28 August 2009

The Manager Companies
Company Announcements Office
ASX Limited
Level 4, Stock Exchange Centre
20 Bridge Street
Sydney NSW 2000

2009 Full Year Result

The Directors of Cellnet announce a net loss for the year ending June 30, 2009 of $15.8m compared to a loss in the prior year of $4.7m.

As disclosed in the half year result at 31 December 2008, the current years result includes a substantial write down in the intangible assets of the Company following the exit and sale of the IT segment of the business as well as the losses from these discontinued operations.

This result is a reflection of the problems the Company has faced in the past and the work done to exit the loss making parts of the Company has been necessary in order for the Company to be in a position to focus on future profitable opportunities.

The past year at Cellnet Group has proved to be a watershed and even with the significant restructure and general downward market pressure in margin and sales, the continuing operations have continued to provide a platform from which to turn around the business. The objectives set of reshaping the business to be leaner and more focussed have been completed and will, I believe, provide a basis for future opportunities.

The substantial restructuring of the operations has seen a significant improvement in the balance sheet of the Company and, as noted in the Annual Report, the Company is debt free with $20m cash available to it to pursue opportunities which add value to shareholders. We are being cautious in our deliberations considering the current market uncertainty which, although providing opportunities, also has greater risks.

The focus continues to be on a sales and marketing and product procurement strategy that will further improve customer relations, have a more diverse range of product offerings and improved operational performance, the foundations of which are all already in place.

With the cash resources available to it and the appropriate management team in place, we are optimistic about the future and our ability to continue to be the preferred supplier to our many thousands of customers within both Australia and New Zealand. We are positive about the future and are determined to evolve Cellnet into a Company that provides all shareholders with a good return for their funds invested.

I would like to thank the whole team for the tremendous effort that they have put into restructuring the group over the past year and look forward to working closely with them into the future. I would also like to thank the shareholders that have continued to remain loyal to us through this time and we are confident the Company is now in a position of strength which has been sorely lacking in the past.

The Company also advises that it expects a profit of between $1m and $1.2m for the next financial year from existing operations. When the Board decides on the best use of the surplus cash this forecast will be updated appropriately.

Alexander Beard
Chairman

Cellnet Group Limited
and its controlled entities

ABN: 97 010 721 749

Financial Report
Year Ended 30 June 2009

	Section
Appendix 4E	A
Financial Report	B

Appendix 4E
Final Report

Results for announcement to the market

Name of Entity	Cellnet Group Limited
ABN	97 010 721 749
Reporting Period	Year ended 30 June 2009
Previous Corresponding Period	Year ended 30 June 2008

Results:

				$A'000's
Revenues from ordinary activities	Down	55.3%	to	196,273
Profit from ordinary activities after tax attributable to members	Down	235.4%	to	(15,772)
Net Profit for the period attributable to members	Down	235.4%	to	(15,772)

Dividends:

	Amount per Security	Franked Amount per Security	Record Date
2008 Final	N/A	N/A	N/A
2008 Interim	N/A	N/A	N/A
2007 Final	N/A	N/A	N/A

Commentary on Results:

The loss in the current year relates largely to the discontinued operations, namely the distribution and fulfilment of IT products, which incurred a loss of $9.6m. By deciding to exit from this segment of its operations, the Company incurred a write down in the intangible assets relating to this segment of over $4.5m. The continuing operations incurred a loss of $6.1m which included inventory write-downs and provisions of $2.0m accrued at the half year.

These operating results are unsatisfactory but the Board believes the corrective actions taken over the course of the past year will change this result around. In addition, the Board continues to consider all options available to it to effectively utilise the cash realised from these operations to ensure the continuing operations are sound and all shareholders are provided with an appropriate return on the capital employed in the business.

Commentary on Dividends:

In view of the performance for the financial year the Board do not recommend the payment of a dividend at this time.

Net Tangible Assets:

	30 June 2009	30 June 2008
Net tangible asset backing per share	40.1¢	60.10¢

Other Information:

Additional Appendix 4E disclosure requirements can be found in the attached Financial Report.

This Appendix 4E and Financial Report are based on accounts that have been audited. The audit report, which was unqualified, is included in the attached Financial Report.

Section B

Cellnet Group Limited

and its controlled entities

Financial Report
For the Year Ended
30 June 2009

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Corporate Information

ABN 97 010 721 749

Directors
A. Beard (Chairman)
M. Brookman
S. Harrison

Chief Executive Officer
S. Smith

Company Secretary
D. Mackenzie

Principal Registered Office
Cellnet Group Limited
59-61 Qantas Drive
Eagle Farm QLD 4009
Phone: 1300 CELLNET
Fax: 1800 CELLNET

Auditor
Ernst & Young
680 George Street
Sydney NSW 2000

Share Registry
Link Market Services Ltd
Level 19 ANZ Building
324 Queen Street, Brisbane QLD 4000
Phone: 1300 554 474

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

Directors' report

Your Directors submit their report for the year ended 30 June 2008.

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.

Name and independence status	Age	Experience, qualifications, special responsibilities and other directorships	Interest in shares and securities*
Mr Alexander Beard (B.Com, MAICD, FCA) Non-Executive Director Appointed Director: 15 December 2006 Appointed Chairman: 20 August 2007	43	Current Director and Chief Executive Officer of CVC Limited, the largest single shareholder of Cellnet Group Limited. Broad investment and financial experience, particularly with emerging companies. Currently serves on the Board of CVC Trinity Property Fund (appointed 23 December 2005) and Mercury Mobility Limited (appointed 7 June 2007). Member of the Audit and Risk Management Committee.	Nil ordinary shares
Mr Mel A M Brookman Executive Director Appointed: 4 June 1992	46	Co-founder of Cellnet in 1992. Over 17 years experience in the mobile phone and IT distribution industries. Previous Managing Director of the Company from 1999 to 28 November 2002. Current Chairman of the Board of Mercury Mobility Limited (appointed 7 June 2007). Chairman of the Audit and Risk Management Committee.	6,853,262 ordinary shares 2,500,000 of which are under escrow
Mr Stephen Harrison Executive Director Appointed: 20 August 2007	48	Co-founder of Cellnet in 1992. Previous Managing Director of the Company from 28 November 2002 to 31 May 2005. and 20 August 2007 to 1 February 2009. Over 16 years experience in IT and Telecommunications Industries. Member of Audit and Risk Management Committee.	1,702,917 ordinary shares 2,500,000 options

* Relevant interest of each Director in the shares and options issued by the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G of the Corporations Act 2001, at the date of this report.

Company Secretary

Mr Don Mackenzie was appointed as Cellnet's Company Secretary on 6 October 2005. He is a Fellow of the Institute of Chartered Accountants. Mr Mackenzie has had experience in Chartered Accounting firms, held senior positions with public companies involved in the rural and manufacturing industries and since 1993 he has provided corporate services predominantly to public companies involved in manufacturing, mining, information technology and rural operations.

Mr Mackenzie is a Director of Forest Place Group Limited (appointed March 2004) and Occupational & Medical Innovation Limited (appointed November 2004), and an alternate Director of Silver Chef Limited (appointed March 2005). He is 64 years of age.

Directors’ report (continued)

Directors’ meetings

The number of 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:

Director	Board Meetings		Audit & Risk Management Committee Meetings	
	A	**B**	**A**	**B**
Alexander Beard	7	7	2	2
Mel Brookman	7	7	2	2
Stephen Harrison	6	7	2	2

A – Number of meetings attended
B – Number of meetings held during the time the Director held office during the year

Committee membership

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

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

Audit & Risk Management
Mel Brookman (Chairman)
Alexander Beard
Stephen Harrison

Directors' report (continued)

Remuneration Report (Audited)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of the report Key Management Personnel (KMP) of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any Director (whether Executive or otherwise) of the Company, and includes the five Executives in the Company and the consolidated entity receiving the highest remuneration.

For the purposes of this report, the term 'Executive' encompasses the Managing Director, Chief Executive Officer, senior Executives, General Managers and Secretaries of the Company and the consolidated entity.

Details of key management personnel (including the five highest Executives of the Company and the consolidated entity) at the date of this report

Non-Executive Directors
Mr A Beard (Chairman)
Mr S Harrison
Mr M Brookman

Executives
Mr S Smith (Chief Executive Officer, appointed 1 February 2009, previously Chief Financial Officer – appointed 6 February 2008)
Mr J Phua (General Manager – Marketing and Procurement)
Mr B Watts (Manager – Operations)
Ms E Schillinger (General Manager – Memory)
Mr M Wallace (General Manager – Retail)

Directors' report (continued)

Remuneration Report (Audited)(continued)

Remuneration Committee

The Board, CEO and Human Resources Manager comprise the Remuneration Committee. Senior Executives' remuneration is determined by the Remuneration Committee, under direction from the Board, and to make recommendations to the Board on these matters.

Remuneration Structure

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 both the Company and 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 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; and
- 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.

1.1 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.

Directors' report (continued)

Remuneration Report (Audited)(continued)

The processes adopted seek to consider performance across a wide spectrum of the business of the consolidated entity. As necessary, reliance is placed on external sources to provide analysis and advice to ensure the remuneration is competitive. Senior Executive's remuneration is also reviewed on promotion.

1.2 Performance-linked remuneration

Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash. A long-term incentive (LTI) plan is in the process of being considered. In the past the LTI had been provided as shares or options over ordinary shares of the Company under the rules of the Employee Share Option Plan (see Note 27(a) to the financial statements).

1.3 Short-term incentive bonus

Each year the Board and CEO set the key performance indicators (KPIs) for the key management personnel and the Board sets the KPI's for the CEO. The KPIs generally include measures relating to the consolidated entity, and the individual, and include a combination of financial and project related targets. The measures are chosen as they directly align the individual's reward to the KPIs of the consolidated entity and to its strategy and performance.

For the year ended 30 June 2009 the financial performance objectives primarily related to three main categories covering: profitable segments of the business; balance sheet strengthening and realisation of working capital from discontinued operations. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes.

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% for stretch performance beyond the target in respect of financial performance objectives. No bonus is awarded where performance falls below the minimum.

In the current year, in respect of the financial performance objectives, the efficient realisation of working capital from unprofitable segments of the business, operational restructuring, balance sheet strengthening and the performance of the continuing operations were the key focus area and this target was achieved. In respect of the other financial objectives, including profit after tax, the achievement levels were not achieved and non-financial objectives were partially achieved.

The Board approves the cash incentive to be paid to senior managers. This method of assessment was chosen as it provides the Board with an objective assessment of the individual's performance.

1.4 Long-term incentives

Performance Share Rights Plan

The Board had established a Performance Share Rights Plan which is designed to provide incentives to the key management personnel of the consolidated entity. The plan was approved by shareholders at the 18 November 2005 Annual General Meeting. Under the plan, performance rights are issued to key management personnel. The rights deliver ordinary shares to key management personnel (at no cost to the Executive) only if the performance hurdle in relation to those performance rights is met. Where the performance hurdle is met, the Company will acquire the necessary shares on the stock market and allocate them to the key management person. Non-Executive Directors are not entitled to participate in the plan.

The number of performance rights to be granted to each Executive is set by taking a specified percentage of the total fixed remuneration of each key management person, exclusive of any bonuses, and dividing that by the five-day average Cellnet closing share price prior to the date of issue.

Directors' report (continued)

Remuneration Report (Audited)(continued)

No issues were made under this plan during the current year and no issues have been made under this plan since 1 July 2006.

The number of performance rights that vest to key management personnel will be determined according to the Company's relative Total Share Return (TSR) performance over the relevant performance period compared with a comparative group of companies.

TSR measures growth in shareholder value (essentially movement in share price plus dividends, assuming re-investment) over the performance period. Under the relative TSR test:

- no performance rights will vest unless the Company's TSR over the performance period is greater than or equal to the TSR of the Company which is at the 50th percentile of the comparative group ranked by TSR performance. If that threshold is attained 50% of the performance shares will vest and become the property of the key management personnel;
- all of the performance rights will vest if the Company's TSR over the performance period is equal to or greater than the TSR of the Company which is at the 75th percentile of the comparative group, ranked by TSR performance; and
- the percentage of the performance rights which will vest will increase progressively as the Company's TSR moves from the 50th to 75th percentiles.

The comparative group for the relative TSR test will comprise a broad group of ASX-listed companies of reasonably comparable size to the consolidated entity, as determined by the Board, but excluding listed property trusts and similar entities. Companies that drop out of the comparative group during the performance period because of mergers and delistings will not be replaced.
There are no unvested Performance Rights as these have either not satisfied the relevant criteria or they have been forfeited through resignation.

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

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.

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.

Nil options issued in current year. 2,500,000 options were issued under this plan during the previous year on 18 January 2008. For full details of the plan see Note 27(e) and 37 of the financial statements. No further options have been issued over the share capital of the Company.

Directors' report (continued)

Remuneration Report (Audited)(continued)

Long Term Incentive 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 18 December 2007 Annual General Meeting.

The purpose and rules of the plan are the same as the Executive Share and Option Plan described above, except that there is no prohibition on issuing shares or options 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.

Nil options issued in current year. 2,500,000 shares were issued under this plan during the previous year on 18 January 2008. For full details of the plan see Note 27(f) and 37 of the financial statements.

1.5 Short-term and long-term incentive 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.

1.6 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 the previous four financial years.

