Risk Management Committee. Mr Brookman acted as an Executive Director from the 25 July 2012 to 7 May 2014. At all other times during the 2013 and 2014 financial years he was appointed in the capacity of a non-executive Director.

#### Elliott Kaplan *B. Acc, CA*

(Non-Executive Director – appointed 25 July 2012)

Mr Kaplan is a Chartered Accountant with extensive experience in senior financial and chief executive officer roles in both private and publicly listed companies. His experience, from both an investor and investee perspective spans a diverse range of industries including manufacturing, environmental, distribution and services.

Mr Kaplan is Managing Director of CVC Private Equity Limited, Chairman and Non-Executive Director of Pro-Pac Packaging Limited (ASX:PPG) and Non-Executive Director of Mnemon Limited (formerly Mnet Group Limited) (ASX:MNZ). Mr Kaplan is Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

During the past three years, Mr Kaplan also served as Non-Executive Director of Dolomatrix Limited (ASX:DMX).

As at the date of this report, the interest of the directors in the shares and options of Cellnet Group Limited were:

Director	Number of ordinary shares	Number of restricted shares	Number of options
A. Beard	-	-	-
M. Brookman	-	-	400,000
E. Kaplan	-	-	-

## Company Secretary

#### Chris Barnes *B. Acc, CPA*

(Company Secretary and Finance Director – appointed 9 March 2011)

Mr Barnes has been with the Company since 2006. He holds a Bachelor of Accounting Degree and is CPA qualified.

## Dividends

No dividends were declared and paid in the current year.

## Principal activities

The principal activities of the consolidated entity are:

Sourcing products and the distribution of market leading brands of lifestyle technology products including mobile phone, tablet and notebook/hybrid accessories into retail and business channels in Australia and New Zealand.

Fulfillment services to the mobile telecommunications and retail industries in Australia and New Zealand.

## Operating and financial review

The Company achieved good year on year top line growth of 16% with revenue increasing from \$70.9 million to \$82.2 million. However this revenue growth did not translate into an increased bottom-line performance mainly due to suppressed margins resulting from the weakness of the A\$ during the financial year and the charges detailed below. This resulted in a pre-tax loss of \$1.86 million.

The result was negatively impacted by the following charges:

1. \$150,000 impairment of intangible asset;
2. Foreign exchange losses of \$732,000 resulting from the mark to market at balance date of US dollar forward exchange contracts;
3. Scrapping of inventory totalling \$1.97m predominantly relating to accessories of superseded mobile phone models;
4. Restructuring costs of \$405,000.

In light of the pre-tax losses incurred in the 2014 financial year and in accordance with AASB112 'Income Taxes', the Board has deemed it prudent to reduce the carrying amount of the deferred tax asset at balance date, resulting in a tax expense of \$2.02 million.

The Company is forecasting a return to profitability in the 2015 financial year and an encouraging start has been made with results exceeding budget for the first month of the new financial year.

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company during the current year.

## Significant events after balance date

There have been no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of Cellnet Group Limited, the results of those operations, or the state of affairs of Cellnet Group Limited in future years.

## Likely developments

In respect of future strategy and future performance, the consolidated entity is constantly reviewing the strategic value inherent in the business. In conjunction with this, the consolidated entity will continue to pursue its trading activities to further improve on operational aspects to produce the most beneficial long term results for the shareholders of the Company.

## Share options

In the current year, no options (2013: Nil) were awarded to key management personnel (KMP). The existing options had a vesting period of two years. None of these options had been exercised as at 30 June 2014. For further details, please refer to note 15(c).

## Indemnification and insurance of officers

### Indemnification

The Company has agreed to indemnify the current and former Directors and Company Secretaries of its controlled entities for all liabilities to another person, other than the Company or a related body corporate that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

### Insurance premiums

Insurance premiums have been paid in respect of Directors' and Officers' Liability Insurance. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability insurance as such disclosure is prohibited under the terms of the contract.

## Directors' meetings

(including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Meetings of Committees		
	Board	Audit & Risk Management	Remuneration
Number of meetings held:	8	2	1
Number of meeting attended:			
A. Beard	8	2	1
M. Brookman	8	2	1
E. Kaplan	8	2	1

## Committee membership

As at the date of this report the Company had an Audit and Risk Management Committee and a Remuneration Committee.

Members acting on the committee of the Board during the year were:

Audit & Risk Management	Remuneration
E. Kaplan (Chairman)	M. Brookman (Chairman)
M. Brookman	A. Beard
A. Beard	E. Kaplan

## Non-audit services

The following non-audit services were provided by the entity's current auditor, Pitcher Partners (2013: Ernst & Young) during the year. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Pitcher Partners (2013: Ernst & Young) received or are due to receive the following amounts for the provision of non-audit services:

	Consolidated	
	2014 \$	2013 \$
Tax Compliance Services	24,000	11,008

## Rounding

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.



## Auditor's independence declaration

The Auditor's independence declaration is set out on page 16 and forms part of the Directors' report for the financial year ended 30 June 2014.

Auditor's independence declaration



**PITCHER PARTNERS**  
ACCOUNTANTS • AUDITORS • ADVISORS

Level 30  
345 Queen Street  
Brisbane  
Queensland 4000

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Brisbane  
Queensland 4001

Tel: 07 3222 8444    www.pitcher.com.au  
Fax: 07 3221 7779    info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms  
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

ROSS WALKER  
KEN OGDEN  
NIGEL FISCHER  
TERESA HOOPER  
MARK NICHOLSON  
PETER CAMENZULI  
JASON EVANS  
CHRIS BALL  
IAN JONES  
KYLIE LAMPRECHT  
NORMAN THURECHT  
BRETT HEADRICK  
WARWICK FACE  
NIGEL BAITERS  
ADELE TOWNSEND  
COLE WILKINSON

The Directors  
Cellnet Group Limited  
59-61 Qantas Drive  
EAGLE FARM QLD 4009

**Auditor's Independence Declaration**

As lead auditor for the audit of Cellnet Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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

PITCHER PARTNERS

J J EVANS  
Partner  
Brisbane, Queensland  
19 August 2014

An Independent Queensland Partnership ABN 84 797 724 539  
Liability limited by a scheme approved under Professional Standards Legislation  
Independent member of Baker Tilly International



## Remuneration Report (audited)

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308 (3C) of the Act. The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent.

### Remuneration report approval at FY13 AGM

The FY13 remuneration report received positive shareholder support at the FY13 AGM with a vote of 93.5% in favour.

For the purposes of this report, the term "executive" includes the executive directors, senior executives, general managers and secretaries of the consolidated entity and the term "director" refers to non-executive directors only.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements and the link to company performance
6. Executive contractual arrangements
7. Additional statutory disclosures

#### 1. Individual key management personnel disclosures

##### Key management personnel

(i) Directors	
A. Beard	Chairman (Non-Executive)
M. Brookman	Director (Executive)*
E. Kaplan	Director (Non-Executive)

\*Mr Brookman acted as an executive director of the from the 25 July 2012 to 7 May 2014. At all other times during the 2013 and 2014 financial years he was appointed in the capacity of a non-executive Director.

(ii) Executives	
A. Sparks	Chief Executive Officer (Appointed 7 May 2014)
C. Barnes	Chief Financial Officer and Company Secretary
D. Clark	General Manager - New Zealand

#### 2. Remuneration at a glance

Remuneration levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced executives. The Board as necessary obtains independent advice on the appropriateness of remuneration packages of the consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

Non-Executive Directors receive a fixed fee for their services.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control performance;
- the consolidated entity's performance including:
  - the consolidated entity's earnings; and
  - the growth in share price and delivering of constant returns on shareholder wealth;
- the amount of incentives within each key management person's remuneration.

Remuneration packages include a mix of fixed and variable remuneration including short and long-term performance-based incentives.

## Remuneration Report (audited) *continued*

### 3. Board oversight of remuneration

#### Remuneration committee

The remuneration committee is responsible for making recommendations to the board on the remuneration arrangements of directors and executives.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors and executives on a periodic basis by reference to the relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team.

#### Remuneration strategy

Cellnet Group Limited's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the consolidated entity.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- are aligned to the consolidated entity's business strategy;
- offer competitive remuneration benchmarked against the external market;
- provides strong linkage between the individual and the performance and rewards of the consolidated entity.

#### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

### 4. Non-executive director remuneration arrangements

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 1999 AGM, is not to exceed \$300,000 per annum.

The Chairman's base fee is \$54,500 per annum and Non-Executive Directors' base fees are presently \$50,000 per annum. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all major Board activities and membership of the Audit and Risk Management Committee.

### 5. Executive remuneration arrangements and the link to company performance

#### 5.1 Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board.

#### 5.2 Variable remuneration – short term incentive (STI) and long term incentive (LTI)

Performance linked remuneration includes both STI and LTI and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The STI is an 'at risk' bonus provided in the form of cash.

#### 5.3 STI bonus

The consolidated entity operates an annual STI program that applies to executives and awards a cash bonus subject to the attainment of clearly defined consolidated entity, business unit and individual measures. Actual STI payments awarded to each executive depends on the extent to which specific targets set at the beginning of each six months are met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial, corporate and individual measures of performance. A summary of these measures and weightings are set out below.

	Earnings per Share	Gross Profit
Chief Executive Officer	100%	-
General Manager New Zealand	-	100%

These performance indicators were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long-term value.

On a bi-annual basis, after consideration of performance against KPI's the Chief Executive Officer, in line with his responsibilities, determines the amount, if any, of the short term incentive to be paid to each KMP. On an annual basis, after consideration of the KPI's, the board will determine the amount, if any, of the short term incentive to be paid to the Chief Executive Officer.

At the end of the financial year the Board assesses the actual performance of the consolidated entity and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results, between 0% and 100 % for reaching target performance for non-financial objectives, and uncapped beyond 100% in respect of financial performance objectives. No bonus is awarded where performance falls below the minimum. The following table outlines the proportion of maximum STI that was earned and forfeited in relation to the 2014 financial year.

	Proportion of maximum STI earned in FY14	Proportion of maximum STI forfeited in FY14
A. Sparks	N/A	N/A
D. Clark	100%	0%

Mr Sparks commenced employment with the Company on 7 May 2014. He was not eligible for a short-term incentive in the 2014 financial year. No other members of the Company's key management personnel were eligible to earn an STI in the 2014 financial year.

