



27 February 2009

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

Half Year Result

The Directors report a loss for the period of \$10.2 million which included a loss from discontinued operations of \$7.8 million. The loss from continuing operations of \$2.4 million included inventory write-downs and provisions of \$2.5 million.

The focus of the Group has been on strengthening the balance sheet and eliminating all borrowings. The discontinuation of the desktop and notebook segment of the business has seen an improvement in the balance sheet of the Group with all debt being repaid in the past 6 months and the Group having cash on hand of approximately \$10 million at period end. The cessation of this segment of the business has also seen a significant improvement in the utilisation of working capital and a de-risking of the balance sheet.

The discontinued operations of the business, namely the transactional desktop & notebook segment, contributed a net loss of \$7.9 million which included restructuring costs of \$1.6 million and the write off of intangible assets including goodwill of \$2.3m.

Commentary on Future Expectations and Profit Outlook

The significant restructuring which commenced on 31 October 2008, has resulted in the Group having a more focussed and targeted set of vendors and a product offering that complements the core activities of the Group.

The overhead structure of the Group has been accordingly reduced to reflect the new slimmer and more focussed business model. While work is continuing on further improvements to the company's operational efficiencies, given the uncertain economic outlook, no guidance can be given as to second half earnings.

Alexander Beard
Chairman
02 9087 8000

Cellnet Group Limited
and its controlled entities

ABN: 97 010 721 749

Half-Year Financial Report
Period Ended 31 December 2008

	Section
Appendix 4D	A
Financial Report	B

Section A

Appendix 4D HALF YEAR REPORT Statutory Results

Name of Entity	Cellnet Group Limited
ABN	97 010 721 749
Reporting Period	Half-year ended 31 December 2008
Previous Corresponding Period	Half-year ended 31 December 2007

This information presented should be read in conjunction with the 30 June 2008 financial report

Results for announcement to the market

	Reporting Period	Previous Corresponding Period	% Change Increase / (Decrease)
	\$'000	\$'000	
Revenues from ordinary activities	125,011	244,303	(48.8%)
Profit / (Loss) from ordinary activities after tax attributable to members	(10,482)	(836)	(1153.8%)
Net Profit / (Loss) for the period attributable to members	(10,482)	(836)	(1153.8%)

For commentary on the results refer to the Directors' Report which forms part of the Half Year Report

	Reporting Period	Previous Corresponding Period
Interim Dividends	-	-
Amount per Security	-	-
Franked Amount per Security	-	-
Record Date	N/A	N/A
Final Dividends	-	-
Final ordinary dividend for the financial year ended 30 June provided for and paid during the interim period	-	-

NTA Backing

Net tangible assets backing per share	51.54¢	67.32¢
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Dividend Reinvestment Plan

The dividend re-investment plan has been suspended.

Additional Appendix 4D Disclosure Requirements

Additional Appendix 4D disclosure requirements can be found in the notes accompanying the Financial Statements.

Financial Information

This Appendix 4D should be read in conjunction with the Half Year Report for the half year ended 31 December 2008 as set out on pages 5 to 24.

Compliance Statement

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

Section B

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

**Condensed Financial Report
for the Half-Year Ended
31 December 2008**

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

Corporate Information

ABN 97 010 721 749

Directors

A. Beard (Chairman)

M. Brookman

S. Harrison

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 Registrar

Computershare Investor Services Pty Ltd

Level 18

307 Queen Street, Brisbane QLD 4000

GPO Box 523, Brisbane QLD 4001

Phone: 1300 552 270

Fax: (07) 3229 9860

Stock Exchange

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

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2008.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

A. Beard (appointed Chairman 20 August 2007)

M. Brookman

S. Harrison (appointed 20 August 2007)

Principal activities

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

During the half year, the cessation of the transactional notebook and desktop segment of the IT distribution business was a significant event and resulted in the discontinuation of a loss making segment of the business.

Review and results of operations

The first half of the year saw many changes throughout the group with the finalisation of the Telecom New Zealand contract and the discontinuation of the loss making transactional desktop and notebook segments of the IT distribution business. The return to the core business and core products has resulted in a leaner organisation able to focus on the parts of the business which can deliver a commercial return.

Sales revenue for the continuing operations of the consolidated entity for the first half were \$94.7m (2007: \$189.2m), a decrease of 50.0%. This was largely attributable to the termination of Telecom NZ provider agreement which accounted for a \$65 million decrease and the discontinuation of transactional notebook and desktop distribution which accounted for \$30 million of this decrease.

The consolidated entity's loss for the period of \$10.2 million included a loss from discontinued operations of \$7.8 million. The loss from continuing operations of \$2.4 million included inventory write-down and provisions of \$2.5 million.

The next 6 months will see a significant focus on operational efficiencies but at this stage given the uncertain economic outlook, no guidance can be given as to the expected full year results.