	2009	2008	2007	2006	2005
Net profit attributable to equity holders of the Company	($15,772,000)	($4,702,000)	$5,887,000	$1,568,000	$6,628,000
Dividends paid	-	-	$1,031,000	-	$6,064,000
Change in share price	($0.025)	($0.65)	($0.21)*	($0.15)	$0.09
Working Capital days at year end**	18.0	43.3	60.8	66.3	104.6
Cash flow	$10,435,000	$14,105,000	($4,058,000)	$33,105,000	($29,157,000)

* Mercury Mobility Limited was demerged from the Consolidated entity during the 2007 year which resulted in a reduction in Cellnet's share price. Mercury Mobility Limited was subsequently listed and had a share price of 3.0 cents at the date of this report.

** As disclosed in 2008 Annual Financial Report, the 2007 cash and trade receivables were corrected in the previous reporting period. This had an impact on the trade receivables which have been restated to reflect the correct position. The working capital days at year end have been recalculated accordingly to reflect the restated position.

Realisation of working capital employed in the unprofitable segments of the business, operational restructuring, balance sheet strengthening and improving the performance of the continuing operations were the main financial performance targets in setting the financial year 2009 short-term incentive. Net profit amounts for 2005 and subsequent years have been calculated in accordance with Australian equivalents to IFRS (AIFRS). Cash flows have been calculated in accordance with AIFRS.

Directors' report (continued)

Remuneration Report (Audited)(continued)

1.7 Other benefits

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

1.8 Service contracts

It is the consolidated entity's policy that service contracts for key management personnel (outlined in the following table) are unlimited in term but capable of termination on no more than 6 months' notice and that the consolidated entity retains the right to terminate the contract immediately, by making payment of up to 6 months' 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.

At 30 June 2009, Stuart Smith, the Chief Executive Officer, has a contract of employment 19 December 2007, as subsequently varied, with the Company that provides that: at any time the service contract can be terminated by either party providing 2 months' notice; that the Company is able make a payment in lieu of notice equal to 2 months total earnings; and that the Chief Executive Officer has no entitlement to termination payment in the event of removal for misconduct. Should his position become redundant he is entitled to a payment of 6 months salary in addition to the notice period.

1.8.1 Non-Executive Directors

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 main Board activities and membership of the Audit and Risk Management committee.

The Board does not have a retirement plan or scheme in place for Directors other than statutory superannuation which is paid in addition to the above fees.

1.8.2 Executive Directors

Total base fees for all Executive Directors at 30 June 2009 are not to exceed $400,000 per annum. Directors' fees cover all main Board activities and membership of the Audit and Risk Management committee.

Directors' report (continued)

Remuneration Report (Audited)(continued)

2. Directors' and Executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each Director of the Company and each of the five named Company Executives, relevant consolidated entity Executives who receive the highest remuneration and other key management personnel are:

		Short-term					Post Employment	Other long term		Termination benefits	Share-based payments			% performance related
		Salary & fees $	STI cash bonus(A) $	Motor Vehicle allowances $	Non monetary benefits $	Insurance premiums $	Superannuation benefits $	LTI cash bonus $	Long Service Leave $	$	Performance rights (B) $	Options (C) $	Total $	
Directors														
Non-Executive Directors														
*Mr A Beard Chairman***	*2009*	*54,500*	-	-	-	*1,174*	-	-	-	-	-	-	*55,674*	-
(Appointed Chairman 20 August 2007)	*2008*	*54,500*	-	-	-	*1,174*	-	-	-	-	-	-	*55,674*	-
Executive Director														
*Mr S Harrison***	*2009*	*233,333*	-	-	-	*1,174*	-	-	-	-	-		*234.507*	-
(Appointed Managing Director 20 August 2007) Resigned as Managing Director 1 February 2009)	*2008*	*164,102*	-	-	-	*1,039*	-	-	-	-	-	250,000	*415,141*	-
*Mr M Brookman***	*2009*	-	-	-	-	*1,174*	-	-	-	-	-	124,829	*126,003*	
(Appointed Executive Director 20 August 2007)	*2008*	*125,000*	-	-	-	*1,174*	*3,375*	-	-	-	-	56,088*	*185,637*	-

** Designates key management personnel or Directors of the Company.

* See note 37 for further details.

Directors' report (continued)

Remuneration report (Audited)(continued)

2. Directors' and Executive officers' remuneration (Company and Consolidated) (continued)

		Short-term					Post Employment	Other long term		Termination benefits	Share-based payments			% performance related
		Salary & fees $	STI cash bonus(A) $	Motor Vehicle allowances $	Non monetary benefits $	Insurance premiums $	Superannuation benefits $	LTI cash bonus $	Long Service Leave $	$	Performance rights (B) $	Options (C) $	Total $	
Other Executives														
Mr S Smith,	*2009*	*219,166*	*143,880*			*1,174*	*15,619*						*379,839*	*38%*
*Chief Executive Officer***	*2007*	*72,923*	*8,333*	*-*	*-*	*479*	*5,795*	*-*	*-*	*-*	*-*	*-*	*87,530*	*9.5%*
(Appointed 6 February 2008)														
Mr J Phua,	*2009*	*128,440*	*113,976*	*-*	*-*	*1,174*	*13,198*	*-*	*-*	*-*	*-*	*-*	*256,788*	*44.4%*
*General Manager***	*2008*	*138,440*	*40,000*	*-*	*-*	*1,174*	*12,344*	*-*	*-*	*-*	*-*	*-*	*191,958*	*20.8%*
- Marketing and Product														
(Appointed 26 March 2007)														
Mr B Watts,	*2009*	*116,416*	*8,750*	*14,750*	*-*	*1,174*	*11,843*	*-*	*-*	*-*	*-*	*-*	*152,933*	*5.7%*
*Manager*** *- National Operations*	*2008*	*112,511*	*10,000*	*12,000*	*-*	*1,174*	*12,504*	*-*	*-*	*-*	*-*	*-*	*148,189*	*6.7%*
Ms E Schillinger,	*2009*	*104,583*	*17,243*	*15,000*	*-*	*1,174*	*12,314*	*-*	*-*	*-*	*-*	*-*	*150,314*	*11.5%*
*General Manager Retail***	*2008*	*95,835*	*10,833*	*10,833*	*-*	*705*	*9,860*	*-*	*-*	*-*	*-*	*-*	*128,066*	*8.5%*
(Appointed 1 December 2007)														
Mr M Wallace,	*2009*	*128,333*	*21,599*	*-*	*-*	*1,174*	*12,894*	*-*	*-*	*-*	*-*	*-*	*164,000*	*13.2%*
*National Sales Manager Telco***	*2008*	*148,994*	*-*	*-*	*-*	*1,174*	*3,146*	*-*	*-*	*-*	*-*	*-*	*153,314*	*-*
Total remuneration: key management personnel (consolidated)	*2009*	***696,938***	***305,448***	***29,750***	***-***	***5,870***	***65,868***						***1,103,807***	***27.8%***
	2008	***568,703***	***69,166***	***22,833***	***-***	***4,706***	***43,649***	***-***	***-***	***-***	***-***	***-***	***709,057***	
Total remuneration: key management personnel (Company)**	*2009*	***696,940***	***305,449***	***29,750***		***5,870***	***65,871***						***1,103,807***	***27.8%***
	2008	***568,703***	***69,166***	***22,833***	***-***	***4,706***	***43,649***	***-***	***-***	***-***	***-***	***-***	***709,057***	

** Designates key management personnel or Directors of the Company.

Directors' report (continued)

Remuneration Report (Audited)(continued)

2. Notes in relation to the table of Directors' and Executive officers remuneration

A. The short-term incentive bonus is for performance during the 30 June 2009 financial year using the criteria set out on page 9.

B. Performance rights for the prior year were issued on 1 July 2006. The performance period for these rights is three years with performance being tested on an annual basis and a certain proportion of the rights being able to vest in each of the three years should the performance criteria be met (20% year 1, 30% year 2 and 50% year 3). Where the criteria is not met in a given year the rights "roll" into the next year and are able to be tested again. The fair value of these performance rights were calculated as being $0.83 for those able to vest on 30 June 2007, $0.77 for those able to vest on 30 June 2008, and $0.70 cents for those able to vest on 30 June 2009. The performance for the year to 30 June 2009 did not satisfy the performance criteria, and therefore these rights have been forfeited.

Details of the rights and shares issued under the Performance Share Rights Plan are provided in Note 27(b) to the Financial Report.

The assessed fair value at grant date of rights granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Monte Carlo simulation model utilising a Black-Scholes option pricing model framework that takes into account the term of the rights, the vesting and performance criteria, the non-tradeable nature of the rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the rights.

C. Options for the current year were issued on 18 January 2008. Details of the Executive Share and Option Plan are provided in Note 27(e) to the Financial Report.

2.1 Details of performance related remuneration

Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed on page 9.

3. Equity instruments

All performance rights refer to rights that will deliver an ordinary Cellnet Group Limited share (at no cost) but only if the performance hurdle in relation to that performance right is met. All options refer to options over ordinary shares of Cellnet Group Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

3.1 Performance rights over equity instruments granted as remuneration

Details on performance rights to ordinary shares in the Company that were granted as remuneration to key management personnel during the reporting period are as follows:

Directors' report (continued)

Remuneration Report (Audited)(continued)

3.1 Performance rights over equity instruments granted as remuneration (continued)

	Performance rights granted	Grant date	Number vested during 2009	Number forfeited during 2009 (A)	Fair value per right at grant date ($)	Expiry date	Financial year in which grant vests (B)	Value yet to vest (%) Min (C)	Max (D)
2009									
Directors									
Nil									
Executives									
Mr G Moore	5,914	01/07/06	-	5,914	$0.83	30/06/09	2009	Nil	Nil
Mr G Moore	8,870	01/07/06	-	8,870	$0.77	30/06/09	2009	Nil	Nil
Mr G Moore	14,784	01/07/06	-	14,784	$0.70	30/06/09	2009	Nil	Nil
Mr S Woodward	5,086	01/07/06	-	5,086	$0.83	30/06/09	2009	Nil	Nil
Mr S Woodward	7,628	01/07/06	-	7,628	$0.77	30/06/09	2009	Nil	Nil
Mr S Woodward	12,714	01/07/06	-	12,714	$0.70	30/06/09	2009	Nil	Nil
2008									
Directors									
Nil									
Executives									
Mr M Bloomer	19,529	01/07/06	19,529	19,529	$0.83	30/06/08	2008	Nil	Nil
Mr M Bloomer	29,293	01/07/06	29,293	29,293	$0.77	30/06/08	2008	Nil	Nil
Mr M Bloomer	48,821	01/07/06	48,821	48,821	$0.70	30/06/09	2009	Nil	Nil
Mr J Dunbar	10,101	01/07/06	10,101	10,101	$0.83	30/06/08	2008	Nil	Nil
Mr J Dunbar	15,152	01/07/06	15,152	15,152	$0.77	30/06/08	2008	Nil	Nil
Mr J Dunbar	25,252	01/07/06	25,252	25,252	$0.70	30/06/09	2009	Nil	Nil
Mr G Moore	5,914	01/07/06	-	5,914	$0.83	30/06/09	2009	Nil	100%
Mr G Moore	8,870	01/07/06	-	8,870	$0.77	30/06/09	2009	Nil	100%
Mr G Moore	14,784	01/07/06	-	14,784	$0.70	30/06/09	2009	Nil	100%
Mr S Woodward	5,086	01/07/06	-	5,086	$0.83	30/06/09	2009	Nil	100%
Mr S Woodward	7,628	01/07/06	-	7,628	$0.77	30/06/09	2009	Nil	100%
Mr S Woodward	12,714	01/07/06	-	12,714	$0.70	30/06/09	2009	Nil	100%

Remuneration Report (Audited)(continued)

3.1 Performance rights over equity instruments granted as remuneration (continued)

(A) The number forfeited in the year represents the reduction from the maximum number of rights available to vest due to the highest level performance criteria not being achieved, or due to the employee leaving the consolidated entity's employment.

(B) For the 2008 allocation, where the performance criteria is not met during a year (and the rights were not forfeited during the year) the rights "roll" into the following year and the performance criteria is retested in that following year. Further details for these rights are provided at page 9.

(C) The minimum value of rights yet to vest is $nil as the performance criteria may not be met and consequently the right may not vest or the employee left the consolidated entity's employment.

No Directors or Executives were granted performance rights during the year.

Performance rights in relation to which the performance hurdle was not met have lapsed. Performance rights lapsed where the key management personnel cease employment with the consolidated entity other than on retirement, redundancy, death or total and permanent disablement. However, at the discretion of the Board, performance rights may vest on a pro-rata basis, subject to performance testing, in the event of retirement, redundancy, death or total and permanent disablement prior to the end of the performance period.

All performance rights held by key management personnel and all shares held in the plan for key management personnel after satisfaction of the performance hurdles will be forfeited if the Board determines that the key management person acted fraudulently or dishonestly or is in serious breach of duty to the Company or in the Board's reasonable opinion has brought the Company into disrepute.

Details of the performance criteria are included in the long-term incentives discussion on page 9. Further details regarding the Performance Share Rights Plan is provided in Note 27(b) to the financial statements.

Directors' report (continued)

Remuneration Report (Audited)(continued)

3.2 Options over equity instruments granted as remuneration

No options were issued during the period.
In the previous year, on 18 January 2008 2,500,000 options were issued to the Managing Director as approved at the Annual General Meeting of the Company held on 18 December 2007. These options were issued for nil consideration with an exercise price of $0.70 per share. These options have a fair value of $0.10 per option and are exercisable for 2 years from the grant date. The options were not exercised during the current financial year.

All other options over shares issued under the Employee Share Option Plan have now expired.