#### STI awards for 2013 and 2014 financial years

For the 2014 financial year, a total payment of \$94,853 was made which represents 100% of the total STI cash bonus previously accrued in that period which has vested to executives. For the 2013 financial year, a total payment of \$45,174 was made which represented 75% of the total STI cash bonus previously accrued in that period which had vested to executives. This was paid in bi-annual instalments in both the 2013 and 2014 financial years. The forfeitures amounted to \$14,486.

#### 5.4 LTIs

##### Executive Share Option Plan

The Board established an Executive Share Option Plan which is designed to provide incentives to the Executives of the consolidated entity. The plan was approved by shareholders at the Annual General Meeting held on 18 December 2007.

Under the plan the Board has the discretion to issue options to Executives as long as the issue does not result in the Executive owning or controlling the exercise of voting power attached to 5% or more of all shares then on issue. Each option is convertible to one ordinary share. The exercise price of the option is determined by the Board.

The rules governing the operation of the plan may be amended, waived or modified, at any time by resolution of the Board provided there is no reduction of rights to Executives in the plan. If an amendment reduces the rights of Executives in the plan, it requires written consent of three-quarters of affected Executives.

The plan may be terminated or suspended at any time by a resolution of the Board, provided the termination or suspension does not materially adversely affect the rights of persons holding shares issued under the plan at that time. There were no options issued in the current year to either directors or KMP (2013: Nil).

##### LTI Plan

The Board established a Long Term Incentive Plan which is designed to provide incentives to the Executives of the consolidated entity. The plan was approved by shareholders at the Annual General Meeting held on 18 December 2007.

The purpose and rules of the plan are the same as the Executive Share Option Plan described above, except that there is no prohibition on issuing shares if it would result in an Executive owning (legally or beneficially) or controlling the exercise of voting power attached to 5% or more of all shares then on issue. No shares were issued in the current year (2013: Nil).

#### 5.5 STI structure

The Board considers that the above performance-linked remuneration structure is appropriate at this time. It provides both short-term focus on operating performance and longer term focus on share price growth.

Improving the performance of the operations was the main focus in setting the financial year 2014 short-term incentive.

## Remuneration Report (audited) *continued*

### 5.6 Consequences of performance on shareholder wealth

In considering the consolidated entity's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and previous financial years.

	2014	2013	2012	2011	2010
Net profit/(loss) attributable to equity holders of the Company	(\$3,887,000)	\$962,000	(\$488,000)	\$1,041,000	\$1,472,000
Dividends paid	-	-	\$7,912,000	\$699,000	-
Reduction of share capital	-	-	\$5,308,000	-	-
Change in share price	\$0.01	-	(\$0.19)	\$0.09	\$0.05

### 5.7 Other benefits

During the current and prior year, there were no non-cash bonuses or benefits paid to key management personnel.

## 6. Executive contractual arrangements

It is the consolidated entity's policy that service contracts for key management personnel are unlimited in term but capable of termination as per the relevant period of notice and that the consolidated entity retains the right to terminate the contract immediately, by making payment that is commensurate with pay in lieu of notice.

The service contract outlines the components of remuneration paid to the key management person but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Standard KMP termination payment provisions apply to all current members of the KMP, including the Chief Executive Officer. The standards KMP provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer initiated termination	3 months	3 months	Pro-rated for time and performance	Pro-rated for time and performance
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee initiated termination	3 months	3 months	Pro-rated for time and performance	Pro-rated for time and performance

6.1 Directors' and executive officers' remuneration

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise). Remuneration of Directors and KMP are as follows:

	Year	Short Term \$				Post Employment \$	Long Term Benefits \$				Total	Performance Related
		Salary & Fees	STI Cash Bonus	Motor Vehicle Allowances	Non Monetary benefits	Superannuation Benefits	Cash Incentives	Long Service Leave	Share-based Payment	Termination/ Retention Benefits		
<b>Non-executive directors</b>												
A. Beard <sup>(i)</sup>	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
M. Brookman (Appointed 07/05/14)	2014	4,167	-	-	-	-	-	-	-	-	4,167	-
	2013	-	-	-	-	-	-	-	-	-	-	-
E. Kaplan <sup>(ii)</sup> (Appointed 25/07/12)	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	2014	4,167	-	-	-	-	-	-	-	-	4,167	-
<b>Total</b>	2013	-	-	-	-	-	-	-	-	-	-	-
<b>Executive directors</b>												
M. Brookman <sup>(iii)</sup> (Appointed 07/05/14)	2014	237,342	-	-	-	-	-	-	-	-	237,342	-
	2013	252,083	-	-	-	-	-	-	2,095	-	254,178	0.82
S. Smith (Resigned 25/07/14)	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	20,802	-	-	-	4,693	-	-	(212,332)	275,000	88,163	(240.84)

<sup>i</sup> During both the 2013 and 2014 financial years the Company paid management fees to CVC Managers Pty Limited totalling \$54,500 in relation to director's services performed by Mr A Beard. <sup>ii</sup> During both the 2013 and 2014 financial years the Company paid management fees to CVC Managers Pty Limited totalling \$50,000 in relation to director's services performed by Mr E Kaplan. <sup>iii</sup> Mr Brookman was appointed as an executive director 25 July 2012. Prior to this date in the 2013 financial year he acted as a non executive director. Mr Brookman resigned from the position of executive director 7 May 2014. From this date and for the remainder of the 2014 financial year Mr Brookman acted as a non executive director.

	Year	Short Term \$				Post Employment \$	Long Term Benefits \$				Total	Performance Related
		Salary & Fees	STI Cash Bonus	Motor Vehicle Allowances	Non Monetary benefits	Superannuation Benefits	Cash Incentives	Long Service Leave	Share-based Payment	Termination/ Retention Benefits		
<b>Other key management personnel</b>												
A. Sparks (Appointed 07/05/14)	2014	41,667	-	-	-	3,854	-	-	-	-	45,521	-
	2013	-	-	-	-	-	-	-	-	-	-	-
C. Barnes	2014	202,423	-	-	-	17,625	-	-	-	-	220,048	-
	2013	156,475	12,500	-	-	16,175	-	-	2,096	-	187,246	7.79
D. Clark	2014	158,777	94,853	13,747	-	8,021	-	-	-	-	275,398	34.44
	2013	121,091	32,674	12,253	-	3,113	-	26,548	2,095	-	197,774	17.58
<b>Total executive and KMP</b>	2014	640,209	94,853	13,747	-	29,500	-	-	-	-	778,309	12.19
	2013	550,451	45,174	12,253	-	23,891	-	26,548	(206,046)	275,000	727,361	(22.12)
<b>Totals (Directors and KMP)</b>	2014	644,376	94,853	13,747	-	29,500	-	-	-	-	782,476	12.12
	2013	550,451	45,174	12,253	-	23,981	-	26,548	(206,046)	275,000	727,361	(22.12)

\*Remuneration disclosures in the 2013 financial year included information for all executives who were part of the senior leadership team. The board has reassessed the executive group and has reduced the disclosures in the above table strictly to those individuals with the authority and responsibility for planning, directing and controlling the activities of the consolidated entity directly or indirectly.

## Remuneration Report (audited) *continued*

### 7. Additional statutory disclosures

This section sets out the additional disclosures required under the *Corporations Act 2001*.

There were no share options granted to executives as remuneration during the current financial year, and no options granted to directors vested or lapsed during the year.

A related party of Mr. M Brookman (Ms. A Brookman) holds 1,851,943 ordinary shares as at 30 June 2014 (2013: 1,851,943). There were no movements in this holding during the year.

No other member of KMP or their related parties held any shares in the company as at 30 June 2014 nor traded in any shares in the company during the financial year then ended.

There were no other transactions with KMP during the financial year.

### End of Remuneration Report

This report is made with a resolution of the Directors:

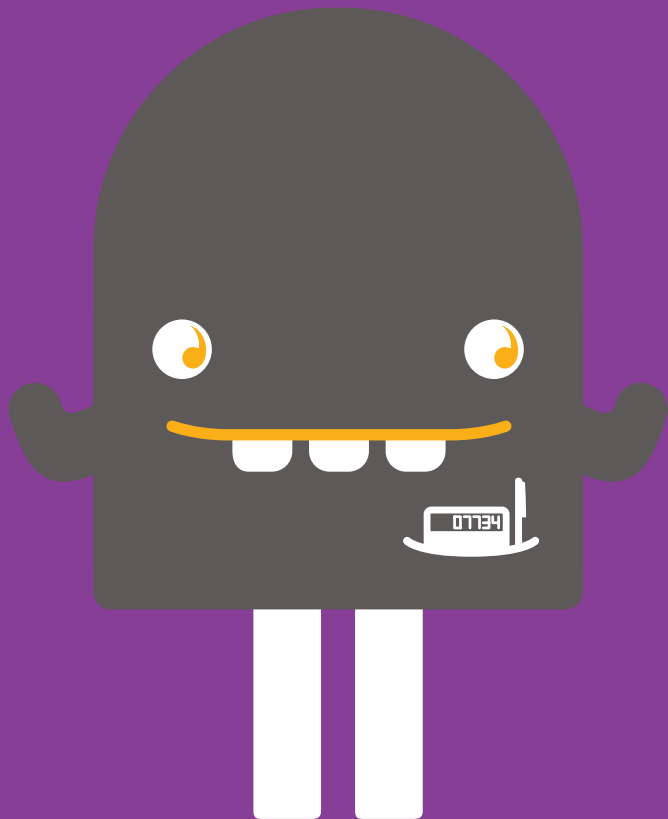


**Alexander Beard**  
Chairman

Signed at Brisbane on 19 August 2014



# financial report



# Financial Report

## Statement of financial position

As at 30 June 2014	Note	2014 \$000	2013 <i>Restated</i> <sup>*</sup> \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	2,551	2,141
Trade and other receivables	10	11,441	9,567
Inventories	11	8,587	8,991
Income tax receivable		-	4
<b>Total current assets</b>		<b>22,579</b>	<b>20,703</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	583	858
Deferred tax assets (net)	7(c)	828	2,855
Intangible assets	30	-	150
<b>Total non-current assets</b>		<b>1,411</b>	<b>3,863</b>
<b>TOTAL ASSETS</b>		<b>23,990</b>	<b>24,566</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	5,032	8,227
Provisions	14	539	536
Derivative financial instruments	16	732	-
Interest-bearing loans and borrowings	31	6,270	474
<b>Total current liabilities</b>		<b>12,573</b>	<b>9,237</b>
<b>Non-current liabilities</b>			
Provisions	14	148	337
<b>Total non-current liabilities</b>		<b>148</b>	<b>337</b>
<b>TOTAL LIABILITIES</b>		<b>12,721</b>	<b>9,574</b>
<b>NET ASSETS</b>		<b>11,269</b>	<b>14,992</b>
<b>EQUITY</b>			
Issued capital	25(a)	31,699	31,699
Reserves	25(b)	658	494
Accumulated losses		(21,088)	(17,201)
<b>TOTAL EQUITY</b>		<b>11,269</b>	<b>14,992</b>