Dividends

No interim dividends have been declared for the half year ended 31 December 2008 (2007: Nil)

Rounding

The consolidated entity is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission. Amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000 unless otherwise stated.

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

Auditor's Independence Declaration

Attached is a copy of the Auditors Independence Declaration provided under Section 307C of the *Corporations Act 2001* in relation to the review of the half year ended 31 December 2008. This Auditors Independence Declaration forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



A. Beard

Director

Sydney

27 February 2009

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



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

In relation to our review of the financial report of Cellnet Group Limited for the half-year ended 31 December 2008, 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Daniel Cunningham'.

Daniel Cunningham
Partner
Sydney

Date: 27 February 2009

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

Balance Sheet

As at 31 December 2008

	Note	Consolidated	
		31 Dec 2008 \$'000	30 Jun 2008 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		10,161	10,484
Trade and other receivables		36,103	60,820
Inventories	7	12,348	21,919
Income tax receivable		625	1,557
Total current assets		59,237	94,780
Non-current assets			
Investments	5	429	62
Deferred tax assets		2,693	2,687
Loans receivable		1,750	1,750
Property, plant and equipment		2,437	2,838
Intangible assets	8	-	3,586
Total non-current assets		7,309	10,923
TOTAL ASSETS		66,546	105,703
LIABILITIES			
Current liabilities			
Trade and other payables		25,870	44,736
Interest bearing loans and borrowings		9	10,011
Employee benefits		804	855
Total current liabilities		26,683	55,602
Non-current liabilities			
Employee benefits		263	334
Total non-current liabilities		263	334
TOTAL LIABILITIES		26,946	55,936
NET ASSETS		39,600	49,767
EQUITY			
Issued capital		44,599	44,599
Reserves		(756)	(1,071)
Retained earnings		(4,243)	6,239
TOTAL EQUITY	10	39,600	49,767

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

Income statement

For the half-year ended 31 December 2008

	Note	Consolidated	
		31 Dec 2008 \$'000	31 Dec 2007 \$'000
Revenue		94,651	189,222
Cost of sales	7	(85,310)	(172,302)
Gross profit		9,341	16,920
Other expense	8	(328)	-
Distribution expenses		(3,167)	(4,413)
Sales and marketing expenses		(5,148)	(5,668)
Administrative expenses		(2,449)	(2,203)
Bad debts expense		(226)	(1,934)
(Loss)/profit from continuing operations before interest and tax		(1,977)	2,702
Finance income		794	558
Finance expenses		(1,077)	(995)
Net finance costs		(283)	(437)
(Loss)/Profit from continuing operations before income tax		(2,260)	2,265
Income tax credit/(expense)		(328)	(876)
(Loss)/Profit from continuing operations after income tax		(2,588)	1,389
Discontinued operations			
Loss from discontinued operations after income tax	4,6,8	(7,894)	(2,225)
Net (loss) for the period		(10,482)	(836)
Earnings per share for profit from continuing operations			
Basic (loss) / earnings per share		(\$0.03)	\$0.02
Diluted (loss) / earnings per share		(\$0.03)	\$0.02
Earnings per share			
Basic (loss) / earnings per share		(\$0.13)	(\$0.01)
Diluted (loss) / earnings per share		(\$0.13)	(\$0.01)

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

Statement of Recognised Income and Expense

For the half-year ended 31 December 2008

	Note	Consolidated	
		2008	2007
		\$'000	\$'000
Foreign exchange translation differences	10	315	224
Net income/(expense) recognised directly in equity			
(Loss)/profit for the period		(10,482)	(836)
Total recognised (expense)/income for the period		(10,167)	(612)

Other movements in equity arising from transactions with owners as owners are set out in note 10. The amounts recognised directly in equity are disclosed net of tax.

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

Cash Flow Statement

For the half-year ended 31 December 2008

	Note	Consolidated	
		31 Dec 2008 \$'000	31 Dec 2007 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		166,932	256,697
Payments to suppliers and employees (inclusive of GST)		(157,778)	(252,693)
Interest paid		(1,104)	(967)
Net income taxes received / (paid)		705	(223)
Net cash flows from operating activities		8,755	2,814
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		147	119
Purchase of property, plant and equipment		(243)	(182)
Interest received		755	372
Additional Investment in joint venture	5	(367)	-
Deferred consideration paid for acquisition of business		-	(1,500)
Acquisition of intangibles		(6)	(198)
Net cash flows used in investing activities		286	(1,389)
Cash flows from financing activities			
Proceeds from the issue of shares		-	5,391
Repayment of borrowings		(10,000)	-
Repayment of finance lease liabilities		(3)	(4)
Net cash flows from/(used in) financing activities		(10,003)	5,387
Net increase in cash and cash equivalents		(962)	6,812
Cash and cash equivalents at beginning of period		10,485	(2,852)
Net foreign exchange differences		638	(17)
Cash and cash equivalents at end of period		10,161	3,943

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

Notes to the Financial Statements

1. Reporting entity

Cellnet Group Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for half-year ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at 59-61 Qantas Drive, Eagle Farm QLD 4009 or at www.cellnet.com.au.