Further details regarding options granted to key management personnel under the Employee Share Option Plan and Executive Share and Option Plan are provided in Note 27(a) and 27(e) to the financial statements.

3.3 Exercise of options granted as remuneration

During the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

3.4 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as remuneration to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Directors' report (continued)

Principal Activities

The principal activities of the consolidated entity are distribution and fulfilment services to the mobile telecommunications and retail industries in Australia and New Zealand.

Apart from the sale and discontinuation of the distribution and fulfilment services of the IT segment of the business during the year, there were no other significant changes in the nature of the operating activities of the consolidated entity during the year.

Operating and Financial Review

Results for the period

The net loss for the year was $15,772,000 (2008: loss $4,702,000). In comparing the loss for the current financial year to the prior year results the current year includes the following components :

- a loss from discontinued operations of $9,613,000 which also included the write down of intangible assets of $2,400,000
- a loss from continuing operations of $6,159,000 which included inventory write downs and provisions of $2,500,000.

Revenue from continuing operations for the year was $85,726,000 compared to $223,625,000 for the prior year, a reduction of $137,926,000. This reduction was largely due to the loss of the Telecom New Zealand handset logistics and distribution business which was notified to the market on 22 April 2008 and which ceased on 30 September 2008. In addition, the exit from the notebook and desktop segment of the market in October 2008 reduced revenue by approximately $54,000,000.

The past year has been a significant turning point for the Company and some significant decisions have been made in order to focus the Company on where it adds value to both customers and shareholders. From having a diverse non-synergistic approach and trying to source as many products and vendors as possible, the Company has reset its path and direction which has resulted in the sale and closure of a segment of its operation, namely the IT distribution services. This significant restructuring was vital but the costs associated with this restructuring have not been small and although the majority of these costs were incurred in the first half of the financial year, further costs were incurred in the second half when the decision was made to exit from the IT segment in its entirety.

The delayed exit was necessary in order to build up the Retail segment of the business and reduce some of the corporate overheads which would not have been sustainable with the reduced operations. This took a 9 month window to achieve and the sale and exit from the server and print segments in June 2009 was done when we were confident the Retail segment was able to not only provide a profit but a return to shareholders commensurate with the working capital invested in this segment.

The realisation of the working capital invested in the unprofitable IT distribution segment has been largely completed and as a consequence the Company has cash reserves of $20 million which the Board is considering the best use of these funds for shareholders.

Significant changes in the state of affairs

As mentioned above, the Company divested itself of the IT distribution segment of its operations which was done in 2 stages. The first stage commenced in October 2008 which saw the transactional notebook and desktop segments of the business ceasing and the results of this cessation were noted in the half year accounts. The second stage commenced in June 2009 which saw the Company sell and discontinue the remaining server and print segments of the IT segment. The discontinuation of this segment has had the effect of reducing revenue by $54,000,000.

In the previous year, the Telecom New Zealand handset logistics and distribution business was terminated on 30 April 2008 with a transition period to 30 September 2008. This will have the affect of reducing annual revenue by approximately $148,000,000 and profit after tax by $1,250,000.

Directors' report (continued)

Strategy and future performance

The operating results of Cellnet are constantly monitored and reviewed and opportunities to improve performance constantly evaluated. The Board believes the strategy set in place is the correct one and that the continuing operations will provide a return on funds invested in line with peers in the industry.

The utilisation of cash realised from the discontinued segments of the business is under review and shareholders will be updated as appropriate. As previously announced, the Board has been looking at various potential investments and will continue to do so as well as other options available to the Company.

Events subsequent to reporting date

Since the year end, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely developments

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

Directors' report (continued)

Indemnification and insurance of officers

Indemnification

The Company has also agreed to indemnify the current and former Directors and some officers 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 contracts. 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.

Non-audit services

The following non-audit services were provided by the entity's current auditor, 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.

Ernst & Young (and previously KPMG) received or are due to receive the following amounts for the provision of non-audit services:

	Consolidated	
	2009 $	2008 $
Assurance related and due diligence services (Ernst & Young)	150,000	6,000
Accounting advice (KPMG Australia)	-	3,900
	150,000	9,900

Auditor's independence declaration

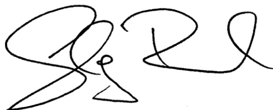
The Auditor's independence declaration is set out on page 24 and forms part of the Directors' report for the financial year ended 30 June 2009.

Directors' report (continued)

Rounding

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.

This report is made with a resolution of the Directors:



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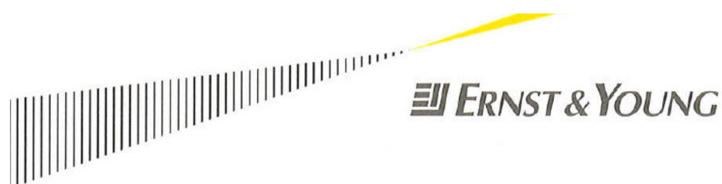
Alexander Beard
Chairman

Signed at Brisbane on 28 August 2009



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Auditor's Independence Declaration to the Directors of Cellnet Group Limited

In relation to our audit of the financial report of Cellnet Group Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Daniel Cunningham
Partner
28 August 2009

Liability limited by a scheme approved
under Professional Standards Legislation

Balance sheet

As at 30 June 2009

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	*13(a)*	20,399	10,484	18,220	461
Trade and other receivables	*14*	11,903	30,324	8,594	42,094
Inventories	*15*	4,974	11,165	4,230	20,399
Current tax assets	*16*	284	1,557	-	-
Other current assets		-	-	-	-
		37,560	53,530	31,044	
Current assets held as part of discontinued operations					
Trade and other receivables	*14*	10,472	30,496	10,472	30,496
Inventories	*15*	1,907	10,754	1,907	10,754
		12,379	41,250	12,379	41,250
Total current assets		49,939	94,780	43,423	62,954
Non-current assets					
Investments	*17*	-	62	14,296	14,409
Deferred tax assets	*18*	2,690	2,687	2,567	2,567
Property, plant and equipment	*19*	2,363	2,838	2,089	2,548
Intangible assets and goodwill	*20*	-	3,586	-	2,455
Total non-current assets		5,053	9,173	18,952	21,979
TOTAL ASSETS		54,992	103,953	62,375	84,933
LIABILITIES					
Current liabilities					
Trade and other payables	*21*	11,556	34,091	30,575	36,712
Interest-bearing loans & borrowings	*22*	-	10,011	-	11
Provisions	*23*	739	855	589	740
		12,295	46,957	31,164	37,463
Current liabilities held as part of discontinued operations					
Trade and other payables		9,932	11,245	9,932	11,245
Total current liabilities		22,227	58,202	41,096	48,708
Non-current liabilities					
Interest-bearing loans & borrowings	*22*	-	-		-
Provisions	*23*	278	334	278	334
Total non-current liabilities		278	334	278	334
TOTAL LIABILITIES		22.505	56,536	41,374	49,042
NET ASSETS		32,487	47,417	21,001	35,891
EQUITY					
Issued capital	*25*	42,849	42,849	42,849	42,849
Reserves	*25*	280	(1,071)	(25)	(516)
Retained earnings	*25*	(10,642)	5,639	(21,823)	(6,442)
TOTAL EQUITY		32,487	47,417	21,001	35,891

The above Balance Sheet should be read in conjunction with the accompanying notes.

Income statement

For the year ended 30 June 2009

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Continuing operations					
Revenue	5	85,726	223,625	54,578	69,074
Cost of sales	6	(74,356)	(204,241)	(47,130)	(56,419)
Gross profit		11,370	19,384	7,448	12,655
Distribution expenses		(1,579)	(7,719)	(1,492)	(5,916)
Sales and marketing expenses		(8,250)	(12,040)	(7,947)	(10,341)
Administrative expenses		(5,940)	(3,520)	(1,894)	(3,917)
Bad debts expense		(237)	(2,408)	(141)	(2,398)
Other expenses	7	(944)	(1,067)	(815)	(1,001)
Share in loss of a joint venture	26	(33)	(138)	(33)	(138)
(Loss) / profit from operating activities		(5,612)	(468)	(4,874)	(3,222)
Financial income	10	513	568	711	452
Financial expenses	10	(942)	(893)	(1,351)	(1,740)
Net financing costs		(429)	(325)	(640)	(1,288)
(Loss) / profit from continuing operations before income tax		(6,041)	(793)	(5,514)	(4,510)
Income tax benefit / (expense)	11	(118)	(617)	-	-
(Loss) / profit from continuing operations after income tax		(6,159)	(1,410)	(5,514)	(4,510)
Discontinued operations					
Profit of discontinued operations after income tax	33	(9,613)	(3,292)	(9,357)	(2,999)
Net (loss) / profit for the period		(15,772)	(4,702)	(14,871)	(7,509)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company					
Basic earnings/(loss) per share	12	($0.08)	($0.06)		
Diluted earnings/(loss) per share	12	($0.08)	($0.06)		
Earnings per share for profit attributable to the ordinary equity holders of the Company					
Basic earnings/(loss) per share	12	($0.21)	($0.07)		
Diluted earnings/(loss) per share	12	($0.21)	($0.07)		

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Recognised Income and Expense

For the year ended 30 June 2009

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Foreign exchange translation differences	*25*	860	(1,484)		-
Net income recognised directly in equity		860	(1,484)		-
(Loss) / profit for the period		(15,772)	(4,702)	(14,871)	(7,509)
Total recognised income and expense for the period	*26*	(14,912)	(6,186)	(14,871)	(7,509)

Other movements in equity arising from transactions with owners are set out in Note 26. The amounts recognised directly in equity are disclosed net of income tax.

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2009

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		255,291	506,822	188,372	310,360
Payments to suppliers and employees (inclusive of GST)		(234,287)	(500,123)	(169,514)	(306,617)
Interest paid		(1,259)	(1,608)	(1,350)	(1,694)
Net income taxes received / (paid)		(8)	(669)	-	200
Net cash flows from operating activities	*13(b)*	19,737	4,422	17,508	2,249
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	105	-	77
Deferred settlement on prior year acquisitions		-	(1,625)	-	(1,625)
Interest received		1,054	1,009	724	179
Acquisition of joint venture	*27*	-	(200)	-	(200)
Acquisition of property, plant and equipment	*20*	(345)	(337)	(461)	(319)
Acquisition of intangibles	*21*	-	(303)	-	(280)
Net cash flows from/(used in) investing activities		709	(1,351)	263	(2,168)
Cash flows from financing activities					
Net proceeds from issue of shares		-	11,039	-	11,039
Repayment of borrowings		(10,000)	-	-	-
Repayment of finance lease liabilities		(11)	(5)	(12)	(5)
Equity dividends paid	*26*	-	-	-	-
Net cash flows from/(used in) financing activities		(10,011)	11,034	(12)	11,034
Net increase/(decrease) in cash and cash equivalents		10,435	14,105	17,759	11,115
Net foreign exchange differences		(520)	(769)	-	-
Cash and cash equivalents at beginning of period		10,484	(2,852)	461	(10,654)
Cash and cash equivalents at end of period	*13(a)*	20,399	10,484	18,220	461

The above Cash flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Reporting entity

Cellnet Group Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). 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 27th August 2009.

2. Significant accounting policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the consolidated entity also complies with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(b) Basis of preparation (continued)

The financial report is prepared on the historical cost basis.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) 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 preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in 2(v).

The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(d) Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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 sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 sheet 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 retranslation are recognised directly in a separate component of equity.

(e) Interest in a jointly controlled operation

The consolidated entity had an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The interest in the joint venture is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the Company. Under the equity method, the consolidated entity's share of the results of the joint venture entity is recognised in the income statement, and the share of movements in reserves is recognised in the balance sheet.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(f) 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 (m)).

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. Lease payments are accounted for as described in accounting policy (s).

(iii) Depreciation

With the exception of freehold land depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Buildings 40 years
- Leasehold improvements 3⅓ - 40 years
- Plant and equipment 2½ - 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.

(g) Intangible assets

(i) Goodwill

Business combinations

Business combinations prior to 1 July 2004

As part of its transition to AASBs, the consolidated entity elected to restate only those business combinations that occurred on or after 1 July 2004. In respect of acquisitions prior to 1 July 2004, goodwill represents that amount recognised under the consolidated entity's previous accounting framework, GAAP.

Business combinations since 1 July 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(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 (m)).

(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.

(iv) Amortisation

Amortisation is charged to the income statement 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 sheet date. Other intangible assets are amortised from the date they are available for use over their estimated useful lives. The estimated useful lives in the current and comparative periods for website and system development costs is 3 years.

(h) Trade, loans and other receivables

Trade, loans and other receivables are stated at their amortised cost less impairment losses (see accounting policy (m)).

(i) 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 made for slow moving and obsolete stock.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits with an original maturity of three months'. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (k)) and deferred tax assets (see accounting policy (t)), are reviewed at each balance sheet 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 (m)(i)).

For goodwill, 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 sheet date.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(k) Impairment (continued)

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 the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

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

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

The recoverable amount of other assets 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 belongs.

(ii) Reversals of impairment

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.

(iii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(l) Share capital

Dividends are recognised as a liability in the period in which they are declared.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable 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 the income statement over the period of the borrowings on an effective interest basis.

(n) Provisions and employee benefits

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 the income statement 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 sheet 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. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(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 sheet date which have maturity dates approximating the terms of the consolidated entity's obligations.

(iii) Wages, salaries, annual 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(n) Provisions and employee benefits (continued)

(iv) Share-based payment transactions

The performance rights programme allows consolidated entity employees to acquire shares of the Company. The fair value of rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to rights over shares. The fair value of the rights granted is measured using a Monte Carlo simulation model utilising a Black-Scholes option-pricing model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of rights that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. Performance rights provided to employee are cash settled.