<sup>\*</sup>Certain amounts shown here do not correspond to the 2013 financial statements and reflect classification adjustments made as detailed in Note 2. The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of comprehensive income

For the year ended 30 June 2014		2014	2013 <i>Restated</i> *
	Note	\$000	\$000
<b>Continuing operations</b>			
Sales of goods		79,772	68,652
Rendering of services		2,456	2,279
<b>Revenue</b>		<b>82,228</b>	<b>70,931</b>
Other income	5	19	355
Depreciation and amortisation expense		(394)	(379)
Employee benefit expense		(9,395)	(9,506)
Finance costs		(435)	(122)
Foreign currency losses		(808)	-
Freight expense		(3,542)	(3,024)
Impairment of intangible		(150)	-
Materials, packaging and consumables used		(65,428)	(53,556)
Occupancy expense		(1,489)	(1,446)
Other expense		(2,066)	(1,962)
Restructuring costs		(405)	(380)
<b>Profit /(loss) from continuing operations before income tax</b>	<b>6</b>	<b>(1,865)</b>	<b>911</b>
Income tax expense	7(b)	(2,022)	180
<b>Profit/(loss) from continuing operations after income tax</b>		<b>(3,887)</b>	<b>1,091</b>
<b>Discontinued operations</b>			
Loss from discontinued operations after income tax	20	-	(129)
<b>Net profit/(loss) for the period</b>		<b>(3,887)</b>	<b>962</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation		164	(54)
<b>Total comprehensive income for the period</b>		<b>(3,723)</b>	<b>908</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share (cents per share)	8	(6.9)	1.7
Diluted earnings per share (cents per share)	8	(6.9)	1.7
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share (cents per share)	8	(6.9)	1.7
Diluted earnings per share (cents per share)	8	(6.9)	1.7

\*Certain amounts shown here do not correspond to the 2013 financial statements and reflect classification adjustments made as detailed in Note 2. The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of changes in equity

	Share capital \$000	Reserve for own share \$000	Foreign Currency translation reserve \$000	Share based payment reserve \$000	Accumulated losses \$000	Total equity \$000
At 1 July 2013	31,699	(25)	(57)	576	(17,201)	14,992
Loss for the period	-	-	-	-	(3,887)	(3,887)
Foreign currency translation	-	-	164	-	-	164
<b>Total comprehensive income for the period</b>	-	-	164	-	(3,887)	(3,723)
Transactions with owners in their capacity as owners	-	-	-	-	-	-
<b>Balance as at 30 June 2014</b>	<b>31,699</b>	<b>(25)</b>	<b>107</b>	<b>576</b>	<b>(21,088)</b>	<b>11,269</b>
At 1 July 2012	31,699	(25)	(3)	780	(18,163)	14,288
Loss for the period	-	-	-	-	962	962
Foreign currency translation	-	-	(54)	-	-	(54)
<b>Total comprehensive income for the period</b>	-	-	(54)	-	962	908
Transactions with owners in their capacity as owners:						
Share based payments	-	-	-	(204)	-	(204)
<b>Balance as at 30 June 2014</b>	<b>31,699</b>	<b>(25)</b>	<b>(57)</b>	<b>576</b>	<b>(17,201)</b>	<b>14,992</b>

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

## Statement of cash flows

	Note	Consolidated	
		2014	2013 <i>Restated*</i>
For the year ended 30 June 2014		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		88,061	79,460
Payments to suppliers and employees (inclusive of GST)		(93,056)	(81,868)
Interest paid		(325)	(3)
<b>Net cash flows used in operating activities</b>	<b>28</b>	<b>(5,320)</b>	<b>(2,411)</b>
<b>Cash flows from / (used in) investing activities</b>			
Proceeds from sale of property, plant and equipment		1	-
Interest received	5	19	46
Purchase of property, plant and equipment	12	(120)	(29)
Acquisition of assets through a business combination	29	-	(300)
Net inflow from sale of discontinued operation, net of cash disposed	14	(66)	55
<b>Net cash flows from / (used in) investing activities</b>		<b>(166)</b>	<b>(228)</b>
<b>Cash flows from / (used in) financing activities</b>			
Proceeds from borrowings		27,843	
Repayment of borrowings		(22,047)	
<b>Net cash flows from / (used in) used in financing activities</b>		<b>5,796</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>310</b>	<b>(2,639)</b>
Net foreign exchange differences		100	(28)
Cash and cash equivalents at beginning of period		2,141	4,808
<b>Cash and cash equivalents at end of period</b>	<b>9</b>	<b>2,551</b>	<b>2,141</b>

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

# Notes to the financial statements

## 1. Corporate Information

Cellnet Group Limited (the 'Company') is a company limited by shares and incorporated in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The company is a for-profit entity for the purpose of preparing these financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

The financial report was authorised for issue by the Directors on 19 August 2014.

The nature of the operations and principal activities of the consolidated entity are described in the directors' report.

## 2. Significant accounting policies

### (a) Basis of preparation

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

The financial report is prepared on the historical cost basis and is presented in Australian dollars.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Change in basis of preparation

During the financial year the Directors have undertaken a review of the presentation of the consolidated entity's financial statements. As part of this review it was noted that the presentation of cost of goods sold, as required when presenting items in the statement of comprehensive income by function, does not

provide meaningful information to users of the financial report as the resultant gross profit measure is not a true reflection of the costs involved in the sale process of a distribution business. It is viewed that the presentation of the statement of comprehensive income by nature will provide more relevant information to the users of the financial report. Accordingly, all expenditure items in the consolidated statement of comprehensive income have been reclassified according to their nature in both the current and comparative period.

In addition to the above, the Group has also reclassified the comparative period rebates from cost of sales to revenue, and freight revenue from costs of sales to revenue from the rendering of services. Accrued unsettled customer and supplier rebates have also been reclassified to offset the relevant receivables and payables to which they relate.

#### Compliance with IFRS

The financial report complies with *International Financial Reporting Standards* (IFRS) as issued by the International Accounting Standards Board.

### (b) New accounting standards and interpretations

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

#### (i) Application of new accounting standards

A number of new and revised standards are effective for annual reporting periods beginning on or after 1 January 2013 and include:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 Separate Financial Statements;
- AASB 13 Fair Value Measurement; and
- AASB 119 Employee Benefits (September 2011)

The adoption of AASB 10, AASB 11, AASB 13 and AASB 119 and related amendments resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

- (ii) Accounting standards and interpretations issued but not yet effective

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

Standard/Interpretation	Application date of standard	Application date for the group
AASB 9 <i>Financial Instruments – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 Jan 2018	1 Jul 2018
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	1 Jan 2014	1 Jul 2014
AASB 2013-3 <i>Amendments to AASB136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 Jan 2014	1 Jul 2014
AASB 2013-4 <i>Amendments to Australian Accounting Standards – Novation of Derivative and Continuation of Hedge Accounting</i>	1 Jan 2014	1 Jul 2014
AASB 2014-1 Part A <i>Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013</i>	1 Jul 2014	1 Jul 2014
AASB 2014-1 Part B <i>Amendments to Australian Accounting Standards – Defined Benefits Plans: Employee Contributions (Amendments to AASB119)</i>	1 Jul 2014	1 Jul 2014
Interpretation 21 <i>Levies</i>	1 Jan 2014	1 Jul 2014
IFRS 15* <i>Revenue from Contracts with Customers</i>	1 Jan 2017	1 Jul 2017
AASB 2014 – 4 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 Jan 2016	1 Jul 2016

\*This IASB Standard was also issued but not yet effective, although an Australian equivalent standard has not yet been issued.

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

**AASB 9** – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss. The Group is yet to assess the impact of the new standard. In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There is not expected to be a significant impact on the Group's accounting for financial liabilities, as the Group's financial liabilities at fair value through profit or loss are not exposed to material risk of change in the group's own credit risk. Recent amendments as part of the project introduced a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. There will be no impact on the Group's accounting, as the Group does not utilise hedge accounting.

## Notes to the financial statements

### 2. Significant accounting policies *continued*

*AASB 2012-3* – This amendment to AASB132 clarifies when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. The amendments are not expected to have an impact on the Group's balance sheet in the period of initial application.

*AASB 2013-3* – These amendments introduce additional disclosure requirements where the recoverable amount of impaired assets is based on fair value less cost of disposal. There will be no impact on the Group's disclosures as the Group does not determine the recoverable amounts of impaired asset using fair value less cost of disposal.

*AASB 2013-4* – These amendments to AASB139 permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. There will be no impact on the Group as it does not apply hedge accounting.

*AASB 2014-1 Part A* – These amendments introduce various changes to AASBs, none of which are expected to have a material impact on the group's financial statements in the period of initial application.

*Interpretation 21* – This interpretation clarifies the circumstances which a liability to pay a levy imposed by a government, other than for income taxes and fines/breaches imposed for breaches of legislation, should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The new interpretation is not expected to have an impact on the Group's financial statements in the period of initial application.

*IFRS 15* – This new standard contains a single model that applies to contracts with customers and two approaches to recognising revenue. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The Group is yet to assess the impact of the new standard.

*AASB 2014 - 4* – These amendments introduce a rebuttable presumption that the use of revenue-based depreciation/ amortisation methods for intangible assets is inappropriate and for property, plant and equipment it cannot be used. There will be no impact on the Group's accounting as it does not use revenue-based depreciation/ amortisation methods.

#### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Cellnet Group Ltd and its subsidiaries (as outlined in note 21 as at and for the period ended 30 June each year (the consolidated entity). Interests in associates are equity accounted and are not part of the consolidated entity. Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra group transactions have been eliminated in full.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (d) Foreign currency

##### (i) Functional and presentation currency

Both the functional and presentation currency of Cellnet Group Limited and its Australian subsidiaries are Australian dollars (\$). The New Zealand subsidiary's functional currency is New Zealand dollars which is translated to the presentation currency.



