



9 February 2012

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

HALF YEAR RESULT – 31 DECEMBER 2011

The Board of Cellnet advises that the company achieved a net profit for the half year ended 31 December 2011 of \$704,000 (2010: \$1,524,000). This is a disappointing result – but as previously advised to the ASX, was forecast and should be seen in the context of a tough retail market, loss of Sandisk range of product included in comparative period results and includes start-up costs of a number of initiatives aimed at achieving an appropriate return on capital in the medium to longer term.

Sales margins have been maintained when compared to the previous period on the back of significantly lower flash memory sales with the transition of Sandisk to Lexar.

The expansion into the online retail segment has seen initial start up costs and trading losses of approximately \$450,000 being expensed in this period which has contributed significantly to the lower net profit. This is not expected to continue in the second half as the online deal store (dealfox.com.au) is now fully operational and getting solid traction. Since Cellnet's online retail store was launched, it has developed a solid customer base and a continually improving product offering. The Board is encouraged by the initial results from dealfox and believes that as customers continue to look online for more products and services dealfox has the potential to be a meaningful player.

Cognisant of the poor results and the under-utilised balance sheet the Board resolved to make three fully franked dividend payments to shareholders during the period which in total equated to 3.5 cents per share for a total cash outlay of \$2,141,000. This has resulted in the net tangible assets per share reducing to \$0.40 per share from \$0.43 per share at 30 June 2011.

A further 9 cents per share was returned to shareholders as an equal capital reduction on 8 February 2012.

Future Expectations and Outlook

The Company's main focus between now and 30 June 2012 will be to continue to build on the promising results of its online business segment which will complement the current wholesale operations in both Australia and New Zealand and to continue to look for synergistic products lines and potential acquisitions.

At this stage it is too early to provide profit guidance for the full financial year.

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 2011

	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 2011
Previous Corresponding Period	Half-year ended 31 December 2010

This information presented should be read in conjunction with the 30 June 2011 financial report.

Results for announcement to the market

	Reporting Period	Previous Corresponding Period	% Change Increase / (Decrease)
	\$'000	\$'000	
Revenues from ordinary activities	36,871	44,657	(17.44)
Aggregate share of losses from ordinary activities of an associate (OYT Pty Ltd) of which the consolidated entity has a 30% interest	(109)	-	(100.00)
Profit from ordinary activities after tax attributable to members	704	1,524	(53.81)
Net Profit for the period attributable to members	704	1,524	(53.81)

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

	Reporting Period	Previous Corresponding Period
Final Dividend	1.0¢	-
Amount per security	1.0¢	-
Franked amount per security	1.0¢	-
Record Date	5 August 2011	N/A
Special Dividend	1.5¢	-
Amount per security	1.5¢	-
Franked amount per security	1.5¢	-

Record Date	5 August 2011	N/A
Interim Dividends	1.0¢	1.0¢
Amount per Security	1.0¢	1.0¢
Franked Amount per Security	1.0¢	1.0¢
Record Date	9 December 2011	25 February 2011

NTA Backing

Net tangible assets backing per share	39.9¢	43.4¢
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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 2011 as set out on pages 4 to 22.

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 2011**

Contents

Corporate information	6
Directors report	7
Interim consolidated statement of comprehensive income	10
Interim consolidated statement of financial position	11
Interim consolidated statement of changes in equity	12
Interim consolidated statement of cash flows	13
Notes to the financial statements	14
Directors' declaration	20
Independent auditors review report	21

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. Smith (Managing Director)

Company Secretary

C. Barnes

S. Smith (Joint Company Secretary)

Principal Registered Office

Cellnet Group Limited

59-61 Qantas Drive

Eagle Farm QLD 4009

Phone: 1300 CELLNET

Fax: 1800 CELLNET

Banker

Westpac Banking Corporation

260 Queen Street

Brisbane QLD 4000

Auditor

Ernst & Young

1 Eagle Street

Brisbane QLD 4000

Phone: 07 3011 3333

Share Registrar

Link Market Services Ltd

Level 15 ANZ Building

324 Queen Street, Brisbane QLD 4000

Phone: 1300 554 474

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 2011.

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 (Chairman)
M. Brookman
S. Smith (Managing Director)

Principal activities

The principal activities of the consolidated entity are:

Wholesale distribution of flash memory, mobile phone accessories and CE equipment and accessories, and fulfillment services to the mobile telecommunications and retail industries in Australia and New Zealand.

Sales and distribution of products on-line.