(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 45-day terms.

(p) Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement 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. Management fee income is recognised as it accrues.

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 management involvement with the goods.

(q) Expenses

(i) Operating lease payments

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

(ii) Finance 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(q) Expenses (continued)

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, discounts received, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (e)). Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability 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 sheet 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 rights 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

Tax consolidation

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

2. Significant accounting policies (continued)

(r) Income tax (continued)

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'group allocation' 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 applying 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 group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group 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 group to the extent that it is probable that future taxable profits of the tax-consolidated group 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 group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group 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 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 balance sheet.

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 (continued)

For the year ended 30 June 2009

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.

Key sources of estimation uncertainty

Note 22 contains information about the assumptions and the risk factors relating to goodwill impairment.

Impairment of goodwill

The consolidated entity assesses whether goodwill is impaired at least annually as disclosed in the accounting policy in Note 20. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

Impairment losses for trade receivables and stock on hand

Note 14(a) contains information about the assumptions and their risk factors relating to trade receivable impairment losses and Note 15 contains information about the stock on hand impairments losses and changes in the way the estimate was calculated.

(u) Discontinued operations

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

3. Financial risk management objectives and policies

The consolidated entity's principal financial instruments comprise receivables, payables, cash and short-term deposits.

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 the policy is to support the delivery of the consolidated entity's financial targes whilst protecting future financial security.

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 analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the using future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

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.

Risk Exposures and Responses

Interest rate risk

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's long-term debt obligations. The level of debt is disclosed in Note 22.

At balance date, the consolidated entity had the following mix of financial assets and liabilities exposed to Australian and New Zealand Variable interest rate risk:

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	20,399	10,484	18,220	461
	20,399	10,484	18,220	461
Financial Liabilities				
Bank overdraft	-		-	
Secured bank bills	-	(10,000)	-	-
		(10,000)		
Net exposure	20,399	484	18,220	461

At 30 June 2009 the only interest rate risk exposure relates to the cash held at bank.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses (continued)

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post Tax Profit Higher/(Lower)**	
	2009	**2008**
	$'000	**$'000**
Consolidated		
+1% (100 basis points)	203	3
-1% (100 basis points)	(203)	(3)
Parent		
+1% (100 basis points)	182	3
-1% (100 basis points)	(182)	(3)

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 this risk are primarily U.S. dollars, British pounds 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 90 days. It is the consolidated entity's policy not to enter into forward contracts until a firm commitment is in place.

The consolidated entity also has a subsidiary based in New Zealand and all transactions for this subsidiary are denominated in New Zealand dollars.

In order to mitigate the U.S. dollar foreign currency risk, the consolidated entity enters into U.S dollar forward contracts. Entering into forward foreign currency contracts minimises the risk of sharp fluctuations in foreign exchange rates and allows for better cash flow management in relation to paying international suppliers

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses (continued)

At 30 June 2009, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2009	**2008**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
AUD/USD +10%	17	132	-	-
AUD/USD -10%	(17)	(161)	-	-
Parent				
AUD/USD +10%	17	137	-	-
AUD/USD -10%	(17)	(167)	-	-

Judgements of reasonably possible movements:	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2009	**2008**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
AUD/USD +10%	308	-	1,473	1,413
AUD/USD -10%	(308)	-	(1,801)	(1,727)
Parent				
AUD/USD +10%	-	-	-	-
AUD/USD -10%	-	-	-	-

There is no foreign currency affect to profit as all movements in foreign currency at balance date are recognised in the foreign currency translation reserve (refer to Note 25).

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses (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. The insurance excess payable by the consolidated entity for a claim on the insurance is 15% of the insured value or $25,000, whichever is the greater.

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and committed available credit lines.

The table on the next page reflects all contractually fixed receivables for settlement and repayments resulting from recognised financial assets and liabilities as at 30 June 2009. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses (continued)

Maturity analysis of financial liabilities based on management's expectation

Consolidated	Note	2009 Total	2009 6 months or less	2009 6-12 months	2009 1-5 years	2009 More than 5 years	2008 Total	2008 6 months or less	2008 6-12 months	2008 1-5 years	2008 More than 5 years
Trade and other payables	*22*	21,488	21,488	-	-	-	44,736	44,736	-	-	-
Secured bank bills	*23*	-	-	-	-	-	10,000	10,000	-	-	-
Finance lease liabilities	*23*	-	-	-		-	11	3	8	-	-
		21,488	21,488	-	-	-	54,747	54,739	8	-	-

Company	Note	2009 Total	2009 6 months or less	2009 6-12 months	2009 1-5 years	2009 More than 5 years	2008 Total	2008 6 months or less	2008 6-12 months	2008 1-5 years	2008 More than 5 years
Trade and other payables	*22*	40,507	40,507	-	-	-	47,957	47,957	-	-	-
Secured bank bills	*23*	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	*23*	-	-	-	-	-	11	3	8	-	-
		40,507	40,507	-	-	-	47,968	47,960	8	-	-

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

4. Segment information

The consolidated entity's primary segment reporting format is business segments as the consolidated entity's risks and returns are affected predominantly be differences in the products and services produced.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The IT segment is a distributor of IT products resellers. It offers products and services in the areas of IT and IT accessories.

The Retail segment is a distributor of telecommunications and audio visual equipment and accessories to retail stores and end customers.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Business Segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2009 and 30 June 2008.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

4. Segment information (continued)

	Continuing Operations	Discontinued Operations	Total Operations
	Retail	IT	
	$'000	$'000	$'000
2009			
Revenue			
Sales to external customers	85,993	109,447	195,440
Other revenues from external customers	87	-	87
Total segment revenue	86,080	109,447	195,527
Inter-segment elimination	(354)	-	(354)
Total consolidated revenue	85,726	109,447	195,173
Result			
Segment results	(5,579)	(4,325)	(9,904)
Profit/(loss) before tax and net finance costs	(5,579)	(4,325)	(9,904)
Net finance costs	(429)	378	(51)
Share of loss of joint venture	(33)	-	(33)
Goodwill Impairment	-	(2,610)	(2,610)
Restructuring Costs	-	(3,166)	(3,166)
Profit/(loss) before income tax	(6,041)	(9,723)	(15,764)
Income tax expense	(118)	110	(8)
Net profit/(loss) for the year	(6,159)	(9,613)	(15,772)
Assets and liabilities			
Segment assets	42,613	12,379	54,992
Investment in joint venture	-	-	-
Total assets	42,613	12,379	54,992
Segment liabilities	12,573	9,932	22,505
Total liabilities	12,573	9,932	22,505
Other segment information			
Capital expenditure	345	-	345
Depreciation and amortisation	841	-	841
Cash flow information			
Net cash flow from operating activities	7,290	12,447	19,737
Net cash flow from investing activities	709	-	709
Net cash flow from financing activities	-	-	(10,011)

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

4. Segment information (continued)

	Continuing Operations	Discontinued Operations	Total Operations
	Retail	IT	
	$'000	$'000	$'000
2008			
Revenue			
Sales to external customers	223,255	215,870	439,125
Other revenues from external customers	1,146	-	1,146
Total segment revenue	224,401	215,870	440,271
Inter-segment elimination	(777)		(777)
Unallocated revenue			
Total consolidated revenue	223,624	215,870	439,494
Result			
Segment results	(330)	(3,619)	(3,949)
Profit/(loss) before tax and net finance costs	(330)	(3,619)	(3,949)
Net finance costs	(325)	76	(249)
Share of loss in joint venture	(138)	-	(138)
Profit/(loss) before income tax	(793)	(3,543)	(4,336)
Income tax expense	(617)	251	(366)
Net profit/(loss) for the year	(1,410)	(3,292)	(4,702)
Assets and liabilities			
Segment assets	48,996	41,250	90,246
Investment in joint venture	62	-	62
Unallocated Assets	13,645	-	13,645
Total assets	62,703	41,250	103,953
Segment liabilities	29,605	11,245	40,850
Unallocated liabilities	15,087		15,087
Total liabilities	44,692	11,245	55,937
Other segment information			
Capital expenditure	337	-	337
Depreciation and amortisation	1,028	-	1,028
Cash flow information			
Net cash flow from operating activities	2,256	2,166	4,422
Net cash flow from investing activities	(1,351)	-	(1,351)
Net cash flow from financing activities	11,034	-	11,034

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

5. Revenue

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Revenue from sale of goods	85,639	222,478	54,578	68,918
Rendering of third party logistics services	-	156	-	156
Rendering of other services	87	991	-	-
	85,726	223,625	54,578	69,074

6. Cost of sales

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cost of goods sold	72,253	203,259	45,028	55,437
Write-down in value of inventories	2,103	982	2,102	982
	74,356	204,241	47,130	56,419

7. Other expenses

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net loss on disposal of property, plant and equipment	2	38	2	38
Depreciation	709	858	682	732
Amortisation of intangibles	131	171	131	231
Impairment loss - investments	102	-		-
	944	1,067	815	1,001

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

8. Personnel expenses

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Wages and salaries		9,092	9,126	5,980	6,277
Superannuation contributions		577	551	529	551
Other "on costs" and associated personnel expenses		490	379	393	371
Increase / (decrease) in liability for annual leave	*24*	(149)	5	(120)	41
Increase / (decrease) in liability for long service leave	*24*	(56)	35	(56)	35
Equity settled transactions	*26*	125	457	125	457
		10,079	10,553	6,851	7,732

9. Auditors' remuneration

The auditor of Cellnet Group Limited is Ernst & Young.

	Consolidated		The Company	
	2009	2008	2009	2008
Amounts received or due and receivable by Ernst & Young (Australia) for:				
An audit or review of the financial report of the entity and any other entity in the consolidated entity	145,000	110,000	110,000	110,000
Other services in relation to the entity or consolidated entity :	-		-	-
Assurance related	-	6,000	-	6,000
	145,000	116,000	110,000	116,000
Amounts received or due and receivable by Ernst & Young (Australia) for:				
An audit or review of the financial report of any other entity in the consolidated entity	-	25,000	-	-
Other non-audit services	150,000	-	150,000	-
	295,000	141,000	260,000	116,000
Amounts received or due and receivable by non Ernst & Young audit firms for:				
Other non-audit services	-	3,900	-	3,900
	-	3,900	-	3,900

Notes to the Financial Statements (continued)
For the year ended 30 June 2009

9. Auditors' remuneration (continued)

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
Amounts received or due and receivable by related practices of non Ernst & Young audit firms for:				
An audit or review of the financial report	-	27,980	-	27,980
Tax compliance	9,592	7,613	9,592	7,613
	304,592	180,493	269,592	155,493

10. Financial income and expenses

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Interest income	359	315	723	179
Discount received	-	(9)	-	-
Net foreign exchange gain	154	262	(12)	273
Financial income	513	568	711	452
Interest expense	(942)	(893)	(1,351)	(1,694)
Discount allowed	-	-	-	(46)
Financial expenses	(942)	(893)	(1,351)	(1,740)
Net financing costs	(429)	(325)	(640)	(1,288)

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

11. Income tax expense

Recognised in the income statement

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Current tax expense					
Current year		8	366	-	-
		8	366	-	-
Deferred tax expense					
Origination and reversal of temporary differences		(1,241)	-	(1,241)	-
Derecognition of deferred tax asset relating to unutilised foreign tax credits		1,241	-	1,241	-
		-	-	-	-
Total income tax expense / (benefit)		8	-	-	-
Income tax expense / (benefit) from continuing operations		118	617	-	-
Income tax expense from discontinued operation	33	(110)	(251)	-	-
Total income tax expense / (benefit)		8	366	-	-

Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
(Loss) for the period	(15,772)	(4,702)	(14,871)	(7,509)
Total income tax expense / (benefit)	8	366	-	-
(Loss) before tax	(15,764)	(4,336)	(14,871)	(7,509)
Income tax (benefit) / expense using the domestic corporation tax rate of 30% (2007: 30%)	(4,729)	(1,301)	(4,461)	(2,253)
Increase / (decrease) in income tax expense due to:				
Non-deductible write down in value of goodwill	494	-	494	-
Non-deductible write down in value of investments	31	-	-	-
Non-deductible expenses	13	268	13	255
Non-deductible foreign exchange loss in New Zealand	-	(333)	-	-
Effect of higher tax rate in foreign jurisdictions	-	(16)	-	-
Inability to utilise in future	3,836	1,998	3,599	1,998
Other non-assessable items	-	(266)	-	-
Other items	363	16	355	-
	8	366	-	-
(Over) / under provided in prior years	-	-	-	-
Income tax (benefit) / expense on pre-tax net profit	8	366	-	-

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

11. Numerical reconciliation between tax expense and pre-tax net profit (continued)

The 2009 current year tax losses for the Company have not been accrued as a deferred tax asset as the Directors are of the opinion that it is not probable that these losses will be utilised for future trading profits.

12. Earnings per share

The calculation of basic earnings per share and diluted earnings per share at 30 June 2009 and for the prior period was based on the following information:

Reconciliation of profit

	Consolidated			
	2009		2008	
	$'000 Basic	$'000 Diluted	$'000 Basic	$'000 Diluted
Loss from continuing operations	(6,159)	(6,159)	(1,410)	(1,410)
Loss from discontinued operations	(9,613)	(9,613)	(3,292)	(3,292)
Loss attributable to ordinary shareholders	(15,772)	(15,772)	(4,702)	(4,702)

Weighted average number of shares

	2009 No. of shares	2008 No. of shares
Weighted average number of shares (basic) at 30 June	76,839,094	66,500,921
Effect of share options	-	-
Weighted average number of shares (diluted) at 30 June	76,839,094	66,500,921

During the year nil (2008: 2,500,000) options were issued and nil (2008: nil) options lapsed. The diluted EPS calculation does not include the options issued in 2008 as these options are anti-dilutive as no reasonable person would convert these options to shares because the current share price is much lower than the exercise price on the options. Due to this, the weighted number included is nil (2008: nil).