## (ii) Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to Australian dollars at the foreign exchange rate ruling at reporting date. Foreign exchange differences arising on translation are recognised in net income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

## (iii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the balance date.

The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

**(e) Property, plant and equipment**

## (i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (j)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

## (ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

## (iii) Depreciation

Depreciation is charged to net income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	3 <sup>1</sup> / <sub>3</sub> –40 years
Plant and equipment	2 <sup>1</sup> / <sub>2</sub> –10 years
Leased plant and equipment	4–5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

## (iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

**(f) Intangible assets**

## (i) Goodwill - Business combinations

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the group's net identifiable net assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in net income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

## (ii) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (j)).

## (iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

## Notes to the financial statements

### 2. Significant accounting policies *continued*

#### (iv) Amortisation

Amortisation is charged to net income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Other intangible assets are amortised from the date they are available for use over their estimated useful lives.

#### (g) Trade and other receivables

Trade, loans and other receivables are stated at their amortised cost less impairment losses. Collectability of trade receivables is reviewed on an ongoing basis at a customer level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the consolidated entity will not be able to collect the receivable. Debts which are aged greater than 120 days or more are considered as objective evidence of impairment and a provision of 80% is recognised. For any debts that are passed onto the consolidated entities solicitors for collection a provision of 100% is recognised.

#### (h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is calculated using the average cost method and includes direct and allocated costs incurred in acquiring the inventories and bringing them to their present location and condition. Provision is recognised when there is objective evidence that the consolidated entity will not be able to sell the inventory at normal reseller pricing.

#### (i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank and in hand and short term deposits with a maturity of 60 days or less that are readily convertible to known amounts of cash and which are subject to insignificant risks of change in values.

#### (j) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (h)), trade and other receivables (see accounting policy (g)) and deferred tax assets (see accounting policy (r)), are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (j) (i)).

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in net income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

##### (i) Calculation of recoverable amount

The recoverable amount of assets (apart from receivables, inventory, and deferred tax) is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset relates.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(k) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(l) Interest-bearing loans and borrowings**

Interest-bearing borrowings are recognised initially at fair value of the consideration received less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in net income over the period of the borrowings on an effective interest basis.

**(m) Provisions and employee leave benefits****(i) Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in net income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

**(ii) Long-term service benefits**

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating the terms of the consolidated entity's obligations.

**(iii) Wages, salaries, annual leave and sick leave**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, and are calculated using undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers remuneration insurance and payroll tax. Amounts not expected to be settled within 12 months are carried at a net present value determined in the same manner as long service leave benefits described in note 2(m)(ii). Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(iv) Contingent consideration**

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income.

## Notes to the financial statements

### 2. Significant accounting policies *continued*

#### (n) Share based payment transactions

The consolidated entity provides benefits to KMP in the form of share based payments, whereby the KMP renders services in exchange for shares. There are currently share based payment plans in place for the KMP. The cost of share based payments with KMP is measured by reference to the fair value of the equity instrument at the date at which they are granted (refer note 15 (b) and (c) for further details).

#### (o) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on average between 30 day and 45 day terms. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

#### (p) Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in net income when the significant risks and rewards of ownership have been transferred to the customer. This transfer generally occurs when the goods are delivered to the customer. Revenue from the provision of warehousing services to external parties is recognised as the service is provided. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing managerial involvement with the goods.

Interest income is recognised in net income as it accrues, using the effective interest method. Dividend income is recognised in net income on the date the entity's right to receive payments is established.

#### (q) Leases

##### (i) Operating lease payments

Payments made under operating leases are recognised in net income on a straight-line basis over the term of the lease. Lease incentives received are recognised in net income as an integral part of the total lease expense and spread over the lease term.

##### (ii) Finance leases

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in net income.

#### (r) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for - initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### Tax consolidation

The Company and its wholly-owned Australian resident subsidiaries have formed a tax-consolidated entity with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated entity is Cellnet Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated entity are recognised in the separate financial statements of the members of the tax-consolidated entity using the 'separate taxpayer' within the consolidated entity approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts in the separate financial statements of each entity and the tax values applied under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses or unused tax credits of the subsidiaries are assumed by the head entity in the tax consolidated entity and are recognised as amounts payable / (receivable) to / (from) other entities in the tax-consolidated entity in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses and unused tax credits of the tax-consolidated entity to the extent that it is probable that future taxable profits of the tax-consolidated entity will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses and unused tax credits as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

#### Nature of tax funding arrangements

The head entity, in conjunction with other members of the tax-consolidated entity, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated entity in respect of tax amounts. The tax funding arrangements require payments to / (from) the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss or tax credit related deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable / (receivable) equal in amount to the tax liability / (asset) assumed. The inter-entity payable / (receivable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

#### (s) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## Notes to the financial statements

### 2. Significant accounting policies *continued*

#### (t) Accounting estimates and judgements

Management discussed with the Audit and Risk Management Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses for trade receivables and stock on hand

Note 10 contains information about the assumptions and their risk factors relating to trade receivable impairment losses and note 6 contains information regarding stock that has been scrapped throughout the course of the year.

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a binomial model. The related assumptions are detailed in note 15. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise temporary differences and recognised tax losses. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next three years together with future tax planning strategies. Where the consolidated entity has made a taxable loss in the current or preceding year, a tax asset is only recognised to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the recognised unused tax losses can be utilised.

#### (u) Non-current assets held for sale and discontinuing operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes.

#### (v) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Potential ordinary shares shall be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

#### (w) Operating 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 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 have been identified based on the information provided to the chief operating decision maker – being the Chief Executive Officer. Note 4 contains information on reportable segments.

#### (x) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non controlling interest in the acquiree. For each business combination the consolidated entity elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the consolidated entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

#### (y) Financial instruments – initial recognition and subsequent measurement

##### (i) Financial assets

Initial recognition and measurement

Financial assets within the scope of AASB139 are classified as financial assets at fair value through the profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The consolidated entity determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the profit or loss. The consolidated entity's financial assets include cash and short term deposits, trade and other receivables, and derivative financial instruments.

##### (ii) Impairment of financial assets

The consolidated entity assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### (iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The consolidated entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair values plus, in the case of loans and borrowings, directly attributable transaction costs. The consolidated entity's financial liabilities include trade and other payables.

## Notes to the financial statements

### 2. Significant accounting policies *continued*

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### (iv) Fair value of financial instruments

The fair value of financial instruments that are in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deductions for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arms length market transactions;
- Using reference to current fair value of another instrument that is substantially the same; and
- Applying a discount cash flow analysis or other valuation models.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

The consolidated entity enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from the consolidated entity's operations. The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through using future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for forward currency contracts, credit allowances and future cash flow forecast projections.

#### Interest rate risk

The consolidated entity's exposure to market interest rates relates solely to the consolidated entities short-term cash deposits and interest bearing loans and borrowings as disclosed in note 9 and 31.

### 3. Financial risk management objectives and policies

The consolidated entity's principal financial instruments comprise of receivables, payables, cash and short-term deposits, interest bearing loans and forward foreign currency contracts.

#### Risk exposures and responses

The consolidated entity manages its exposure to key financial risks, including interest and currency risk in accordance with the consolidated entity's financial risk management policy. The objective of this policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The consolidated entity frequently analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

		2014	2013
	Note	\$000	\$000
Cash and cash equivalents	9	2,551	2,141
Interest bearing loans and borrowings	31	(6,270)	(474)
		<b>(3,719)</b>	<b>1,667</b>



At 30 June 2014, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2014	2013	2014	2013
Consolidated	\$000	\$000	\$000	\$000
+1% (100 basis points) (2013: 1%)	(26)	12	-	-
-0.5% (50 basis points) (2013: 0.5%)	13	(6)	-	-

The movements in profit are due to higher / lower cash receipts / payments from variable rate net interest bearing balances. The assumed reasonably possible interest rate movements are based on an economic forecaster's expectations.

### Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Australian dollars. The currencies giving rise to risk are primarily U.S dollars and New Zealand dollars.

The consolidated entity enters into forward foreign exchange contracts to hedge certain anticipated purchase commitments denominated in foreign currencies (principally U.S dollars). The terms of these commitments are no more than 45 days. It is the consolidated entity's policy not to enter into forward contracts until a firm commitment is in place.

The consolidated entity has a subsidiary based in New Zealand and all transactions for this subsidiary are denominated in New Zealand dollars. There is currently no hedge in place to mitigate the foreign currency risk for this subsidiary.

Entering into forward foreign currency exchange contracts minimises the risk of sharp fluctuations in foreign exchange rates and allows for better cash flow management in relation to paying international suppliers. At balance date, the consolidated entity had the following exposure to US\$ foreign currency that is not designated as cash flow hedges:

	2014	2013
Consolidated	USD \$000	USD \$000
<b>Financial assets</b>		
Trade and other receivables	486	1,801
	486	1,801
<b>Financial liabilities</b>		
Trade and other payables	(1,095)	(3,027)
Forward foreign currency contracts*	(13,433)	-
	(14,528)	(3,027)
<b>Net exposure</b>	<b>(14,042)</b>	<b>(1,226)</b>

\*Denotes the amount of USD to be exchanged at the forward exchange rate.

At 30 June 2014, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2014	2013	2014	2013
Consolidated	\$000	\$000	\$000	\$000
AUD / USD +10% (2013: +10%)	(865)	179	-	-
AUD / USD -10% (2013: -10%)	1,108	(761)	-	-

Significant assumptions: The reasonably possible movement was calculated by taking the USD spot rate as at balance date, moving the spot rate by the reasonably possible movements and then re-converting the USD into AUD with the 'new spot rate'. This amount was then tax effected. This methodology reflects the translation methodology undertaken by the consolidated entity.

## Notes to the financial statements

### 3. Financial risk management objectives and policies *continued*

#### Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the consolidated entity is the carrying amount, net of any impairment losses. The consolidated entity mitigates this risk by adopting procedures whereby they only deal with creditworthy customers. Where there is evidence of credit risk, an impairment loss is recognised. The consolidated entity also insures all debtors through trade finance insurance. Trade receivables are insured up to 90% of the approved credit limit, with a \$5,000 excess payable per claim.

#### Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet their obligations to repay its financial liabilities as and when they fall due.

The consolidated entity's objective is to maintain a balance between continuity of at cash funding and short-term fixed cash deposits. The consolidated entity manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily basis.

Maturity analysis of financial assets and financial liabilities based on management's expectation.

		2014				
Note	Total	6 months or less	6–12 months	1–5 years	6–12 months	
<b>Liquid financial assets</b>						
Cash and cash equivalents	9	2,551	2,551	-	-	
Trade and other receivables	10	11,441	11,441	-	-	
		13,992	13,992	-	-	

		2014				
Note	Total	6 months or less	6–12 months	1–5 years	6–12 months	
<b>Financial liabilities</b>						
Trade and other payables	13	(5,032)	(5,032)	-	-	
Interest bearing loans and borrowings	31	(6,270)	(6,270)	-	-	
Derivative financial instruments	16	(732)	(732)	-	-	
<b>Net inflow</b>		(12,034)	(12,034)	-	-	
		1,958	1,958	-	-	

		2013				
Note	Total	6 months or less	6–12 months	1–5 years	6–12 months	
<b>Liquid financial assets</b>						
Cash and cash equivalents	9	2,141	2,141	-	-	
Trade and other receivables	10	9,567	9,567	-	-	
		11,708	11,708	-	-	

		2013				
Note	Total	6 months or less	6–12 months	1–5 years	6–12 months	
<b>Financial liabilities</b>						
Trade and other payables	13	(8,227)	(8,227)	-	-	
Contingent consideration	14	(100)	(100)	-	-	
Interest bearing loans and borrowings	31	(474)	(474)	-	-	
<b>Net inflow</b>		(8,801)	(8,801)	-	-	
		2,907	2,907	-	-	

## 4. Operating segments

### Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which products are sold, whether direct to retail customer or via on-line sales. Discrete financial information about each of these operating segments is reported to the Chief Executive Officer at least on a monthly basis. For the 2013 and 2014 financial years the consolidated entity's activities related solely to retail sales as the Board announced on 8 June 2012 that it planned to exit from the online segment, and completed this exit in the 2013 financial year. Details relating to the online business segment are disclosed in note 20.

As there is only one segment, segment revenues, profit/(loss), assets and liabilities are consistent with those reported in the statement of comprehensive income and statement of financial position.

Revenue from external customers by geographical location is detailed below. Revenue is attributable to geographic location based on the location of the customers. The company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

	2014	2013
	\$000	\$000
Australia	62,040	52,295
New Zealand	20,188	18,636
<b>Total revenue</b>	<b>82,228</b>	<b>70,931</b>

## 5. Other revenue

	2014	2013
	\$000	\$000
Interest	19	46
Net foreign currency gain	-	309
<b>Total other revenue</b>	<b>19</b>	<b>355</b>

## 6. Items included in profit/(loss)

	2014	2013
	\$000	\$000
Doubtful debts expense	34	69
Loss on scrapping of inventory	1,972	1,314
Minimum lease payments – operating leases	978	921
Share-based payments expense/(income)	-	(204)

## Notes to the financial statements

### 7. Income Tax

	2014	2013
(a) Income tax (expense)/benefit	\$000	\$000

The major components to the income tax are:

Current income tax charge	(4)	-
Items charged to equity	9	-
Deferred income tax charge	(2,027)	98
<b>Total income tax (expense)/benefit reported in net income</b>	<b>(2,022)</b>	<b>98</b>

#### (b) Numerical reconciliation between aggregate tax expense recognised in net income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:

Accounting profit / (loss) before tax from continuing operations	(1,865)	911
Profit / (loss) before tax from discontinuing operations	-	(47)
<b>Total accounting profit before income tax</b>	<b>(1,865)</b>	<b>864</b>
At the parent entity's statutory income tax rate 30% (2013: 30%)	560	(259)
Adjustments in respect of current income tax of previous years	(395)	239
Other non-deductible expenses	-	61
Entertainment	(10)	9
Effect of lower tax rate in New Zealand (28%)	2	8
De-recognition of prior year losses	(1,813)	-
Utilisation of previously unrecognised tax losses	129	-
Losses used to reduce deferred tax asset	-	40
Current year losses not recognised	(495)	-
<b>Aggregate income tax</b>	<b>(2,022)</b>	<b>98</b>

Aggregate income tax (expense)/benefit is attributable to:

Continuing operations	(2,022)	180
Discontinued operations	-	(82)
	(2,022)	98

## Notes to the financial statements

### 7. Income Tax *continued*

	Consolidated			
	2014	2014	2013	2013
	\$000	\$000	\$000	\$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
<b>(c) Recognised deferred tax assets and liabilities</b>				
Opening balance	4	2,855	17	2,744
Items charged to equity	(4)	(2,018)	(13)	111
Deferred income tax charge	-	(9)	-	-
<b>Closing balance</b>	<b>-</b>	<b>828</b>	<b>4</b>	<b>2,855</b>
<b>Amounts recognised in the statement of financial position:</b>				
Deferred tax asset	-	845	-	2,913
Deferred tax liability	-	(17)	-	(58)
	<b>-</b>	<b>828</b>	<b>-</b>	<b>2,855</b>

Deferred income tax at 30 June relates to the following:

	2014	2013
	\$000	\$000
<b>Net deferred tax assets</b>		
Doubtful debts	17	27
Employee provisions	196	235
Foreign exchange differences	224	7
Inventory and consumables	5	441
Other	29	(2)
Property, plant and equipment	134	111
Tax losses carried forward	223	2,036
<b>Net deferred tax asset</b>	<b>828</b>	<b>2,855</b>

As at 30 June 2014, the Company has a deferred tax asset relating to timing differences and tax losses arising from prior years totalling \$828,000 (2013: \$2,855,000). Management has recognised deferred tax assets on the basis that achievement of profit before tax within the next 3-5 years in the amounts sufficient to offset the reversal of timing differences and enable the utilisation of recognised unused losses is probable.

#### (d) Tax losses

The consolidated entity has gross tax losses, stated in the reporting currency of Australian dollars, for which no deferred tax asset is recognised on the statement of financial position of \$26,692,614 (2013: \$19,366,070) which are available indefinitely for offset against future gains subject to meeting the relevant statutory tests.

The consolidated entity has recognised tax losses to the extent that forecasts suggest it is probable that sufficient taxable income will be earned to recoup the recognised losses.

## Notes to the financial statements

### 8. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	2014	2013
	\$000	\$000

#### (b) Earnings used in calculating earnings per share

##### For basic earnings per share

Profit / (Loss) from continuing operations	(3,887)	1,091
Loss from discontinued operations	-	(129)
<b>Net profit/(loss) attributable to ordinary equity holders</b>	<b>(3,887)</b>	<b>962</b>

##### For diluted earnings per share:

Profit / (loss) from continuing operations	(3,887)	1,091
Loss from discontinued operations	-	(129)
<b>Net profit/(loss) attributable to ordinary equity holders</b>	<b>(3,887)</b>	<b>962</b>

#### (b) Weighted number of shares

Weighted average number of shares (basic) at 30 June	55,684	56,462
<b>Weighted average number of shares adjusted for effect of dilution</b>	<b>55,684</b>	<b>56,462</b>

Potential ordinary shares under option and restricted shares are considered non-dilutive where the current share price is lower than the exercise price.

	2014	2013
	\$000	\$000

#### (c) Earnings per share

Basic earnings per share (cents per share)	(6.9)	1.7
Diluted earnings per share (cents per share)	(6.9)	1.7

### 9. Current assets – cash and cash equivalents

	2014	2013
	\$000	\$000
Cash at bank and in hand	2,201	1,791
Funds held by bank (note 19)	350	350
	<b>2,551</b>	<b>2,141</b>

Cash and funds held at bank earns interest at floating rates based on daily bank deposit rates. Funds held by banks represent monies pledged to fulfil financial guarantee collateral requirements.

### 10. Current assets – trade and other receivables

	2014	2013
	\$000	\$000
Trade receivables	11,069	8,207
Allowances for impairment loss (a)	(59)	(92)
	<b>11,010</b>	<b>8,115</b>
Other receivables and prepayments	431	1,452
<b>Carrying amount of trade and other receivables</b>	<b>11,441</b>	<b>9,567</b>

#### (a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. Trade receivables are insured through a debtors' insurance policy, as described in note 3. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired and not recoverable within the terms of the insurance policy.

Movements in the provision for impairment loss were as follows:

	2014	2013
	\$000	\$000
At 1 July	92	87
Charge for the year	34	69
Amounts written off	(67)	(64)
<b>As at 30 June</b>	<b>59</b>	<b>92</b>

## Notes to the financial statements

### 10. Current assets – trade and other receivables *continued*

At 30 June, the ageing analysis of trade receivables is as follows:

	Total \$000	0-30 days \$000	31-60 days \$000	61-90 days PDNI* \$000	+ 91 days PDNI* \$000	+ 91 days CI* \$000
2014 Consolidated	11,069	4,530	4,340	962	1,178	59
2013 Consolidated	8,207	3,504	4,183	265	127	92

\*Past due not impaired (PDNI) \*Considered impaired (CI)

Receivables past due but not considered impaired are \$2,140,000 (2013: \$392,000). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each debtor has been directly contacted by debt recovery agents and the consolidated entity is satisfied that payment will be received in full. Note 2(g) details how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

### 11. Current assets – inventories

	2014 \$000	2013 \$000
Stock on hand	9,645	10,648
Less: provision for obsolescence	(1,058)	(1,657)
<b>Total inventories at the lower of cost and net realisable value</b>	<b>8,587</b>	<b>8,991</b>

### 12. Non-current assets – property, plant and equipment

Reconciliation of the carrying amounts at the beginning and end of the period.