Review and results of operations

Sales revenue of the consolidated entity for the first half was \$35.1 million (2010: \$43.7 million). This decrease of \$8.6 million was due to the soft retail conditions currently being experienced by the broader retail sector, the loss of the Sandisk range of products and start up costs associated with a number of new initiatives. However, whilst sales have reduced significantly gross margin remains generally in line with prior year. This is due to improved product sourcing as well as increased revenue generated from its third party logistic operations.

Operating expenses increased by \$0.7 million to \$8.5 million primarily due to increased costs associated with Cellnet's online expansion.

The consolidated entity's profit before net interest and income tax for the half year was a profit of \$223,000 (2010: \$1,033,000), a decline of 78.4%.

Total cash flows for the half year were a net outflow of \$4.8 million, which included \$2.1 million relating to the payment of dividends and \$0.1 million relating to the on market share buy back.

Dividends

A fully franked dividend of 1.0¢ per share was declared 24 November 2011 and paid 23 December 2011. (2010: Nil. Note: a fully franked dividend of 1.0¢ per share was declared 8 February 2011 and paid 21 February 2011 however this dividend was not accrued for in the prior period half year accounts).

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

Director's 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 2011. This Auditors Independence Declaration forms part of this Directors' Report.

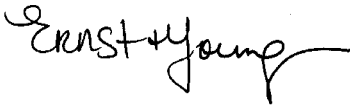
Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'A. Beard', written over a horizontal line.

A. Beard
Director
Sydney
9 February 2012

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 2011, 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 black ink that reads 'Ernst & Young' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink that reads 'Winna Brown' in a cursive, stylized script.

Winna Brown
Partner
9 February 2012

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

**Interim consolidated statement of
comprehensive income**

For the six months ended 31 December 2011

	Note	Consolidated	
		31 Dec 2011 \$'000	31 Dec 2010 \$'000
Sales of goods		35,148	43,651
Rendering of services		847	515
Other revenue	6a	876	491
Revenue		36,871	44,657
Cost of sales		(27,550)	(35,314)
Gross profit		9,321	9,343
Distribution expenses		(1,298)	(1,328)
Sales and marketing expenses		(2,816)	(2,462)
Administrative expenses		(4,020)	(3,627)
Bad debts expense		(8)	-
Other expenses	6b	(271)	(402)
Impairment of an associate		(87)	-
Operating Profit		821	1,524
Share of loss of an associate	3	(109)	-
Profit from continuing operations before income tax		712	1,524
Income tax expense		(8)	-
Net profit for the period		704	1,524
Other comprehensive income			
Foreign currency translation		(72)	(64)
Other comprehensive income for the period		(72)	(64)
Total comprehensive income for the period		632	1,460
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent			
Basic earnings per share		1.0¢	2.1¢
Diluted earnings per share		1.0¢	2.1¢
Earnings per share for profit attributable to the ordinary equity holders of the parent			
Basic earnings per share		1.0¢	2.1¢
Diluted earnings per share		1.0¢	2.1¢

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

**Interim consolidated statement of
financial position**

For the six months ended 31 December 2011

	Note	Consolidated	
		31 Dec 2011 \$'000	30 Jun 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	15,220	20,044
Trade and other receivables		14,657	9,260
Inventories		6,238	5,259
Income tax receivable		12	94
		36,127	34,657
Current assets held as part of discontinued operations			
Trade and other receivables		4	4
		4	4
Total current assets		36,131	34,661
Non-current assets			
Deferred tax assets		2,754	2,754
Property, plant and equipment		1,406	1,517
Investment in an associate		304	-
Intangible assets		149	-
Total non-current assets		4,613	4,271
TOTAL ASSETS		40,744	38,932
LIABILITIES			
Current liabilities			
Trade and other payables		12,623	9,316
Current tax liabilities		8	-
Provisions		520	491
Total current liabilities		13,151	9,807
Non-current liabilities			
Provisions		363	327
Total non-current liabilities		363	327
TOTAL LIABILITIES		13,514	10,134
NET ASSETS		27,230	28,798
EQUITY			
Issued capital		37,763	37,861
Reserves		667	700
Retained earnings		(11,200)	(9,763)
TOTAL EQUITY		27,230	28,798

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

Interim consolidated statement of changes in equity
For the six months ended 31 December 2011