Performance rights to shares are not dilutive as shares acquired as a result of the exercise of the rights will be acquired on-market.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

13a. Current assets - cash and cash equivalents

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash and cash equivalents	20,399	10,484	18,220	461
Bank overdrafts	-	-	-	-
Cash and cash equivalents in the statement of cash flows	20,399	10,484	18,220	461

13b. Reconciliation of net profit after tax to net cash flows from operating activities

		Consolidated		The Company	
	Note	2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Net (loss) / profit		(15,772)	(4,702)	(14,871)	(7,509)
Adjustments for:					
Depreciation	*7*	710	858	682	732
Amortisation	*7*	131	440	131	231
Interest received	*10*	(359)	(1,009)	(723)	(179)
Impairment loss - goodwill	*21*	3,586	-	2,455	-
Impairment loss - investments	*21*	102			
Write-down in value of inventory	*6*	2,103	2,064	2,102	2,029
Write-off of bad debts		906	3,135	833	3,124
Loss / (profit) on sale of property, plant and equipment	*7*	2	38	2	-
Foreign exchange (gains) / losses		(154)	-	(76)	-
Share of loss in a joint venture	*27*	33	138	-	138
Equity settled transactions	*26*	-	401	-	401
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		37,539	23,377	22,195	13,958
(Increase)/decrease in inventories		12,936	3,274	12,159	(662)
(Increase)/decrease in current tax assets		1,273	(427)	-	-
(Increase)/decrease in other current assets		-	125	-	125
(Increase)/decrease in deferred tax assets		(3)	124	-	200
(Decrease)/increase in trade and other payables		(23,124)	(23,181)	(7,174)	(10,254)
(Decrease)/increase in provisions		(172)	(233)	(207)	(86)
Net cash from operating activities		19,737	4,422	17,508	2,249

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

14. Current assets - trade and other receivables

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables (a)	23,752	61,556	20,376	43,897
Less: provision for trade receivables (a)	(1,718)	(3,084)	(1,610)	(3,039)
	22,034	58,472	18,766	40,858
Other receivables and prepayments*	378	2,139	300	1,027
Receivables due from related parties *	(37)	209	-	209
Carrying amount of trade and other receivables	22,375	60,820	19,066	42,094

* Terms and conditions relating to these receivables are the same as those for trade receivables, see below.

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $906,000 (2008: $3,135,000) has been recognised by the consolidated entity and $833,000 (2008: $3,124,000) by the Company in the current year. These amounts have been included in the bad debts expense item.

Movements in the provision for impairment loss were as follows:

At 1 July	3,084	1,690	3,039	1,639
Charge for the year	906	3,135	833	3,124
Foreign exchange translation	6	5		-
Amounts written off	(2,278)	(1,746)	(2,262)	(1,724)
At 30 June	1,718	3,084	1,610	3,039

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

	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+91 days PDNI*	+91 days CI*
2009 Consolidated	23,752	14,738	5,639	480	-	1,177	1,718
Company	20,376	12,045	5,516	310	-	895	1,610
2008 Consolidated	61,556	42,514	10,873	2,306	-	2,779	3,084
Company	43,897	26,499	10,682	1,932	-	1,745	3,039

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

Receivables past due but not considered impaired are: Consolidated $1,657,000 (2008: $5,085,000); Company $1,205,000 (2008: $3,677,000). 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

15. Current assets - inventories

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Stock on hand	8,836	23,201	7,939	21,456
Less: provision for obsolescence (see below)	(1,955)	(1,282)	(1,802)	(1,057)
Total inventories at the lower of cost and net realisable value	6,881	21,919	6,137	20,399
Carrying amount of inventories subject to retention of title clauses	983	9,346	964	8,277

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2009 totalled $66,944,000 (2008: $197,012,000) for the consolidated entity and $40,600,000 (2008: $49,441,000) for the Company. This expense has been included in the cost of sales line item as a cost of inventories.

Change in estimates

During the current financial year there was a change to the way the provision for obsolescence was calculated compared with the prior year. The reason for the change was due to management's belief that the Company's own branded products have a shorter self life than previously estimated, therefore was treated differently in the provision for obsolescence compared with the prior year. The financial impact of this change was a $811,000 increase in the provision for obsolescence.

16. Current assets – income tax receivable

The current tax asset for the consolidated entity of $284,000 (2008: $1,557,000) and for the Company of nil (2008: nil) represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority.

17. Non-current assets – investments

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Investments in controlled entities - at cost	-	-	14,296	14,347
Investments in joint venture entities – at cost (note 29)	-	62	-	62
	-	62	14,296	14,409

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

18. Non-current assets - deferred tax assets and liabilities

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Opening balance	2,687	2,827	2,567	2,603
Charged to income	3	(140)	-	(36)
Closing balance	2,690	2,687	2,567	2,567

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	28	-	-	(22)	28	(22)
Intangibles	499	-	-	(91)	499	(91)
Trade debtors	483	850	-	-	483	850
Other receivables & prepayments	471	-	-	(302)	471	(302)
Other payables & accrued expenses	252	79	-	-	252	79
Lease liabilities	-	1	(11)	-	(11)	1
Provisions	257	381	-	-	257	381
Value of tax losses carried forward	711	1,949	-	-	711	1,949
Other items	-	-	-	(158)	-	(158)
Tax assets / (liabilities)	2,701	3,260	(11)	(573)	2,690	2,687
Set off of tax	(11)	(573)	11	573	-	-
Net tax assets / (liabilities)	2,690	2,687	-	-	2,690	2,687

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

18. Non-current assets - deferred tax assets and liabilities (continued)

The Company

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	28	-	-	(23)	28	(23)
Intangibles	499	-	-	(91)	499	(91)
Trade debtors	483	837	-	-	483	837
Other receivables & prepayments	471	-	-	(302)	471	(302)
Other payables & accrued expenses	252	76	-	-	252	76
Lease liabilities	-	1	(12)	-	(12)	1
Provisions	135	333	-	-	135	333
Value of tax losses carried forward	711	1,949	-	-	711	1,949
Other items	-	-	-	(213)	-	(213)
Tax assets / (liabilities)	2,579	3,196	(12)	(629)	2,567	2,567
Set off of tax	(12)	(629)	12	629	-	-
Net tax assets / (liabilities)	2,567	2,567	-	-	2,567	2,567

Unutilised tax losses Unutilised tax losses in Australia as at 30 June 2009 are estimated to be $21,166,000 (2008: $11,640,293). The use of these losses is subject to the Australian head entity continuing to meet the loss utilisation requirements.

The consolidated entity has Australian income tax losses for which the above deferred tax asset is recognised. Based on the next financial year's budgets and forecasts, it is considered that future taxable profit will be available against which unused tax losses can be utilised.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

19. Non-current assets - property, plant and equipment

	Consolidated						The Company					
	Land	Buildings	Leasehold Improve-ments	Plant & Equipment	Plant & Equipment Under Lease	Total	Land	Buildings	Leasehold Improve-ments	Plant & Equipment	Plant & Equipment Under Lease	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost												
Balance at 1 July 2007		24	630	10,835	2,152	13,641	-	-	628	8,333	2,152	11,113
Business acquisitions	-	-	-	-	-	-						
Acquisitions	-	-	68	269	-	337	-	-	67	252	-	319
Disposals	-	-	-	(989)	-	(989)	-	-	-	(961)	-	(961)
Effect of movements in foreign exchange	-	(3)	-	(144)	-	(147)	-	-	-	-	-	-
Transfer between categories	-	-	-	(1,124)	-	(1,124)	-	-	-	-	-	-
Balance at 30 June 2008	-	21	698	8,847	2,152	11,718	-	-	695	7,624	2,152	10,471
Balance at 1 July 2008	-	21	698	8,847	2,152	11,718	-	-	695	7,624	2,152	10,471
Business acquisitions	-	-	127	60	-	187	-	-	61	242	-	303
Acquisitions	-	-	6	114	38	158	-	-	6	114	38	158
Disposals	-	-	-	(144)	(28)	(172)	-	-	-	(144)	(28)	(172)
Effect of movements in foreign exchange	-	-	-	(125)	-	(125)	-	-	-	-	-	-
Balance at 30 June 2009	-	21	831	8,752	2,162	11,766	-	-	762	7,836	2,162	10,760

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

19. Non-current assets - property, plant and equipment – (continued)

	Consolidated						The Company					
	Land	Buildings	Leasehold Improve-ments	Plant & Equipment	Plant & Equipment Under Lease	Total	Land	Buildings	Leasehold Improve-ments	Plant & Equipment	Plant & Equipment Under Lease	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation and impairment losses												
Balance at 1 July 2007	-	21	134	6,917	2,138	9,210	-	-	134	5,803	2,138	8,075
Depreciation charge for the year	-	1	64	787	6	858	-	-	64	662	6	732
Disposals	-	-	-	(884)	-	(884)	-	-	-	(884)	-	(884)
Effect of movements in foreign exchange	-	(3)	-	(145)	-	(148)	-	-	-	-	-	-
Transfer between categories	-	-	-	(156)		(156)	-	-	-	-	-	-
Balance at 30 June 2008	-	19	198	6,519	2,144	8,880	-	-	198	5,581	2,144	7,923
Balance at 1 July 2008	-	19	198	6,519	2,144	8,880	-	-	198	5,581	2,144	7,923
Business Acquisitions	-	-	-	-	-	-	-	-	6	195	-	201
Depreciation charge for the year	-	2	111	591	5	709	-	-	111	566	5	682
Disposals	-	-	(51)	(111)	(24)	(186)	-	-	-	(111)	(24)	(135)
Balance at 30 June 2009	-	21	258	6,999	2,125	9,403	-	-	315	6,231	2,125	8,671
Carrying amounts												
At 1 July 2007	-	3	496	3,918	14	4,431	-	-	494	2,530	14	3,038
At 30 June 2008	-	2	500	2,328	8	2,838	-	-	497	2,043	8	2,548
At 1 July 2008	-	2	500	2,328	8	2,838	-	-	494	2,043	8	2,548
At 30 June 2009	-	0	573	1,753	37	2,363	-	-	447	1,605	37	2,089

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

19. Non-current assets -property, plant and equipment (continued)

Security

At 30 June 2009 and 30 June 2008, no security was attached to any specific property, plant and equipment of the consolidated entity.

Depreciation

The depreciation charge is recognised in the following line items in the income statement:

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Other expenses	710	858	682	732
	710	858	682	732

20. Non-current assets – intangible assets

	Consolidated			The Company		
	Goodwill	Development costs*	Total	Goodwill	Development costs*	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
Balance at 1 July 2007	2,877	553	3,430	2,400	553	2,953
Acquisitions	-	278	278		278	278
Other acquisitions	-	25	25			
Impairment loss recognised	-	-	-			
Effect of movements in foreign exchange	-	(138)	(138)			
Transfers from Plant, Property and Equipment	(267)	1,098	831	(267)		(267)
Balance at 30 June 2008	2,610	1,816	4,426	2,133	831	2,964
Balance at 1 July 2008	2,610	1,816	4,426	2,133	831	2,964
Acquisitions	-	102	102			
Impairment	(2,610)	(1,918)	(4,528)	(2,133)	(831)	(2,964)
Balance at 30 June 2009	-	-	-	-	-	-

* These relate to development of website and systems - see accounting policy h(ii).

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

20. Non-current assets – intangible assets (continued)

	Consolidated			The Company		
	Goodwill	Development costs*	Total	Goodwill	Development costs*	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Amortisation						
Balance at 1 July 2007	-	278	278	-	278	278
Amortisation	-	440	440	-	231	231
Transfers from Plant, Property and Equipment	-	156	156	-	-	-
Effect of movements in foreign exchange	-	(33)	(33)	-	-	-
Discontinued operations	-	-	-	-	-	-
Balance at 30 June 2008	-	841	841	-	509	509
Balance at 1 July 2008	-	841	841	-	509	509
Amortisation	-	(841)	(841)	-	(509)	(509)
Balance at 30 June 2009	-	-	-	-	-	-
Carrying amounts						
At 1 July 2007	2,877	275	3,152	2,400	275	2,675
At 30 June 2008	2,610	976	3,586	2,133	322	2,455
At 1 July 2008	2,610	976	3,586	2,133	322	2,455
At 30 June 2009	-	-	-	-	-	-

Amortisation

The amortisation charge is recognised in the following line items in the income statement:

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Other expenses	131	171	131	231
Loss from discontinued operations	710	269		
	841	440	131	231

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

20. Non-current assets – intangible assets (continued)

Description of the consolidated entity's intangible assets and goodwill

(i) Development costs
Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

During the period assets relating to operational computer software were deemed to be impaired due to the restructuring of the operations in New Zealand. The cost of this development in New Zealand of $572,000 has been written off. Software previously developed internally in Australia has been written off as the recoverable amount of the asset is less than carrying value and therefore an impairment loss has been recognised.

(ii) Goodwill
After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (b) below).