	Leasehold improvements \$000	Plant & Equipment \$000	Plant & Equipment under lease \$000	Total \$000
<b>For the year ended 30 June 2014</b>				
At 1 July 2013 net of accumulated depreciation and impairment	187	668	3	858
Additions	20	100	-	120
Write-offs	-	(1)	-	(1)
Depreciation charge for the year	(76)	(315)	(3)	(394)
<b>At 30 June 2014 net of accumulated depreciation and impairment</b>	<b>131</b>	<b>452</b>	<b>-</b>	<b>583</b>
<b>At 30 June 2014</b>				
Cost of fair value	355	6,513	2,135	9,003
Derivative financial instruments	(224)	(6,061)	(2,135)	(8,420)
<b>Accumulated depreciation and impairment</b>	<b>131</b>	<b>452</b>	<b>-</b>	<b>583</b>

## Notes to the financial statements

### 12. Non-current assets – property, plant and equipment *continued*

	Leasehold improvements	Plant & Equipment	Plant & Equipment under lease	Total
	\$000	\$000	\$000	\$000

#### For the year ended 30 June 2013

At 1 July 2013 net of accumulated depreciation and impairment	267	941	5	1,213
Additions	-	29	-	29
Write-offs	-	(5)	-	(5)
Depreciation charge for the year	(80)	(297)	(2)	(379)
<b>At 30 June 2013 net of accumulated depreciation and impairment</b>	<b>187</b>	<b>668</b>	<b>3</b>	<b>858</b>

#### At 30 June 2013

Cost of fair value	728	8,887	2,135	11,750
Derivative financial instruments	(541)	(8,219)	(2,132)	(10,892)
<b>Accumulated depreciation and impairment</b>	<b>187</b>	<b>668</b>	<b>3</b>	<b>858</b>

### 13. Current liabilities – trade and other payables

	2014	2013
	\$000	\$000

#### Current

Trade payables	4,043	6,477
Other payables and accrued expenses	989	1,750
	<b>5,032</b>	<b>8,227</b>

For terms and conditions relating to trade payables refer to Note 2(o).



## 14. Provisions

	2014	2013
	\$000	\$000
<b>Current</b>		
Provision for fringe benefits tax	27	(2)
Provision for long-service leave	132	130
Liability for annual leave and employee provisions	380	408
	<b>539</b>	<b>536</b>
<b>Non-Current</b>		
Liability for long-service leave	148	237
Provision for contingent consideration <sup>(1)</sup>	-	100
	<b>148</b>	<b>337</b>

<sup>(1)</sup> See the table below for movement during the year.

	Provision for contingent consideration
	\$000
At 1 July 2013	100
Arising/(reversed) during the year	(34)
Utilised	(66)
As at 30 June 2014	-

### (a) Nature and timing of provisions

Refer to Note 2(m)(i) for the relevant accounting policy and a discussion of the significant estimates and assumptions applied in the measurement of this provision.

## 15. Share based payments

### (a) Employee share bonus

No employee bonus shares were issued to employees during the current year or prior year.

#### 2010 allocation

2,000,000 shares were issued to Stuart Smith on 28 October 2009. The shares were issued for \$0.35 each. It was accounted for as an option. The Black and Scholes methodology was used to value the options. The theoretical value of the options was calculated as being \$0.1195 per option.

Under the terms of issue, Mr Smith is required to forfeit his Plan Shares by transferring them to the Company if the Loan becomes repayable. On 25 July 2012, Mr Smith resigned as Chief Executive Officer and Executive Director of Cellnet Group Limited and the Loan became repayable.

Mr Smith agreed to the forfeiture and cancellation of those shares under their terms and conditions of issue and has no outstanding liability to the Company. In order to give effect to the forfeiture, these shares were required to be cancelled by an ordinary resolution of shareholders under section 258D of the *Corporations Act 2001*. This resolution was approved by shareholders at the annual general meeting held 19 November 2013.

### (b) Long term incentive plan

#### Employee expenses

	Note	Consolidated	
		2014	2013
		\$000	\$000
Income arising from cancellation of 2,000,000 shares granted to Stuart Smith on 18 October 2009		-	(212)
Expense arising from 3,300,000 options issued to KMP on 21 October 2011		-	8
<b>Total income recognised in employee costs</b>	<b>6</b>	<b>-</b>	<b>(204)</b>

## Notes to the financial statements

### 15. Share based payments *continued*

#### (c) Executive share option plan

On 18 December 2007, shareholders of the Company approved an Executive share option plan that entitles Executives of the Company to purchase shares in the Company.

Under the plan the Board has the discretion to issue options to Executives as long as the issue does not result in the Executive owning or controlling the exercise of voting power attached to 5% or more of all shares then on issue.

Each option is convertible to one ordinary share. The exercise price of the options is determined by the Board.

Upon the exercise of an option, each share issued will rank equally with other shares of the Company.

The Company may offer to provide such financial assistance to a person in relation to an invitation to participate in the plan, as the Board may determine from time to time in its discretion.

The rules governing the operation of the plan may be amended, waived or modified, at any time by resolution of the Board provided there is no reduction of rights to Executives in the plan. If an amendment reduces the rights of Executives in the plan, it requires written consent of three-quarters of affected Executives.

The plan may be terminated or suspended at any time by a resolution of the Board, provided the termination or suspension does not materially adversely affect the rights of persons holding shares issued under the plan at that time.

#### Movements in the year

The following table illustrates the number of weighted average exercise price (WAEP) of, and movements in, share options during the year.

	2014	2014	2013	2013
	Number of options	WAEP \$	Number of options	WAEP \$
Opening balance	1,600,000	0.36	3,300,000	0.36
Granted during the year	-	-	-	-
Options vested	-	-	-	-
Options lapsed	(400,000)	0.36	(1,700,000)	0.36
<b>Outstanding as at 30 June</b>	<b>1,200,000</b>	<b>0.36</b>	<b>1,600,000</b>	<b>0.36</b>

The following summarises the details of the grant.

Grant date	21 October 2011
First exercise date	21 October 2013
Last exercise date	21 October 2014
Exercise price*	\$ 0.45
Exercise Conditions	<p>Subject to the Plan Rules, an option cannot be exercised unless the Board acting reasonably are satisfied that the following conditions have been met:</p> <ul style="list-style-type: none"> <li>• The employee remains employed by the Company;</li> <li>• There is no outstanding breach of the terms of engagement with the Company;</li> <li>• No notice of termination of engagement has either been given by the employee or received from the Company.</li> </ul>
Lapse of options	<p>The options lapse in occurrence of the earlier of:</p> <ul style="list-style-type: none"> <li>• Last exercise date;</li> <li>• Board determination that the employee has committed an act that brings the Company into disrepute;</li> <li>• Ceased employment other than due to a special circumstances;</li> <li>• The option is surrendered.</li> </ul>

\*The exercise price is subject to reduction as per the Plan Rules at a rate equal to the amount of share capital returned to share holders. Subsequent to the grant of the options an amount of \$0.09 was returned to share holders by way of equal capital reduction. The new exercise price of the options issued in the 2012 financial year is \$0.36.

## 16. Derivative Financial Instruments

	2014	2013
	\$000	\$000
<b>Current</b>		
Forward foreign currency exchange contracts	732	-
	<b>732</b>	<b>-</b>

The consolidated entity fair values forward foreign currency exchange contracts held at balance date. Changes in the fair value of forward foreign currency exchange contracts that economically hedge monetary assets and liabilities in foreign currencies are recognised in net income. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of other revenue (Note 5) or other expenses.

## 17. Fair Value Measurement

The fair values together with the carrying amounts of financial assets and financial liabilities shown in the statement of financial position are outlined in the table below. For short term trade receivables and payables with a maturity date of less than one year, the carrying amount, as adjusted for any allowances for impairment, is deemed to reflect the fair value.

		Carrying amount	Fair value	Carrying amount	Fair value
		2014	2014	2013	2013
	Note	\$000	\$000	\$000	\$000
Cash and cash equivalents	9	2,551	2,551	2,141	2,141
Trade and other receivables	10	11,441	11,441	9,567	9,567
Trade and other payables	13	(5,032)	(5,032)	(8,227)	(8,227)
Derivative financial instruments	16	(732)	(732)	-	-
		<b>8,228</b>	<b>8,228</b>	<b>3,481</b>	<b>3,481</b>

### Fair value hierarchy

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 financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.
- Level 2:** The fair value of financial instruments 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.

The only balance on the Group's balance sheet which is measured at fair value are forward foreign exchange contracts (refer note 16). The fair value of these financial instruments is determined using forward exchange rates at the balance sheet date. Such fair value measurement is included in level 2, as it is based on an observable input.

## Notes to the financial statements

### 18. Commitments and contingencies

#### Commitments

The consolidated entity has entered into commercial leases on office and warehouse facilities, and items of computer equipment. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. Lease payments generally comprise a base amount plus an incremental contingent rental which is based on movements in the Consumer Price Index.

Future minimum rentals payable under non-cancellable operating leases at 30 June 2014 are payable as follows and are inclusive of any revenue received from third parties that are sub leasing premises which the consolidated entity is lessee of the head lease of the associated facility:

	2014	2013
	\$000	\$000
Less than one year	844	842
Between one and five years	978	1,737
	<b>1,822</b>	<b>2,579</b>

The group subleases a portion of its office space at its Eagle Farm premises. The sublease term is matched to the term of the head lease, with an expiry date of September 2016. Minimum amounts receivable under the sublease total \$0.257m within one year (2013: \$0.249m), and \$0.332m after one year but within 5 years (2013: \$0.590m).

#### Contingencies

Recovery of an alleged outstanding debt relating to a freight consultancy agreement from 2006 has been commenced against the company. The company intends to vigorously defend the claim and pursue recovery of any costs associated with this action. Costs associated with the defence of this claim totalling \$40,000 have been expensed in the current financial year.

### 19. Financial guarantees

The consolidated entity has provided financial guarantees in respect of rental leasing arrangements disclosed in Note 18. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2014	2013
	\$000	\$000
Bank guarantees provided	350	350
	<b>350</b>	<b>350</b>

## 20. Discontinued operation

The company advised that on 8 June 2012 that it planned to exit the online business segment. The Company completed the sale of OYT Pty Ltd, Buyii Pty Ltd, Cellnet Online Pty Ltd on 1 October 2012, 3 October 2012 and 9 April 2013 respectively for a total consideration of \$112,000. The net cash flows of \$55,000 generated by the sale are in the statement of cash flows as part of the cash flows from investing activities.