	Share capital \$'000	Reserve for Translation own shares \$'000	Reserve \$'000	Share based payment reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
At 1 July 2011	37,861	(25)	36	689	(9,763)	28,798
Profit for the period	-	-	-	-	704	704
Foreign currency translation	-	-	(72)	-	-	(72)
Total comprehensive income for the half year	-	-	(72)	-	704	632
Share buy-back	(98)	(1)	-	-	-	(99)
Share-based payments	-	-	-	40	-	40
Dividends	-	-	-	-	(2,141)	(2,141)
Balance at 31 December 2011	37,763	(26)	(36)	729	(11,200)	27,230
At 1 July 2010	41,993	(25)	185	609	(10,105)	32,657
Profit for the period	-	-	-	-	1,524	1,524
Foreign currency translation	-	-	(64)	-	-	(64)
Total comprehensive income for the half year	-	-	(64)	-	1,524	1,460
Share buy-back	(1,174)	-	-	-	-	(1,174)
Share-based payments	-	-	-	39	-	39
Balance at 31 December 2010	40,819	(25)	121	648	(8,581)	32,982

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

Interim consolidated statement of cash flows
For the six months ended 31 December 2011

Note	Consolidated	
	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Cash flows from operating activities		
	33,026	41,101
	(35,215)	(42,535)
	(2,189)	(1,434)
Cash flows from investing activities		
	4	-
	(179)	(94)
	(500)	-
6a	489	491
	(149)	-
	(335)	397
Cash flows from financing activities		
12	(98)	(1,174)
14	(2,141)	-
	(2,239)	(1,174)
	(4,763)	(2,211)
	20,044	20,830
	(61)	(38)
	15,220	18,581

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

Notes to the Financial Statements
For the six months ended 31 December 2011

1. Corporate Information

Cellnet Group Limited (the “Company”) is a company domiciled in Australia whose shares are publicly traded. The interim condensed consolidated financial statements of the Company as at and for half-year ended 31 December 2011 comprises of the Company and its subsidiaries (together referred to as the “consolidated entity”). The principal activities of the company and its subsidiaries (the Group) are described in Note 5.

The interim condensed consolidated financial statements of the consolidated entity for the six months ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 7 February 2012.

The interim condensed consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2011 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 and changes to the consolidated entities accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2011 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 30 June 2011.

New standards, interpretations and amendments thereof, adopted by the consolidated entity

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated entity’s annual financial statements for the year ended 30 June 2011, except for the adoption of new standards and interpretations as of 1 July 2011, noted below:

► **AASB 124 Related Party Transactions (Amendment)**

The AASB has issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

► **Improvements to AASB (issued May 2010)**

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2011

2. Basis of preparation and changes to the Group's accounting policies (continued)

▶ **AASB 134 Interim financial statements (Amendment)**

The amendment requires additional disclosures for fair values and changes in classification to financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The consolidated entity has illustrated those in note 10.

The consolidated entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Investment in an associate

OYT Pty Ltd

The consolidated entity acquired a 30% interest in OYT Pty Ltd on 13 July 2011. OYT Pty Ltd is an online discount grocery retailer that trades under the name of Off Your Trolley (www.offyourrolley.com.au). OYT Pty Ltd is a private entity that is not listed on any public exchange. The following table illustrates summarised financial information of the consolidated entity's investment in OYT Pty Ltd.

	2011 \$000s
Share of the associates statement of financial position:	
Current assets	86
Non-current assets	5
Current liabilities	(46)
Non-current liabilities	-
Equity	45
Share of the associates revenue and losses:	
Revenue	152
Profit/(loss)	(109)
Impairment of investment	(87)
Carrying amount of the investment	304

4. Investment in a jointly controlled entity

During the period the consolidated entity acquired a 25% interest in a jointly controlled entity for \$110,000. The consolidated entity recognises its interest in the jointly controlled entity using the proportionate method of consolidation. The financial impact of the acquisition on the statement of financial position and statement of comprehensive income is not material for the six months ended 31 December 2011 and as a result no additional disclosures have been made.

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2011

5. Operating segment information

The consolidated entity has identified its operating segments based on financial information reported to the Managing Director on a monthly basis which are used in assessing performance and in determining the allocation of resources. Operating segments are segregated based on the manner that products are sold.

Types of products and services

Retail Sales

The Retail Sales provides distribution and fulfilment services to the mobile telecommunications and retail industries in Australia and New Zealand. These services are provided through the Cellnet business which sells and distributes mobile phone accessories and memory.

On-line Sales

Cellnet launched its own online retail store 'Deal Fox'. Deal Fox (www.dealfox.com.au) provides an online retail offering of core value orientated products as well as daily specials. Cellnet also invested in an associated entity OYT Pty Ltd which is an online grocery retailer .

Accounting policies and intersegment eliminations

The accounting policies used by the consolidated entity in reporting segments internally are consistent with prior period, the only exception being corporate charges from Australia Retail Sales to New Zealand Retail Sales. These are based on a proportional allocation of management salaries determined based on estimate of time spent on each segment.