(a) Impairment losses recognised

(i) Discontinued operation
As a direct result of the discontinued operations and restructure of the business, the recoverable amount of the IT distribution cash generating unit has been impaired based on value in use calculations. The recoverable amount of cash generating units has historically been tested for impairment at each balance date. The IT component of goodwill ($2,399,551) represented the goodwill arising from Cellnet Group Ltd's acquisition of Hi-Tech Distribution. This carrying amount of goodwill was written off as being impaired based on future cash flows which will not materialize due to the discontinuation of the desktop and notebook distribution.

(ii) Continued operations
The remaining $210,000 of goodwill relates to the retail segment which has been written off and impaired as the recoverable amount of the asset is less than carrying value and therefore an impairment loss has been recognised.

(b) Impairment tests for goodwill with indefinite life

(i) Description of the cash generating units and other relevant information
Goodwill acquired through business combinations have been allocated to two individual cash generating units, each of which is a reportable segment for impairment testing as follows: IT cash generating unit; and Retail cash generating unit.

IT cash generating unit

The recoverable amount of the IT unit has been determined based on value in use calculation using cash flow projections as at 31 December 2008 based on financial forecasts approved by senior management for a one year period extrapolated based on a consistent growth rate.

The pre-tax, discount rate applied to cash flow projections for 5 years is 12.88% (2008: 7.33%).

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

20. Non-current assets – intangible assets (continued)

Retail cash generating unit

The recoverable amount of the Retail unit has been determined based on value in use calculation using cash flow projections as at 31 December 2008 based on financial forecasts approved by senior management for a one year period extrapolated based on a consistent growth rate.

The pre-tax, rate discount rate applied to cash flow projections is 12.88% (2008: 7.33%)

The goodwill associated with the retail cash generating unit has been written off and impaired as the recoverable amount of the asset is less than the carrying value and therefore an impairment loss has been recognised.

Impairment tests for cash generating units containing goodwill

The following entities represent cash generating units that have significant carrying amounts of goodwill:

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
IT	-	2,400	-	2,133
Retail	-	210	-	-
	-	2,610	-	2,133

21. Current and non-current liabilities - trade and other payables

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Trade payables	17,612	40,550	14,127	27,242
Other payables and accrued expenses	3,876	4,786	3,566	2,961
Payables to controlled entities			22,814	17,754
	21,488	45,336	40,507	47,957

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

22. Current and non-current liabilities - loans and borrowings

This note provides information about the contractual terms of the consolidated entity's loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see Note 3.

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Secured bank bills*	-	10,000	-	-
Finance lease liabilities	-	11	-	11
	-	10,011	-	11

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

22. Current and non-current liabilities - loans and borrowings (continued)

	Consolidated		The Company	
	2009	2008	2009	2008
Financing facilities	$'000	$'000	$'000	$'000
The consolidated entity had access to the following lines of credit:				
Bank overdraft	-	15,000	-	12,000
Secured bank bills	-	10,000	-	-
Standby letters of credit	-	1,000	-	1,000
Finance leases	-	1,011	-	1,011
	-	27,011	-	14,011
Facilities utilised at reporting date				
Secured bank bills	-	10,000	-	-
Finance leases	-	11	-	11
	-	10,011	-	11
Facilities not utilised at reporting date				
Bank overdraft	-	15,000	-	12,000
Standby letters of credit	-	1,000	-	1,000
Finance leases	-	1,000	-	1,000
	-	17,000	-	14,000

Financing arrangements

Bank bills

Interest on the bank bill facilities is charged at prevailing market rates and the facility is subject to annual review. The bank bills are secured as described below.

Finance Lease Facilities

Information regarding the terms of, and security for the consolidated entity's finance lease facilities are provided in Note 29.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

23. Current and non-current - provisions

	Consolidated		The Company	
Current	**2009**	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Provision for fringe benefits tax	74	41	10	41
Liability for annual leave and employee provisions	665	814	579	699
Total current employee benefits	739	855	589	740
Non Current				
Liability for long-service leave	278	334	278	334
Total non-current employee benefits	278	334	278	334

Nature and timing of provisions

Long service leave

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

24. Share based payments

(a) *Executive Share Options*

On 18 August 1999, shareholders of the Company approved an employee share option plan that entitled senior employees to purchase shares in the entity. As the grant dates of options under this plan predate 7 November 2002, the recognition and measurement principles is AASB 2 have not been applied to these grants in accordance with the transitional provisions in AASB 1.

Under the plan the maximum number of options that may be granted at any time is the number equivalent to the total number of options which would be issued if each offer was accepted, plus the number of shares in the same class issued under all employee share schemes during the previous five years and must not exceed 5% of the total number of issued shares in that class as at the date of the offer.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average of the Company's shares for the five trading days prior to granting the options or the five trading days on the anniversary of granting the option.

No options were granted during this year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

24. Share based payments (continued)

(a) Executive Share Options (continued)

All options expire:

- Immediately upon the employee ceasing to be a Director, employee or independent contractor with the Company for reasons involving fraud or misconduct;
- One month after the employee has ceased to be a Director, employee or independent contractor with the Company for reasons other than fraud or misconduct; or
- On the expiry date.

One third of options granted vest 12 months after grant date, one third vest 24 months after grant date and one third vest 36 months after grant date.

To be able to exercise the options the holder must be a Director, employee or independent contractor at the exercise date.

There are no voting rights or dividend rights attached to options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

The fair value of shares issued as a result of exercising the options during the reporting period at their issue date is the market price of shares of the Company on the Australian Securities Exchange as at close of trading.

The amounts recognised in contributed equity of the Company and consolidated entity in relation to employee share options exercised during the year are provided in Note 28.

(b) Performance rights

On 18 November 2005, shareholders of the Company approved a performance share rights plan.

Under the plan, performance rights are issued to key management personnel. The rights deliver ordinary shares to key management personnel (at no cost to the Executive) where the performance hurdle in relation to those performance rights is met. Where the performance hurdle is met, the Company will acquire the necessary shares on the stock market and allocate them to the key management person. Non-Executive Directors are not entitled to participate in the plan.

The number of performance rights granted to each Executive is set by taking a specified percentage of the total fixed remuneration of each key management person, exclusive of any bonuses, and dividing that by the five day average closing share price of Cellnet Group Limited prior to the date of issue.

The number of performance rights that vest to key management personnel is determined according to the Company's relative Total Share Return (TSR) performance over the vesting period compared with a comparative group of companies.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

24. Share based payments (continued)

(b) Performance rights (continued)

TSR measures growth in shareholder value (essentially movement in share price plus dividends, assuming re-investment) over the performance period. Under the relative TSR test:

- no performance rights will vest unless the Company's TSR over the performance period is greater than or equal to the TSR of the Company which is at the 50th percentile of the comparative group ranked by TSR performance. If that threshold is attained 50% of the performance shares will vest and become the property of the key management personnel;
- all of the performance rights will vest if the Company's TSR over the performance period is equal to or greater than the TSR of the Company which is at the 75th percentile of the comparative group, ranked by TSR performance; and
- the percentage of the performance rights which will vest will increase progressively as the Company's TSR moves from the 50th to 75th percentiles.

The comparative group for the relative TSR test will comprise a broad group of ASX-listed companies of reasonably comparable size to the Company, as determined by the Board, but excluding listed property trusts and similar entities. Companies that drop out of the comparative group during the performance period because of mergers and delistings will not be replaced.

2007 Allocation

Performance rights for the prior year were issued on 1 July 2006. The performance period for these rights is three years with performance being tested on an annual basis and a certain proportion of the rights being able to vest in each of the three years should the performance criteria be met (20% in year 1, 30% in year 2 and 50% in year 3). Where the criteria is not met in a given year the rights "roll" into the next year and are able to be tested again then.

The fair value of the prior year allocation of performance rights was calculated as being $0.83 for those able to vest on 30 June 2007, $0.77 for those able to vest on 30 June 2008, and $0.70 cents for those able to vest on 30 June 2009. The performance for the first year to 30 June 2007 did not satisfy the performance criteria therefore the balance of these rights has rolled over for testing again at 30 June 2008.

2008 and 2009 Allocation

The performance for the years to 30 June 2008 and 30 June 2009 did not satisfy the performance criteria therefore the balance of these rights has rolled over for testing again at 30 June 2009 (refer next page). No further performance rights were issued during the 2008 year.

Summary of performance rights

Details of the fair value of performance rights in relation to unissued ordinary shares and movements during the year are set out below.

The fair value of performance rights granted during the year was independently determined using a Monte Carlo simulation model utilising a Black-Scholes option pricing model framework that takes into account the term of the rights, the vesting and performance criteria, the non-tradeable nature of the rights, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share rights.

The amounts recognised in retained earnings of the Company and consolidated entity in relation to performance rights granted during the year are provided in Note 28, as are the amounts recognised in reserves in relation to share issues made to key management personnel under the plan.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

24. Share based payments (continued)

(b) Performance rights (continued)

Details of Performance rights

2009

Grant date	Performance rights granted	Number vested during 2009	Number forfeited during 2009	Number of rights at end of year held	Number of rights at end of year vested	Expiry date	Year during which rights vest	Fair value per right ($)	Aggregate fair value ($)
01/07/06	11,000	nil	11,000	nil	nil	30/06/09	2009	0.83	nil
01/07/06	16,498	nil	16,498	nil	nil	30/06/09	2009	0.77	nil
01/07/06	27,498	nil	27,498	nil	nil	30/06/09	2009	0.70	nil

2008

Grant date	Performance rights granted	Number vested during 2008	Number forfeited during 2008	Number of rights at end of year held	Number of rights at end of year vested	Expiry date	Year during which rights vest	Fair value per right ($)	Aggregate fair value ($)
01/07/06	40,630	nil	29,630	11,000	nil	30/06/09	2009	0.83	9,130
01/07/06	60,943	nil	44,445	16,498	nil	30/06/09	2009	0.77	12,703
01/07/06	101,571	nil	74,073	27,498	nil	30/06/09	2009	0.70	19,248

(c) Employee share award plan

The initial issue of shares under the Employee Share Award Plan was transacted during September 2005.

Under the plan, Cellnet Group Limited shares may be issued to eligible employees of the consolidated entity at no cost, to assist in the retention and motivation of consolidated entity employees during the year. A maximum $1,000 in share value can be allocated to each eligible employee each year.

All Australian based permanent full-time employees of the consolidated entity who have been in 3 months or more continuous employment at 30 June each year are eligible to participate in the plan. The value of shares issued to each employee under the plan is dependant on length of service at 30 June, but cannot exceed $1,000 per employee per year. Directors of the consolidated entity are not eligible to participate in the plan.

Eligible employees must apply to participate in the plan each year. Whether an employee share award occurs each year is at the discretion of the Board of Directors, subject to the financial performance of the consolidated entity.

Employees who receive shares under the plan are unable to deal in the shares for 3 years from date of award, unless they leave the consolidated entity's employment, at which time the shares are restriction-free.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

24. Share based payments (continued)

(c) Employee share award plan (continued)

Summary of employee share award

Details of the number and fair value of shares issued under the employee share award plan are provided below.

The fair value of the shares allocated is the weighted average Cellnet Group Limited share price for the period of five days up to and including the date of allocation. For the current year, no shares were allocated under the plan. For the prior year, shares were allocated under the plan on 14 September 2005.

The amount recognised in contributed equity of the Company and consolidated entity in relation to the allocation of shares to employees under the plan is set out in Note 28.

Details of employee shares awarded

Date allocated	Total shares allocated to employees	Number of shares at beginning of year	Shares removed from restriction during year	Number of employee shares at year-end under restriction	Fair value per share ($)	Aggregate fair value ($)
14/09/05	134,407	107,438	(45,608)	61,830	1.14	70,486

(d) Employee bonus shares

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

The amount recognised in contributed equity of the Company and consolidated entity during the prior year in relation to bonuses is set out in Note 26.

(e) Executive Share and Option Plan

On 18 December 2007, shareholders of the Company approved an Executive share and 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

24. Share based payments (continued)

(e) Executive Share and Options Plan (continued)

All options expire:

- The date 10 years from the date the option was granted or 12 months after the death or total and permanent disablement of the Executive;
- A determination of the Board that the Executive has, in the Board's opinion, been dismissed or removed from office for a reason which entitles a company in the consolidated entity to dismiss the Executive without notice or has committed any act of fraud, or done any act which bring the consolidated entity into disrepute;
- The date on which the Executive ceases to be employed by any member of the consolidated entity (other than due to the occurrence of death or total and permanent disablement); or
- The surrender of the option by the Executive.

Upon the exercise of an option by an Executive, 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.

Nil options were granted in current year.

2008 allocation

2,500 000 options were issued to Stephen Harrison on 18 January 2008. The terms and conditions of the issue are disclosed at Note 35. The theoretical value of the options was calculated as being $0.10 per option.

The Black & Scholes methodology was used to value the options. The valuation was based using the following assumptions:

- The risk free rate is 6.3% with a maturity date approximating that of the expiration period of the options;
- The underlying security price used for the purposes of this valuation is $0.52, which is the closing price of the shares as at 18 January 2008;
- For the purposes of the valuation, no future dividend payments have been forecast;
- The volatility of the Company's shares is 45.00% (based on a 4 year historical volatility); and
- For the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date.
- The exercise price was 70 cents

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

24. Share based payments (continued)

(f) Long Term Incentive Plan

On 18 December 2007, shareholders of the Company approved a Long Term Incentive Plan that entitled Executives of the Company to purchase shares in the Company through a non-recourse loan.

The purpose and rules of the plan are the same as the Executive Share and Option Plan described above, except that there is no prohibition on issuing shares or options 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.

Nil options were granted in current year.