Results of the discontinued operations for the year are presented below:

	2014	2013
	\$000	\$000
<b>Results of discontinued operation</b>		
Revenue	-	561
Expenses	-	(641)
<b>Gross profit</b>	<b>-</b>	<b>(80)</b>
Depreciation	-	(4)
Gain on disposal of discontinued operation	-	38
<b>Loss before tax</b>	<b>-</b>	<b>(46)</b>
Tax	-	(83)
<b>Loss for the period from a discontinued operation</b>	<b>-</b>	<b>(129)</b>
<b>Cash inflow on sale of discontinued operation</b>		
Consideration received	-	112
Net cash disposed of with the discontinued operation	-	(57)
<b>Net cash inflow</b>	<b>-</b>	<b>55</b>
<b>Earnings per share:</b>		
Basic, profit / (loss) for the year, from discontinued operation (cents per share)	-	(\$0.002)
Diluted, profit / (loss) for the year from discontinued operation (cents per share)	-	(\$0.002)

## Notes to the financial statements

### 21. Related party disclosure

#### Subsidiaries

The consolidated financial statements include the financial statements of Cellnet Group Ltd and the subsidiaries included in the following table:

Name	Country of incorporation	2014	2013
Cellnet Group Ltd (Parent)	Australia	100	100
Cellnet Ltd	New Zealand	100	100
C&C Warehouse (Holdings) Pty Ltd	Australia	100	100
Regadget Pty Ltd*	Australia	100	90
OYT Pty Ltd*	Australia	100	100
Cellnet Online Pty Ltd*	Australia	100	100

\*Entity's represent discontinued operations of which the businesses were sold in the prior year. ^The group acquired the remaining 10% interest in Regadget Pty Ltd during the year.

The following table provides the total amount of transactions which have been entered into with related parties during the twelve month periods ending 30 June 2014 and 30 June 2013.

		Interest paid on loans from related parties	Services from related parties	Drawdown's on loans from related parties	Repayment of loans from related parties
		\$000	\$000	\$000	\$000
<b>Entity with ultimate control over the consolidated entity</b>					
CVC Ltd	2014	11	-	800	800
	2013	-	55	-	-
CVC Manager Pty Limited	2014	-	105	-	-
	2013	-	105	-	-

#### Entity with ultimate control over the consolidated entity

CVC Ltd holds 52.99% (2013: 51.11%) of the ordinary shares in Cellnet Group Limited.

#### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

#### Transactions with entity with ultimate control over the group

A CVC Ltd's consultant was engaged on a work placement basis to provide business advice to Cellnet Group Limited. The engagement was for the period 1 July 2013 to 31 October 2013.

In December 2013 CVC Ltd advanced a short term loan to the Group in order to enable the group to procure inventory to meet seasonal demand. The loan, which was provided on normal commercial terms, was unsecured and attracted an interest rate of 12%. The loan was fully repaid prior to the maturity date of 7 February 2014.

During both the 2014 and 2013 financial years the Company paid management fees to CVC Managers Pty Limited, a wholly owned subsidiary of CVC Ltd, for director related services.

## 22. Key management personnel

### (a) Key management personnel remuneration

	2014	2013
	\$000	\$000
Short-term employee benefits	748,809	607,878
Post-employment benefits	29,500	23,981
Long term benefits	-	26,548
Termination / retention benefits	-	275,000
Share-based payment benefits	-	(206,046)
<b>Total compensation</b>	<b>778,309</b>	<b>727,361</b>

### (b) Directors shares

On 25 July 2012, 2,000,000 restricted shares were issued to a Director were cancelled, for details refer to note 15(b).

## 23. Subsequent events

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

## 24. Parent entity information

	Consolidated	
	2014	2013
	\$000	\$000
Current assets	17,950	16,411
Total assets	20,002	20,022
Current liabilities	(10,564)	(7,957)
Total liabilities	(12,782)	(8,424)
<b>Net assets</b>	<b>7,220</b>	<b>11,598</b>
Issued capital	31,699	31,699
Retained earnings	(25,028)	(20,650)
Reserve for own shares	(26)	(26)
Reserve for share based payment	575	575
<b>Total shareholder's equity</b>	<b>7,220</b>	<b>11,598</b>
Profit / (loss) of the parent entity after tax	(4,379)	2,796
<b>Total comprehensive income of the parent entity</b>	<b>(4,739)</b>	<b>2,796</b>

The parent has not issued any guarantees in relation to the debts of its subsidiaries and has no contingent liabilities or contractual obligations as at 30 June 2014 (2013: Nil).

## 25. Contributed equity and reserves

### (a) Share capital

	2014	2013
	No. of shares	No. of shares
Ordinary shares on issue	55,684,090	57,684,090
Directors restricted shares cancelled	-	(2,000,000)
<b>On issue at 30 June</b>	<b>55,684,090</b>	<b>55,684,090</b>
<b>Ordinary shares</b>		
<b>Issued and fully paid</b>	<b>55,684,090</b>	<b>55,684,090</b>

Fully paid ordinary shares carry one vote per share and carry the right to receive a dividend.

	2014	2013
	\$000	\$000
Ordinary shares on issue	31,699	31,699
	<b>31,699</b>	<b>31,699</b>

### (b) Reserves

	2014	2013
	\$000	\$000
Translation reserve	107	(57)
Reserve for own shares	(25)	(25)
Share based payment	576	576
	<b>658</b>	<b>494</b>

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

## Notes to the financial statements

### 25. Contributed equity and reserves *continued*

#### Reserve for own shares

The reserve for own shares represents the cost of shares held by an equity remuneration plan that the consolidated entity is required to include in the financial report. At 30 June 2014 the consolidated entity held 107,110 of the Company's shares (2013: 107,110). This reserve will be reversed against share capital when the underlying shares are exercised under performance rights. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

#### Share based payment

The share based payment reserve is used to recognise the value of equity-settled share based payments to KMP.

#### (c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, or issue new shares.

Management monitors capital through the capital adequacy ratio (net assets/total assets). The target for the consolidated entity's capital adequacy ratio is between 40% and 60%. The capital adequacy ratios based on continuing operations at 30 June 2014 and 2013 were as follows:

	Consolidated	
	2014	2013
	\$000	\$000
Net assets	11,269	14,992
Total assets	23,990	24,566
Capital adequacy ratio	47%	61%

### 26. Dividends franking account

#### Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	2014	2013
	\$000	\$000
Franking account balance as at the end of the financial year at 30% (2012:30%)	586	586

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (i) franking debits that will arise from the refund of the current tax receivable;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated entity at the year end; and
- (iv) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce it by \$Nil (2013: \$Nil). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated entity has also assumed the benefit of \$Nil (2013: \$Nil) franking credits from its Australian wholly-owned subsidiaries during the year.

### 27. Auditors' remuneration

	2014	2013
	\$000	\$000
<b>Amounts received or due and receivable by the auditors for:</b>		
Audit or review of the financial report of the entity and any other entity in the consolidated entity		
Pitcher Partners	75,000	-
Ernst & Young (Australia & New Zealand)	-	101,553
<b>Other services in relation to the entity and any other entity in the consolidated entity</b>		
Pitcher Partners	24,000	-
Ernst & Young (Australia & New Zealand)	-	11,008
	<b>99,000</b>	<b>112,561</b>



## 28. Cash flow statement reconciliation

	Consolidated	
	2014	2013
	\$000	\$000
<b>Reconciliation of net profit after tax to net cash flows from operations:</b>		
Net profit / (loss)	(3,887)	962
<b>Adjustments for:</b>		
Depreciation and amortisation	394	379
Impairment	150	-
Movement in provision for obsolescence	(603)	1,314
Movement in provision for impairment	(34)	(64)
Interest revenue classified as investing cash flow	(19)	-
Gain on sale of intellectual property	-	(50)
Share based payments expense	-	(204)
Foreign exchange (gain) / loss	-	(309)
<b>Changes in assets and liabilities:</b>		
(Increase) / decrease in trade and other receivables	(1,869)	(913)
(Increase) / decrease in inventories	1,050	(5,026)
(Increase) / decrease in current tax assets	4	13
(Increase) / decrease in deferred tax assets	2,036	(118)
(Decrease) / increase in trade and other payables	(3,150)	1,128
(Decrease) / increase in other financial instruments	732	-
(Decrease) / increase in provisions	(124)	477
<b>Net cash used in operating activities</b>	<b>(5,320)</b>	<b>(2,411)</b>

## Notes to the financial statements

### 29. Business combination

#### Acquisition of Stuff Products Pty Ltd

On 28 March 2013 the consolidated entity entered into a purchase agreement whereby it acquired the business of Stuff Products Pty Ltd, a synergistic Brisbane based distributor of mobile phone and tablet fashion accessories for a consideration of \$300,000. The Stuff Products transaction represented an opportunity for the consolidated entity to gain access to new fashion centric brands that could be offered to both new and existing customers.

Fair value recognised on acquisition date

The fair values of the identifiable assets and liabilities of Stuff Products Pty Ltd at the date of acquisition were recognised on a provisional basis and were as follows:

	Note	Fair value recognised on acquisition \$000
<b>Assets</b>		
Inventories		250
		250
<b>Liabilities</b>		
Contingent Consideration	14	(100)
		(100)
<b>Total identifiable net assets at fair value</b>		<b>150</b>
Identifiable intangibles arising on acquisition	30	150
<b>Purchase consideration transferred</b>		<b>300</b>
<b>Cash flow on acquisition</b>		
Cash paid		(300)
<b>Net cash flow on acquisition</b>		<b>(300)</b>

From the date of the Stuff Products transaction to 30 June 2013, the business has contributed revenues of \$305,000 and profit before tax of \$45,000. If the combination had been in place at the beginning of the 2013 year, revenues from continuing operations would have been \$77,985,000 and profit before tax of \$1,191,000.

#### Contingent consideration

As part of the purchase agreement, a contingent consideration of \$100,000 was payable to the seller should the company achieve a profit contribution of \$300,000. At the acquisition date, a fair value of the contingent consideration was estimated to be \$100,000. This was based on management's opinion that there was a 100% probability of the conditions being met. During the 2014 financial year a total of \$66,000 of this consideration was paid. The remaining \$34,000 did not vest and was written back to profit and loss. Refer note 14.

Identifiable intangibles of \$150,000 comprised the value of supplier contracts, customer relationships and expected synergies arising from the acquisition that is anticipated to result from combining the operations of the acquiree and the acquirer that do not qualify for separate recognition. The intangible asset was impaired in full during the 2014 financial year, refer note 30.

Fair value on acquisition 30 June 2013

The table below details the fair value of net assets as at 30 June 2013.