	Continuing operations		
	Retail sales	On line sales	Total
	\$'000	\$'000	\$'000
Half year ended 31 December 2011			
Sales to external customers	34,937	211	35,148
Other revenues from external customers	847	-	847
Other revenue	835	41	876
Total segment revenue	36,619	252	36,871
Share of loss from an associate	-	(109)	(109)
Impairment of an associate	-	(87)	(87)
Segment result	1,146	(442)	704
Segment assets			
Segment operating assets	37,571	579	38,150
Deferred tax asset			2,748
Intersegment eliminations			(154)
Total assets			40,744

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2011

5. Operating segment information (continued)

	Continuing operations		Total \$'000
	Retail sales \$'000	On line sales \$'000	
Half year ended 31 December 2010			
Sales to external customers	43,587	64	43,651
Other revenues from external customers	515	-	515
Other revenue	491	-	491
Total segment revenue	44,593	64	44,657
Result			
Segment result	1,524	-	1,524
Segment assets			
Segment operating assets	43,276	35	43,311
Deferred tax asset			2,660
Intersegment eliminations			58
Total assets			46,029

6. Components of other comprehensive income

	Consolidated	
	2011 \$'000	2010 \$'000
(a) Other revenue includes:		
Interest	489	491
Foreign exchange gain	319	-
Net gain on disposal of property	4	-
Other	64	-
	876	491
(b) Other expenses includes:		
Depreciation	271	240
Foreign exchange loss	-	162
Net loss on disposal of property, plant and equipment	-	-
	271	402

7. Property, Plant and Equipment

During the six months ended 31 December 2011, the Group acquired assets with a cost of \$218,000 (2010:\$106,000), excluding property, plant and equipment acquired through a business combination (see Note 4)

8. Inventories

During the six months ended 31 December 2011 the consolidated entity recognised a write-down of inventory of \$373,000 (2010: \$434,000) which related to reductions in value required as a result of the company's inventory obsolescence policy, which is included in cost of sales.

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2011

9. Cash and cash equivalents

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	Consolidated	
	Dec 2011	Jun 2011
	\$'000	\$'000
Cash at bank and in hand	3,870	2,844
Short term deposits	11,000	16,850
Funds held by bank	350	350
Total cash and cash equivalent deposits	15,220	20,044

10. Commitments and contingencies

Contingent consideration

As part of the purchase agreement for the investment in OYT Pty Ltd \$250,000 of the total consideration was determined to be contingent based on the performance of OYT Pty Ltd. At 31 December 2011, these performance targets are not expected to be met and therefore no liability has been recognised in the statement of financial position.

11. Related party transaction

The following table provides the total amount of transactions which have been entered into with related parties during the six month periods ending 31 December 2010 and 31 December 2011 as well as balances with related parties as of 31 December 2011 and 31 December 2010:

		Sales to related parties \$'000	Purchases from related parties \$'000	Amounts owed by related parties \$'000	Amounts owed to related parties \$'000
Associate:					
OYT Pty Ltd	2011	-	-	76	-
	2010	-	-	-	-

12. Share buy back

The Company announced that it would commence an on-market share buy back program on 12 October 2009. The share buy back period was initially from the 12 October 2009 up to and including 27 October 2010. This was extended to 24 November 2012 as approved by shareholders at the Annual General Meeting held on 24 November 2011. During the six months ended 31 December 2011, 308,647 shares were repurchased by the company at a total cost of \$98,000 (2010: 3,626,777 shares repurchased at a total cost of \$1,174,000)

13. Impairment of associate

At 31 December 2011 management has assessed the recoverable amount of the investment in an associate as per AASB 136 and accordingly have recognised an impairment loss of \$87,000.

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2011

14. Dividend paid and proposed

Dividends on ordinary shares declared and paid during the six-month period:

	2011	2010
	\$'000	\$'000
Final franked dividend for 2011: 1.0 ¢	613	-
Special franked dividend for 2011: 1.5 ¢	918	-
Interim dividend for 2012: 1.0 ¢	610	-
	2,141	-

15. Events after the reporting period

The shareholders of Cellnet Group Limited resolved on 16 January 2012 the payment of \$0.09 cents per share as an equal capital reduction, payable on 8 February 2011. A total amount of \$5,488,000 is payable as a result of the equal capital reduction

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 are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the financial position as at 31 December 2011 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
9 February 2012

To the members of Cellnet Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cellnet Group Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 2011 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.

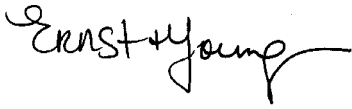
Independence

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. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's 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:

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

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Winna Brown'.

Winna Brown
Partner
Brisbane
9 February 2012