2008 allocation

2,500,000 shares were issued to Mel Brookman 18 January 2008. The terms and conditions of the issue are disclosed at Note 35. The shares were issued for $0.70 each. It was accounted for as an option as noted in note 37. Further terms and conditions were:

The theoretical value of the options was calculated as being $0.10 per option.

The Black & Scholes methodology was used to value the options. The valuation was based using the following assumptions:

- The risk free rate is 6.3% with a maturity date approximating that of the expiration period of the options;
- The underlying security price used for the purposes of this valuation is $0.52, which is the closing price of the shares as at 18 January 2008;
- For the purposes of the valuation, no future dividend payments have been forecast;
- The volatility of the Company's shares is 45.00% (based on a 4 year historical volatility); and
- For the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date.
- The exercise price was 70 cents

Employee expenses

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Expense arising from 2,500,000 options granted to Managing Director on 18 January 2008		-	250	-	250
Expense arising from 2,500,000 options granted to Mel Brookman on 18 January 2008		125	56	125	56
Total expense recognised as employee costs	8	125	306	125	306

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

25. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

Consolidated	Note	Share capital	Reserve for own shares	Translation reserve	Share Based Payment Reserve	Retained earnings	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2007		31,810	(516)	929	-	9,884	42,107
Total recognised income and expense		-	-	(1,484)		(4,702)	(6,186)
Shares issued to Director		-	-	-		-	-
Shares issued under Rights issue		11,678	-	-		-	11,678
Shares issue costs for Rights issue		(639)	-	-	-	-	(639)
Share based payments	*25(b)*				306	151	457
Balance at 30 June 2008		42,849	(516)	(555)	306	5,333	47,417
Balance at 1 July 2008		42,849	(516)	(555)	306	5,639	47,417
Total recognised income and expense		-	-	860	-	(15,772)	(14,912)
Share based payments	*25(e, f)*	-	481	-	125	(940)	125
Balance at 30 June 2009		42,849	(25)	305	431	(11,073)	32,487

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

25. Capital and reserves (continued)

Reconciliation of movement in capital and reserves

The Company	Note	Share capital	Reserve for own shares	Share Based Payment Reserve	Retained earnings	Total equity
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2007		31,810	(516)	-	610	31,903
Total recognised income and expense		-	-		(7,509)	(7,509)
Shares issued under Rights issue		11,678	-		-	11,678
Shares issued costs for Rights issue		(639)	-		-	(639)
Share based payments		-	-	306	151	457
Balance at 30 June 2008		42,849	(516)	306	(6,748)	35,891
Balance at 1 July 2008		42,849	(516)	306	(6,748)	35,891
Total recognised income and expense		-	-	-	(14,871)	(14,871)
Share based payments	*25(b)*	-	491	125	(635)	(19)
Balance at 30 June 2009		42,849	(25)	431	(22,254)	21,001

Share capital

		The Company	
		2009 No. of shares	2008 No. of shares
On issue at 1 July		76,839,094	53,099,364
Shares issued to Director	*25(f), 35*	-	2,500,000
Issued under Rights Issue		-	21,239,730
On issue at 30 June		76,839,094	76,839,094

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

During the year the reserve for own shares was reduced by $491,000 to correct the allocation from retained earnings to the reserve for own shares.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

25. Capital and reserves (continued)

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.

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 2009 the consolidated entity held 107,110 of the Company's shares (2008: 273,315). 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 reserve

Refer to note 25(e).

Dividends

Dividends recognised by the Company are:

2009

No dividends were recognised during the 2009 year.

2008

No dividends were recognised during the 2009 year.

No dividends have been proposed by the Directors after balance sheet date.

Franking Credits	**The Company**	
	2009	**2008**
Dividend franking account	**$'000**	**$'000**
30 % franking credits available to shareholders of Cellnet Group Limited for subsequent financial years	4,280	4,280

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

(a) franking debits that will arise from the refund of the current tax receivable;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
(d) 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 sheet date but not recognised as a liability is to reduce it by nil (2008: nil). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of nil (2008: nil) franking credits from its Australian wholly-owned subsidiaries during the year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

25. Capital and reserves (continued)

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 adjust 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, issue new shares or sell assets to reduce debt.

During 2009, no dividends were paid (2008: nil).

Management monitor capital through the capital adequacy ratio (net assets/total assets). The target for the consolidated entity's capital adequacy ratio is between 40% to 60%. The capital adequacy ratios based on continuing operations at 30 June 2009 and 2008 were as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net assets	32,487	47,417	21,001	35,891
Total assets	54,992	103,953	62,375	84,933
Capital adequacy ratio	59.1%	45.6%	33.7%	42.3%

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

26. Interest in jointly controlled operation

During the 2008 year the consolidated entity was a party to a joint venture, R&C Holdings Pty Ltd (RACS). The consolidated entity owned 50% of the joint venture for the 6 months ended 31 December 2008. At 1 January 2009 the consolidated entity acquired the remaining 50% to have sole ownership of the entity. For the 6 months ended 31 December RACS reported a loss of ($66,000) of which the consolidated entity has recognised a loss of ($33,000) being 50% of the loss (2008: loss ($138,000)).

Effective 1 January 2009 the consolidated entity acquired all of the shares in R&C Holdings Pty Ltd (RACS). Previously the consolidated entity owned only 50% which was acquired the 2008 financial year. In the 6 months to 30 June 2008 the subsidiary contributed a loss after tax of ($673,000). This included an intangible write-off of ($102,000). If the acquisition had occurred on 1 July 2008, management estimates consolidated profit would have been similar to that reported for the year 30 June 2009. This is consistent with the loss of ($66,000) reported for the six months ending 31 December 2008.

As at 30 June 2009 there was no contingent liability amounting (2008: $591,000). This was in relation to the potential provision of working capital to the joint venture.

27. Financial instruments

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. 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 financial income and expenses (see Note 10).

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

Consolidated	*Note*	**Carrying amount 2009 $'000**	**Fair value 2009 $'000**	**Carrying amount 2008 $'000**	**Fair value 2008 $'000**
Cash and cash equivalents	*13(a)*	20,399	20,399	10,484	10,484
Trade and other receivables	*14*	22,375	22,375	60,820	60,820
Secured bank bills	*23*	-	-	(10,000)	(10,000)
Finance lease liabilities	*23*	-	-	(11)	(11)
Trade and other payables	*22*	(21,488)	(21,488)	(45,366)	(45,366)
		21,286	21,286	15,927	15,927

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

27. Financial instruments (continued)

Fair values (continued)

Company	Note	Carrying amount 2009 $'000	Fair value 2009 $'000	Carrying amount 2008 $'000	Fair value 2008 $'000
Cash and cash equivalents	*13(a)*	18,220	18,220	461	461
Trade and other receivables	*14*	19,066	19,066	42,094	42,094
Finance lease liabilities	*23*	-	-	(11)	(11)
Trade and other payables	*22*	(40,507)	(40,507)	(47,957)	(47,957)
		(3,221)	(3,221)	(5,413)	(5,413)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The market rates used vary depending on the value and nature of the equipment financed.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

28. Commitments

Operating leases – consolidated entity as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Less than one year	729	1,710	594	1,295
Between one and five years	1,173	3,147	1,053	2,143
	1,902	4,857	1,647	3,438

Operating lease rentals relate to leases of the Company's and consolidated entity's office and warehouse facilities, and items of computer equipment. The leases typically run for a period of 1 to 7 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.

During the financial year ended 30 June 2009, $1,053,000 (2008: $872,000) was recognised as an expense in the income statement in respect of operating leases relating to continued operations for the consolidated entity and $832,000 (2008: $769,000) was recognised for the Company.

Finance leases – consolidated entity as lessee

The consolidated entity's lease liabilities are secured by the leased assets of $38,000 (2008: $9,000), as in the event of default, the leased assets revert to the lessor.

Finance lease liabilities of the consolidated entity are payable as follows:

	Consolidated					
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2009	2009	2009	2008	2008	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	48	13	35	11	1	10
	48	13	35	11	1	10

The consolidated entity leases plant and equipment under finance leases expiring from 1 to 4 years. At the end of the lease term, the consolidated entity has the option to purchase the equipment at a price deemed to be a bargain purchase option.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

28. Commitments (continued)

Finance lease liabilities of the Company are payable as follows:

	Company					
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2009	2009	2009	2008	2008	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	48	13	35	11	1	10
One to five years	-	-	-	-	-	-
	48	13	35	11	1	10

The Company leases plant and equipment under finance leases expiring from 1 to 4 years. At the end of the lease term, the Company has the option to purchase the equipment at a price deemed to be a bargain purchase option.

29. Contingencies

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.

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Contingent liabilities considered remote				
Guarantees				
(i) The Company has guaranteed the bank facilities of its controlled entity, Cellnet Limited.	-	-	-	10,000
(ii) The consolidated entity has provided bank guarantees in the normal course of business.	321	319	321	319
(iii) Dispute with supplier	165	60	165	-
	486	379	486	10,319

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

30. Consolidated entities

	Note	Country of Incorporation	Ownership interest 2009	2008
Parent entity				
Cellnet Group Limited		Australia		
Subsidiaries				
CDW Pty Ltd		Australia	100	100
Cellnet Limited (formerly Cellular Cellnet (NZ) Limited)		New Zealand	100	100
Comms Plus Marketing Pty Ltd		Australia	100	100
Atchison Pty Ltd		Australia	100	100
C&C Warehouse (Holdings) Pty Ltd		Australia	100	100
Printer Wholesalers Pty Ltd		Australia	100	100
Cassa Australia Pty Ltd		Australia	100	100
In2 Holdings Pty Ltd		Australia	100	100
VME Systems Pty Ltd		Australia	100	100
Michael Hornsby & Associates Pty Ltd		Australia	100	100
R&C Holdings Pty Ltd		Australia	100	100

31. Acquisition of business combinations

Effective 1 January 2009 the consolidated entity acquired all of the shares in R&C Holdings Pty Ltd (RACS). Previously the consolidated entity owned only 50% which was acquired the 2008 financial year. RACS is an retail online auction house dealing primarily in consumer electronic and telecommunication products operating primarily on e-bay. In the 6 months to 30 June 2008 the subsidiary contributed a loss after tax of ($673,000). This included an intangible write-off of ($102,000). If the acquisition had occurred on 1 July 2008, management estimates consolidated profit would have been similar to that reported for the year 30 June 2009. This is consistent with the loss of $66,000 reported for the six months ending 31 December 2008.

	Fair values recognised on acquisition	Carrying value of acquisition
	$'000	$'000
Property, plant and equipment	146	146
Inventories	79	79
Trade and other receivables	115	115
Cash and cash equivalents	162	162
Trade and other payables	(420)	(420)
Provisions	(57)	(57)
Retained earnings current year		
Net identifiable assets and liabilities	24	24
Goodwill on acquisition	-	-
Consideration paid / payable	-	-

The accounting for this acquisition has been done on a provisional basis.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

32. Discontinued operation

During the current year a significant restructuring event took place which saw the exit of the loss making IT business segment by ceasing to operate in this segment. This resulted in a loss of ($9,314,000) which included a substantial write-down of intangibles and the provision for future costs such as property leases and debtor insurance that relate solely to the discontinued business segment.

Results of the discontinued operations for the year are presented below:		Consolidated	
	Note	2009 $'000	2008 $'000
Results of discontinued operation			
Revenue		110,547	215,334
Expenses		119,971	218,877
Results from operating activities		(9,723)	(3,543)
Income tax benefit		110	251
Results from operating activities, net of income tax		(9,613)	(3,292)
Profit (loss) for the period		(9,613)	(3,292)
Basic earnings per share		(0.13)	(0.04)
Diluted earnings per share		(0.13)	(0.04)
Major classes of assets and liabilities of the discontinued operation are presented below:			
Assets held for sale			
Trade and other receivables		10,472	30,496
Inventory		1,907	10,754
Assets attributable to discontinued operations		12,379	41,250
Liabilities held for sale			
Trade and other payables		(9,932)	(11,245)
Liabilities attributable to discontinued operations		(9,932)	(11,245)
Net assets attributable to discontinued operations		2,447	30,005
Cash flows from discontinued operation			
Net cash from operating activities		12,447	2,166
Net cash from investing activities		-	-
Net cash from (used in) discontinued operation		12,447	2,166

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

33. Related party disclosure

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries and joint ventures (see Note 27) and with its key management personnel (see Note 35).

Subsidiaries

Loans

Aggregate amounts receivable and payable by the Company from and to controlled entities are set out in Notes 16 and 24 respectively.

Other transactions

In the normal course of business and on normal terms and conditions, the Company charges its controlled entities fees for providing management services and, from time to time, entities within the wholly owned group may exchange goods and services with each other.

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Interest expense	-	-	409	891
Aggregate amount of other transactions with wholly-owned controlled entities:				
Revenue from the sale of goods	-	-	354	632
Revenue from the rendering of services	-	-	458	1,109

Revenue from the sale of goods includes sales of $354,000 (2008: $632,000) from the Company to Cellnet Limited, a wholly-owned controlled entity. Revenue from the rendering of services includes fees for management and administration services provided of $458,000 (2008: $1,109,000) charged by the Company to Cellnet Limited.