2. Basis of preparation

This consolidated general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reports* and the Corporations Act 2001.

The consolidated half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the consolidated annual financial report for the year ended 30 June 2008 and considered together with any public announcements made by Cellnet Group Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

3. Significant accounting policies

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

There are other amendments to current accounting standards which are now effective. The impact of these amendments is not expected to be significant for Cellnet Group Limited.

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective. These standards have not yet been adopted by Cellnet Group Limited in the 31 December 2008 half-year financial report. The Directors are in the process of finalising their assessment of the impact of these standards and interpretations to the extent relevant to the Company.

4. Business Restructure

On the 30th October 2008 Cellnet Group Ltd announced that it would be reducing its IT distribution operations in Australia and New Zealand to focus on the server and print segment of the market. The IT segment comprises of two major lines of business being: i) Server & Print, and; ii) Desktop & Notebook. The closure relates to ii) Desktop & Notebook. This resulted in the closure, or noted future closure off all interstate offices and warehouses with the exception of the Victoria office which is directly associated with the Retail business segment. All future distribution will continue to be performed from the main Brisbane warehouse as was the case previously for the Retail segment.

To facilitate this restructure a charge of \$1.6m was incurred in the half year 31 December 2008 which was allocated as outlined below.

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

Notes to the Financial Statements (continued)

Cost	2008
Redundancy	1,120,000
Leases	230,000
Stock write-downs	250,000
Total cost of business restructure	<u>1,600,000</u>

As at 31 December 2008 an amount of \$304,124 had not been utilised and is recorded as part of Trade and Other payables in the balance sheet.

5. Acquisition of subsidiary

a) 31 December 2008

A 50% investment was made in R&C Holdings Pty Ltd in the year ended 30 June 2008. During the period under review, an additional investment of \$400,000 was made. This investment has been impaired by \$33,000 being 50% of R&C Holdings Pty Ltd's net loss for the current period. The entity is still 50% owned and equity accounted as in the year ended 30 June 2008.

b) 31 December 2007

No acquisitions were made in the prior half-year reporting period.

6. Discontinued operation

a) 31 December 2008

On 30 October 2008 the consolidated entity announced it would discontinue the transactional desktop and notebook distribution business of the IT segment. The server and print segment of IT distribution continues and the largest vendor is IBM. The server and print segment of the IT distribution business continues to drive independent cashflows from the transactional desktop and notebook segments, which is to be discontinued. The remaining business remains unchanged.

Losses attributable to the discontinued operation were as follows

	Consolidated	
	2008 \$'000	2007 \$'000
Results of discontinued operation		
Revenue	30,360	55,082
Expenses	(34,056)	(58,926)
Loss from operations	(3,696)	(3,844)
Net finance costs	(398)	109
Loss from operation before income tax	(4,094)	(3,735)
Income tax expense	-	1,510
Loss for the period	(4,094)	(2,225)
Goodwill Impairment	(2,200)	-
Restructuring costs	(1,600)	-
Loss from discontinued operations	<u>(7,894)</u>	<u>(2,225)</u>

b) 31 December 2007

No components of the consolidated entity have been disposed of or classified as held for sale in the prior half-year reporting period.

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

Notes to the Financial Statements (continued)

7. Write-down of inventory

Inventory Expense

During the six months ended 31 December 2008 the consolidated entity recognised a write-down or provision of finished goods inventory of \$2,494,000 (2007: \$991,000) related to reductions in value required as a result of the inventory's obsolescence, which is included in "cost of sales" for continuing operations.

Change in Estimates

During the six months ended 31 December 2008 there was a change to the way the provision for obsolescence was calculated compared with prior year. The reason for the change was due to managements belief that: i). The Company's own branded products have a shelf life comparable to the remaining product set; and ii) IT products have a reduced shelf life. The financial impact of this change was a \$972,000 increase in the provision for obsolescence.

8. Impairment of Intangibles

Goodwill

- a) 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. Of the \$2,399,551 write-off, \$200,000 was provided for by non-payable Hi-Tech deferred consideration. 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) No goodwill impairment resulted in the period ending 31 December 2007

System Development Costs

- a) These costs relate directly to the development and implementation of operational computer software. Due to the restructuring of the operations of the business, the New Zealand operations have been reduced. Commercial and operational support will be provided by the Australian operations and the software developed has already been implemented in Australia. 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.
- b) No system development write-offs resulted in the period ending 31 December 2007

9. Segment information

The IT segment is a distributor of servers and print to authorised resellers.