	2013 \$000
<b>Assets</b>	
Inventories	250
Identifiable intangible	150
	400
<b>Liabilities</b>	
Contingent Consideration	(100)
<b>Total identifiable net assets at fair value</b>	<b>300</b>

### 30. Intangible assets

	2014 \$000	2013 \$000
Opening balance	150	-
Identifiable intangibles acquired in business combinations (note 29)	-	150
Impairment	(150)	-
<b>Closing balance</b>	<b>-</b>	<b>150</b>

### 31. Interest bearing loans and borrowings

	Interest Rate	Maturity	2014	2013
	%		\$000	\$000
Business Finance	3.99	3 July 2014	251	-
	3.99	7 July 2014	450	-
	3.99	10 July 2014	427	-
	3.99	21 July 2014	190	-
	5.76	2 August 2013	-	474
Invoice Finance	5.71	Various	4,952	-
			<b>6,270</b>	<b>474</b>

#### \$4,000,000 Business finance

This facility consists of three individual facilities, namely surrendered bills of lading, trade finance-imports and special documentary import letters of credit. The combined limit of \$4,000,000 applies across these individual facilities. As at 30 June 2014, the company has drawn down \$1,318,000 under its trade finance – imports facility. This facility is a perpetual facility and has no fixed expiry date, although individual trade finance draw downs under the facility as at balance date mature on the dates disclosed above. The facility is secured by a general security agreement given by Cellnet Group Limited over all existing and future assets and undertakings.

#### \$6,000,000 Invoice finance

This facility was extended to the company on 10 March 2014. It is a facility for terms of trade. The total limit of the facility is \$6,000,000. As at 30 June 2014, the company has drawn down \$4,952,000 under this facility. The facility is secured by general security agreement given by Cellnet Group Limited over all existing and future assets and undertakings, and a flawed asset agreement providing for deposits by Cellnet Group Limited in relation to a deposit account held with the financier. Amounts owing under the facility are matched to the trade terms of the underlying financed transaction up to a maximum of 60 days.

#### Breach of Covenant

The Group was in breach of its minimum interest coverage ratio covenant under the terms of the above facility agreements. The facilities are due to be reviewed in August 2014. Details of the pending breach were advised to the financier in May 2014, at which time the financier indicated that support would most likely continue to be provided, subject to:

- Trading performance improved in line with projections to be evaluated in the next mid-year review;
- Possible change from half yearly to quarterly reviews;
- All existing facilities operating within guidelines including invoice finance, trade finance and forward foreign exchange contracts;
- Possible increase in interest rate due to change in risk profile.

The group's budgeted EBITDA for the 30 June 2015 financial year is sufficient to comply with the covenant.

## Notes to the financial statements

### Directors' declaration

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

In the opinion of the Directors:

- a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the company's financial position as at 30 June 2014 and of their performance for the year ended on that date;
  - ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*;
- b) the financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in note 2(a);
- c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

On behalf of the Board



**Alexander Beard**  
Chairman

Brisbane  
19 August 2014



**PITCHER PARTNERS**  
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NIGEL BATTERS  
ADELE TOWNSEND  
COLE WILKINSON

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

### Report on the Financial Report

We have audited the accompanying financial report of Cellnet Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard *AASB101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and

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fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

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

#### *Opinion*

In our opinion:

- a) the financial report of Cellnet Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

#### *Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Opinion*

In our opinion the Remuneration Report of Cellnet Group Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

PITCHER PARTNERS

J J EVANS

Partner

Brisbane, Queensland

19 August 2014

# Corporate Governance Statement

## Background

Principles of Good Corporate Governance and Best Practice Recommendations" were published in March 2003, revised effective 1 January 2008 and the latest amendments issued under Corporate Governance Principles and Recommendations (2nd Edition) by the Australian Securities Exchange Limited's Corporate Governance Council. The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have not followed the Best Practice Recommendations during a reporting period and are also required to provide reasons for their non-compliance. In addition, specific corporate governance information must be included in the Corporate Governance Statement section or elsewhere in the Annual Report.

## Compliance

Cellnet has reviewed its Corporate Governance Statement and this has been published on the Company website: <http://www.cellnet.com.au/>. The Company reports annually on its compliance with the Best Practice Recommendations. After the significant restructure the Company has completed and in recognition of the reduced scale of operations of the business, the Board has adopted and is in the process of executing a turnaround plan that focuses on future viable operations of the business.

In the restructured operations, Cellnet has been unable to fully comply with the requirements of the Corporate Governance Principles and Recommendations and details below the areas where it is not currently compliant. The Board has indicated, however that it will return to full compliance with the best practice recommendations as soon as is practicable.

### Principle 2 Structure the board to add value

#### ASX Principles and Recommendation

#### Summary of Company's Position

##### Recommendation 2.1

A majority of the Board should be independent directors

##### Recommendation 2.2

The chair should be an independent director

The current scale of operations has determined the need for only a three person Board which comprises one executive director (who is the Managing Director) and two non-executive directors (none of whom are independent and includes the Chairman). The Board holds the view that notwithstanding these departures from the guidelines, the current Board has the required capabilities appropriate for the current operating environment, are able to ensure that corporate governance objectives are achieved and their operational performance is totally transparent.

##### Recommendation 2.4

The Board should establish a nominations committee

In line with the Board's view on the composition and size of the Board having regard to its current strategies and requirements, there is no nominations committee however the full Board assumes the functions of such a committee as and when required.

##### Recommendation 2.5

Disclose the process for evaluating the performance of the Board, its committees and individual Directors

While there is no structured process in place, the Chairman is able to regularly measure performance through participation at meetings of Directors.

### Principle 3 Promote ethical and responsible decision-making

#### ASX Principles and Recommendation

#### Summary of Company's Position

##### Recommendation 3.2

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

The Company has adopted a formal diversity policy which has been uploaded onto its website <http://www.cellnet.com.au/>.

No measurable objectives has been set by the Board due to the Company's size and because the operation and development of the diversity policy was relatively new and being integrated with existing employment and equal opportunity practices.

It is Board policy to review this policy as part of its annual compliance review and to assess and report on diversity at the end of each financial year.

##### Recommendation 3.3

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Company position is the same as that for Recommendation 3.2.

## Corporate Governance Statement *continued*

### Principle 3 Promote ethical and responsible decision-making *continued*

ASX Principles and Recommendation	Summary of Company's Position
<b>Recommendation 3.5</b> Companies should provide the information indicated in the guide to reporting on Principle 3.	Company position is the same as that for Recommendation 3.2.

### Principle 4 Safeguard integrity in financial reporting

ASX Principles and Recommendation	Summary of Company's Position
<b>Recommendation 4.2</b> Structure of the Audit Committee	The Company is unable to comply with this recommendation principally due to the current composition of the Board. Notwithstanding this departure, the audit and risk committee process operates in accordance with the audit and risk committee charter.

### Principle 8 Remunerate fairly and responsibly

ASX Principles and Recommendation	Summary of Company's Position
<b>Recommendation 8.2</b> The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent director</li> <li>• has at least 3 members</li> </ul>	Although there are 3 members of the committee, the Company is unable to comply with this recommendation in full principally due to the current composition of the Board. However, the Board assumes the functions of such a committee as and when required.
<b>Recommendation 8.4</b> Companies should provide information in respect of restrictions on entering into transactions which limit risk in of participating in unvested entitlements.	While there is no structured process in place, the Chairman approves all equity participation schemes.

### Corporate Governance Principles and Recommendations (2<sup>nd</sup> edition)

The ASX Corporate Governance Council announced on 30 June 2010 amendments to the current Corporate Governance Principles and Recommendations. Cellnet will recognise the impact of these changes in their Statement of Corporate Governance and report on them as required.

### Diversity at Cellnet Group Limited

The Company promotes a diverse workplace by aiming to ensure that all employees and applicants for employment are fairly considered according to their skills, qualifications and abilities. In respect of the gender diversity initiatives contained in these changes, the Company has adopted a formal diversity policy as disclosed to ASX on 22 October 2012. This policy can be found in the Company's website <http://www.cellnet.com.au/>.

The Company will monitor the progress towards the achievement of appropriate gender diversity. As part of this process, the Board will ensure that the policy contains measureable objectives for gender diversity, but in doing so will need to recognise the nature and size of the Company's business and ensure any policy objectives are realistic and achievable.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30 June 2014 are disclosed below

	Total	Senior Management	Board
Female	35	1	-
Male	51	5	3
% Female	40.7	16.7	-



## ASX Additional information

### As at 8 September 2014

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### Shareholdings

#### 20 largest shareholders

Name	Ordinary share held	% of capital held
CVC Limited	29,519,904	52.99
McNeil Nominees Pty Limited	3,702,155	6.65
Hesley Consultants Limited	2,800,000	5.03
Bywater Investments Limited	2,139,800	3.84
Ms Amaya Margaret Brookman	1,851,943	3.32
Chemical Trustee Ltd	1,820,000	3.27
Philadelphia Investments Pty Ltd	1,650,274	2.96
TUP Pty Ltd	961,085	1.73
Kailva Pty Ltd	500,000	0.90
Angueline Capital Pty Limited	425,700	0.76
Mr Thien Dinh Nguyen	304,800	0.55
Carmant Pty Ltd	220,000	0.39
Citicorp Nominees Pty Limited	194,180	0.35
Ronald Bruce Knight & John Graham Cameron	180,946	0.32
Grootemaat Super Pty Ltd	172,901	0.31
Henry Family Superannuation Fund P/L	172,900	0.31
ASB Nominees Limited	172,797	0.31
Epic Trustees Limited	147,600	0.26
Organisational Change Consultants Pty Ltd	140,000	0.25
Mr David Paul Radonich	120,000	0.22
<b>Top 20 holders</b>	<b>47,196,985</b>	<b>84.72</b>
<b>All other holders</b>	<b>8,510,126</b>	<b>15.28</b>
<b>All holders</b>	<b>55,707,111</b>	<b>100.00</b>

### Substantial shareholders

The number of shares held by substantial shareholders and their associates, as advised in substantial holder notices given to the Company, are set out below:

Name	Ordinary share held
CVC Ltd	29,519,904
McNeil Nominees Pty Limited	3,702,155
Hesley Consultants Limited	2,800,000

Distribution of equity security holders	
Category	No. of holders
1–1000	100
1,001–5,000	654
5,001–10,000	213
10,001–50,000	147
50,001–100,000	23
100,001 and over	24
	<b>1,161</b>

The number of shareholders holding less than a marketable parcel of ordinary shares is 423.

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# cellnet

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