Joint ventures

R & C Holdings Pty Ltd Joint Venture

For 2008 year the consolidated entity had a 50% interest in the assets, liabilities and output of the joint venture.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

34. Key management personnel

Key management personnel remuneration

The key management personnel remuneration included in 'personnel expenses' (see Note 8) is as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	1,032,139	1,849,632	1,032,139	1,470,035
Post-employment benefits	65,871	83,022	65,871	83,022
Termination benefits		50,037		
Total compensation	1,098,010	1,982,691	1,098,010	1,553,057

Options over equity instruments granted as remuneration

On 18 January 2008, 2,500,000 options were granted to the Managing Director. The terms and conditions attached to the options are:

- Issued for nil consideration;
- Exercise price is $0.70 per option;
- Options expire on the earlier of one month after the Managing Director ceases to be a director of the Company or two years after the date of issue; and
- The Company will not provide the Managing Director with any financial assistance to acquire the options.

Performance rights over equity instruments granted as remuneration

The movement during the reporting period in the number of performance rights over ordinary shares in Cellnet Group Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, was as follows:

Key management person	Held at 1 July 2008	Granted	Exercised	Forfeited	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009	Vested and not exercisable at 30 June 2009
Mr S Woodward	25,428	-	-	25,428	-	-	-	-
Mr G Moore	29,568	-	-	29,568	-	-	-	-

Key management person	Held at 1 July 2007	Granted	Exercised	Forfeited	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008	Vested and not exercisable at 30 June 2008
Mr M Bloomer	97,643			97,643	-	-	-	-
Mr S Woodward	25,428			-	25,428			25,428
Mr G Moore	29,568			-	29,568			29,568
Mr J Dunbar	50,505			50,505				-

No other key management person was granted performance rights during the year.

Further details regarding the Performance Share Rights Plan are provided in Note 27(b).

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

34. Key management personnel (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Cellnet Group Limited held directly, indirectly or beneficially, by each key management person and their related parties, is as follows:

Directors	Held at 1 July 2008	Purchases	Other Acquisitions	Sales	Held at 30 June 2009
Mr S Harrison	1,702,917	-	-	-	1,702,917
Mr M Brookman	6,851,943	-	-	-	6,851,943

Directors	Held at 1 July 2007	Purchases	Other Acquisitions	Sales	Held at 30 June 2008
Mr S Harrison	1,702,917	-	-	-	1,702,917
Mr M Brookman	4,351,943	-	(A) 2,500,000	-	6,851,943

(A) Received under Long Term Incentive Plan on 18 January 2008 (Note 27(f)).

Note 24(e) contains details of the movement in share option issued to Mr S Harrison.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

34. Key management personnel (continued)

Loans to / from key management personnel and their related parties (consolidated)

A loan of $1,750,000 was provided to M. Brookman in accordance with the Long Term Incentive Plan on 18 January 2008 to fund the purchase of 2,500,000 million Company shares. This loan was a non-recourrse loan and was approved by shareholders at the AGM held on 18 December 2007. The terms of the loan are as follows:

- The loan shall be payable in full within two years after the date on which the loan was advanced, or within a maximum of seven years if the Company so determines, or shall become immediately due and payable upon:
    1. The Board determining that the borrower has, in the Board's opinion, been dismissed or removed from office or done any act which brings the Company into disrepute; and
    2. The resignation of the borrower from the position of Director of the Company or any subsidiary of the Company.
- The borrower must pay principal and interest repayments in each financial year which are at least equal to the minimum yearly repayments for such a loan calculated in accordance with sections 109E and 109N of the Tax Act.
- Interest rate applicable on the loan is equal to the benchmark interest rate in accordance with section 109N(2) of the Tax Act.
- As security for the loan and interest payable on the loan, the borrower must grant to the Company a pledge of the shares acquired with the loan.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

34. Key management personnel (continued)

Loans to / from key management personnel and their related parties (consolidated) (continued)

Other key management personnel transactions with the Company or its controlled entities

The following transactions occurred between key management personnel, or their related parties, and the Company or consolidated entity during the year. Where such transactions occurred, the terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Consolidated		The Company	
		Note	2009	2008	2009	2008
Key management person and their related parties	**Transaction**		**$'000**	**$'000**	**$'000**	**$'000**
Mercury Mobility (Australia) Pty Ltd	Rendering of services and rental	(i)	72	70	72	70
Mercury Mobility (Australia) Pty Ltd	Sale of goods (post demerger)		11	163	11	163
	-					
Wireless Co.	Sale of goods			86		86
	Purchase of property, plant	(iii)	-		-	
	and equipment		-	17	-	17
Cru Group Pty Ltd	Sale of goods	(iv)	6	8	6	8
	Purchase of services		15	51	15	51

(i) Cellnet Group Limited earned administration fees, service fees and rent from Mercury Mobility (Australia) Pty Ltd, a company of which Mr Mel Brookman and Mr Sandy Beard are Directors, of $181,000 (2008: $70,029) post its demerger from the consolidated entity.

Notes to the Financial Statements (continued)

For the year ended 30 June 2009

34. Key management personnel (continued)

Other key management personnel transactions with the Company or its controlled entities (continued)

(iii) Cellnet Group Limited sold goods to Wireless Co., a company of which Mr Stephen Harrison and Mr Mel Brookman are influential shareholders. Cellnet Group Limited also purchased property, plant and equipment in the normal course of business from Wireless Co. during the 2009 year.

(iv) Cellnet Group Limited sold goods to Cru Group Pty Ltd, a company of which Mr Stephen Harrison and Mr Mel Brookman are influential shareholders. Cellnet Group Limited also purchased advertising services from Cru Group Pty Ltd in the normal course of business during the 2009 year.

Amounts receivable from and payable to key management personnel and their related parties at reporting date arising from these transactions were as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Assets and liabilities arising from the above transactions				
Current receivables				
Other related parties				
Trade debtors	51	76	51	76
Other receivables	-	7	-	7
Total receivables	51	83	51	83

Other transactions

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

35. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

36. Correction of an error

(a) Treatment of loan provided to Mel Brookman

On 18 January 2008, a loan of $1,750,000 was provided to Mr Mel Brookman (a director of the company) to fund the purchase of 2,500,000 shares. The loan is a non-recourse loan and has a service condition of 2 years as noted in note 35. The loan was recognised as a receivable from the director of $1,750,000 and an equivalent amount was recognised in the share capital account.

The initial accounting treatment for this loan was incorrect. Given the terms and conditions of the loan, the loan should have been recognised as an option to buy 2,500,000 shares in the company. Therefore the fair value as at the grant date should have been calculated and then recognised over the 2 year term of the option. The loan of $1,750,000 is a notional and off balance sheet loan only.

The fair value of the option was determined to be 10 cents. The valuation was based on the assumptions noted in note 25(e).

The error had the following impact:

- the non-current assets as at 30 June 2008 were overstated by $1,750,000.
- the issued capital as at 30 June 2008 was overstated by $1,750,000. There is no change to the number of shares issued.
- the share based payments expense for the year ended 30 June 2008 was understated by $56,088. The loss from continuing operations before tax and loss from continuing operations after tax were impacted by the same amount.
- the retained earnings for the year ended 30 June 2008 were overstated by $56,088.

The error has been corrected by restating each of the affected financial statement line items for the prior year as described above. The adjustments apply to both the consolidated and the parent entity.

Basic and diluted earnings per share for the prior year have been restated. The amount of the correction for both basic and diluted earnings per share was nil.

The remuneration noted for Mel Brookman in the remuneration report was updated for the 2008 year to show a value of $56,088 for share based payments expense.

(b) Error in the opening retained earnings

The retained earnings balance disclosed in the 30 June 2008 audited accounts was overstated by $600,000. This adjustment relates to the adjustment recognised on the demerger of Mercury Mobility Limited during the 2007 financial year. The adjustment was recognised in the trade payables as at 30 June 2008, instead of retained earnings.

The error had the following impact:

- the retained earnings as at 1 July 2007 and as at 30 June 2008 were overstated by $600,000.
- the trade and other payables as at 30 June 2008 were understated by $600,000.

The error has been corrected by restating each of the affected financial statement line items for the prior year as described above. The adjustment applies to the consolidated entity only.

There is no change to basic or diluted earnings per share as a result of the change.

Directors' declaration

1) In the opinion of the Directors of Cellnet Group Limited (the Company):

    a) the financial statements, notes and the additional disclosures included in the Directors' report designated as audited, of the Company and consolidated entity are in accordance with the *Corporations Act 2001*, including:

        i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

        ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and

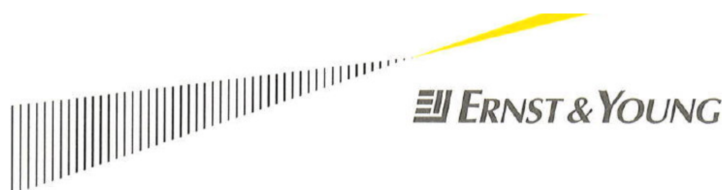
    b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) 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 ended 30 June 2009.

Dated at Brisbane on 28 August 2009.

Signed in accordance with a resolution of the Directors:

Alexander Beard
Chairman



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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 balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. 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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

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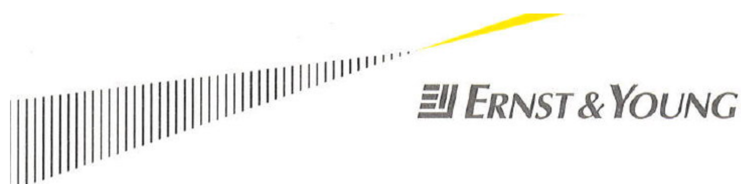

Auditor's Opinion

In our opinion:

1. 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 financial position of Cellnet Group Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 18 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cellnet Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Daniel Cunningham
Partner
Sydney
28 August 2009

Corporate Governance Statement

Background

"Principles of Good Corporate Governance and Best Practice Recommendations" (ASX Best Practice Recommendations) was published in March 2003 by the Australian Stock Exchange Limited's Corporate Governance Council and the Commonwealth Government's CLERP 9 amendments to the Corporations Act. 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 the reporting period. Listed companies must identify the recommendations that have not been followed and provide reasons for the non-compliance. In addition certain specific corporate governance information must be included in the Corporate Governance Statement section or elsewhere in the Annual Report.

Compliance

Until the restructure of the Board in August 2007 the Company was structured and adopted practices to ensure it complied with all the Best Practice Recommendations.
In August 2007, in recognition of the poor performance of the business operations and the need to restructure and refocus for the future, the composition of the Board and senior management was changed considerably and rationalised. As a result of these changes, the Company was unable to continue to comply with all the corporate governance best practices. In particular, the Company did not comply with the following recommendations:

2.1 A majority of the board should be independent directors.
2.2 The chairperson should be an independent director.
4.3 Structure the audit committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the board

The Board considers that:

- the cost of compliance with these recommendations is not currently justified given the size and nature of the current operations, and in the context of the more urgent priority to return the Company to an appropriate level of base profitability and restore its fortunes generally; and
- in the meantime, the Board believes that the current Directors have the necessary skills, experience and motivation, through their significant ownership interests in the company, to satisfy the Companies current corporate governance objectives.

However, notwithstanding these current considerations, the Board advises that it intends to move towards a return to full compliance with all best practice recommendations as soon as is practical.

Specific information on corporate governance

- Details of each Directors' qualifications, experience, term of office, independence and special responsibilities, including membership of the audit and risk management committee, is set out in the attached Directors' report.
- The Directors' report also includes the procedures for directors to take independent advice in respect of their position.
- The Board as a whole assumes the functions of a nominations committee and the Chairman takes responsibility for evaluating the Board's performance at least annually.
- The Board as a whole assumes the functions of a remuneration committee and details of remuneration policies, procedures and other specific disclosures are included in the remuneration report section of the attached Directors' report.

Further information on the Company's corporate governance policies and practices has been posted on its website at www.cellnet.com.au.

ASX Additional Information

As at 20 August 2009

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 shares held	% of capital held
CVC Limited	28,222,046	36.7
Trojan Equity Limited	8,276,030	10.8
Melambrook Pty Ltd	*6,851,943	8.9
Bywater Investments Limited	3,360,000	4.4
Hesley Consultants Limited	2,800,000	3.6
Chemical Trustee Ltd	1,820,000	2.4
Starrison Pty Ltd	1,702,917	2.2
Philadelphia Investments Pty Ltd	1,650,274	2.2
Leagou Funds Management Pty Ltd	1,420,364	1.9
Yardley Holdings Limited	1,155,000	1.5
Citicorp Nominees Pty Limited	1,115,654	1.5
Balzac Investments Pty Ltd	749,618	1.0
TUP Pty Ltd (J Gibbs S/F a/c)	725,000	0.9
Mr Peter William Tobin & Mrs Narelle Ann Tobin	626,747	0.8
JH Nominees Australia Pty Ltd	493,850	0.7
National Nominees Limited	476,997	0.6
Perpetual Custodians Limited	461,126	0.6
Wenola Pty Limited (Pension Fund a/c)	426,770	0.6
The Corporation of the Trustees of the Order of the Sisters of the Presentation in Queensland	420,000	0.5
Ms. Kate Leaver	385,000	0.5
Top 20 Holders	**63,139,336**	**82.2**
All other holders	13,699,758	17.8
All holders	**76,839,094**	**100.0**

* 2,500,000 shares subject to escrow until payment of related shareholder loan.

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:

Shareholder	Shares per notice
CVC Limited	24,993,970
Melambrook Pty Ltd	6,851,943
ANZ Nominees Limited (SL Cash income 4SF a/c)	3,986,854

ASX Additional Information

Distribution of equity security holders

Category	Number of holders
1 – 1000	318,628
1001 – 5000	1,021
5001 – 10,000	318
10,001 – 100,000	273
100,001 and over	34
	2,201

The number of shareholders holding less than a marketable parcel of ordinary shares is 744.