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

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

Notes to the Financial Statements (continued)

Business Segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the half years ended 31 December 2008 and 31 December 2007.

	Continuing Operations			Discontinued Operations	Total Operations
	IT -Sever & Print \$'000	Retail \$'000	Total \$'000	IT – Desktop & Notebook \$'000	\$'000
2008					
Revenue					
Sales to external customers	40,077	54,516	94,593	30,360	124,953
Other revenue	58	-	58	-	58
Inter-segment sales	48	161	210	-	210
Total segment revenue	40,183	54,677	94,861	30,360	125,221
Inter-segment elimination			(210)	-	(210)
Total consolidated revenue			94,651	30,360	125,011
Result					
Segment Results	(787)	(1,157)	(1,944)	(3,696)	(5,640)
Loss before tax and net finance costs			(1,944)	(3,696)	(5,640)
Net finance costs			(283)	(398)	(681)
Share of loss of joint venture			(33)	-	(33)
Loss before income tax			(2,260)	(4,094)	(6,354)
Income tax expense			(328)		(328)
Goodwill impairment				(2,200)	(2,200)
Restructuring costs				(1,600)	(1,600)
Net Loss for the period			(2,588)	(7,894)	(10,482)

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

Condensed Notes to the Financial Statements (continued)

	Continuing Operations			Discontinued Operations	Total Operations
	IT -Sever & Print \$'000	Retail \$'000	Total \$'000	IT – Desktop & Notebook \$'000	\$'000
2007					
Revenue					
Sales to external customers	50,386	138,835	189,221	55,082	244,303
Inter-segment sales	22	448	470	-	470
Total segment revenue	<u>50,408</u>	<u>139,283</u>	189,691	55,082	125,221
Inter-segment elimination			(470)	-	(470)
Total consolidated revenue			189,221	55,082	244,303
Result					
Segment Results	(1,124)	3,826	2,702	(3,844)	(1,142)
Profit/(Loss) before tax and net finance costs			2,702	(3,844)	(1,142)
Net finance costs			<u>(437)</u>	109	<u>(328)</u>
Profit/(Loss) before income tax			2,265	(3,735)	(1,470)
Income tax expense			<u>(876)</u>	1,500	<u>634</u>
Net Profit/(Loss) for the year			<u>1,389</u>	<u>(2,225)</u>	<u>(836)</u>

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

Notes to the Financial Statements (continued)

10. Capital and reserves

Reconciliation of movements in equity

	Attributable to shareholders of the Company				
	Share capital \$'000	Reserve for own shares \$'000	Translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2007	31,810	(516)	929	10,484	42,707
Total recognised income and expense	-	-	224	(836)	(612)
21,239,730 shares issued under Rights Issue.	11,682	-	-	-	11,682
Share issue costs for Rights Issue	(473)	-	-	-	(473)
Equity settled transactions – performance rights	-	-	-	97	97
Balance at 31 December 2007	43,019	(516)	1,153	9,745	53,401
Balance at 1 July 2008	44,599	(516)	(555)	6,239	49,767
Total recognised income and expense	-	-	315	(10,482)	(10,167)
Balance at 31 December 2008	44,599	(516)	(240)	(4,243)	39,600

Share Capital

	The Company	
	2008 No. of shares	2007 No. of shares
On issue at 1 July – fully paid	76,839,054	53,099,324
Issued under Rights Issue	-	21,239,730
On issue at 31 December – fully paid	76,839,054	74,339,094

Dividends

The following dividends were declared and paid by the consolidated entity:

For the six months ended 31 December

2008	2007
-	-
-	-

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

Condensed Notes to the Financial Statements (continued)

11. Contingencies

There have been no material changes in contingent liabilities or contingent assets since 30 June 2008.

12. Subsequent event

On the 30th January 2009 Stephen Harrison tendered his resignation as CEO of Cellnet Group Ltd but will remain as a non-executive director. Stephen was one of the original founders of the company and returned to an executive role at Cellnet to assist with the reorganisation and restructuring of the company.

Stephen has been replaced as CEO by Stuart Smith, who has been with the Company since February 2008 as CFO. Stuart is a Chartered Accountant and previous senior appointments include Chief Financial Officer for AAPT Mobile (Cellular One).

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

Directors' declaration

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

In the opinion of the Directors:

1. the financial statements and notes of the consolidated entity set out on pages 11 to 21, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



A. Beard
Director
Sydney
27 February 2009



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To the members of Cellnet Group Limited

Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of Cellnet Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cellnet Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with 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.



Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in blue ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in blue ink that reads "Daniel Cunningham".

Daniel Cunningham
Partner
Sydney
Date: 27 February 2009