



8 February 2011

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

Revenue Increases, Profit Up 64%, Strong Balance Sheet

The Board is pleased to announce a net profit for the 6 months ended 31 December 2010 of \$1.524m which is an increase of 64% on the corresponding period. This result, which is in line with previous guidance, has been achieved through an expanded customer base, a rounded quality product offering and an efficiently operating business.

The past 6 months have seen Cellnet further strengthen its position in the markets in which it operates. Whilst utilisation of the resources available to it has improved, there is still capacity available to expand the operations through the use of existing infrastructure.

The share buy back program has resulted in 3,626,717 shares being repurchased at an average price of 32.5 cents per share for a total of \$1,174,000.

The 2 key challenges remain:

- full capacity utilization, and
- effectively utilizing cash resources available. In this regard, several potential opportunities have been considered and the Company continues to seek appropriate opportunities.

The balance sheet has not changed significantly from 30 June 2010 and still reflects the Company being debt free with cash resources of \$19 million available to it.

Future Expectations and Outlook

The Company's operations in both Australia and New Zealand continue to grow and while it is too early in the financial year to provide guidance for the remainder of the financial year, the Company is optimistic that earnings will further improve during the second half of the 2011 financial year. The termination of the Sandisk distribution agreement was finalised on 26 January 2011 and whilst this is likely to result in revenue decreasing by approximately \$2m for the remainder of the financial year, the net profit impact is expected to be immaterial

Dividend

In light of this result, the Directors have declared an interim fully franked dividend of 1.0 cent per share. The Record Date for determining entitlements is 25 February 2011 and the dividend will be paid on 11 March 2011.

Alexander Beard
Chairman
02 9087 8000

Stuart Smith
CEO
07 3853 5973

Cellnet Group Limited
and its controlled entities

ABN: 97 010 721 749

Half-Year Financial Report
Period Ended 31 December 2010

	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 2010
Previous Corresponding Period	Half-year ended 31 December 2009

This information presented should be read in conjunction with the 30 June 2010 financial report.

Results for announcement to the market

	Reporting Period	Previous Corresponding Period	% Change Increase / (Decrease)
	\$'000	\$'000	
Revenue from continuing operations	44,657	44,085	1.3%
Revenue from discontinued operations	-	1,624	(100.0%)
Revenues from ordinary activities	44,657	45,709	(2.3%)
Profit from ordinary activities after tax attributable to members	1,524	930	63.9%
Net Profit for the period attributable to members	1,524	930	63.9%

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*	1.0¢	-
Amount per Security	1.0¢	-
Franked Amount per Security	1.0¢	-
Record Date	25 February 2011	N/A

* An interim fully franked dividend of 1.0¢ per share was declared on 8 February 2011 but has not been accrued for at the half year ended 31 December 2010.

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NTA Backing

Net tangible assets backing per share	43.4¢	40.8¢
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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 2010 as set out on pages **4 to 19**.

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 2010**

Contents

Corporate information	6
Directors report	7
Statement of financial position	10
Statement of comprehensive income	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14
Directors' declaration	18
Independent auditors review report	19

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

D. Mackenzie

S. Smith (Managing Director),

Principal Registered Office

Cellnet Group Limited

59-61 Qantas Drive

Eagle Farm QLD 4009

Phone: 1300 CELLNET

Fax: 1800 CELLNET

Banker

Westpac Bank 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 19 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 2010.

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)

S. Harrison – Resigned 31st July 2010

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.

There were no significant changes in the nature of the operating activities of the consolidated entity during the half year. All significant changes were finalised in the period ended June 2010.

Review and results of operations

The first half of the year saw generally challenging trading conditions for our customers. However, due to our expanding product range and customer base Cellnet has been able to increase revenue, increase margins and reduce operating costs.

Sales revenue for the continuing operations of the consolidated entity for the first half was \$43.7million (2009: \$43.3million). This increase of 0.9% is despite the generally soft retail climate experienced over the past half year. Whilst sales revenue remained in line with prior years both services rendered and other revenue increased by 41% and 29% respectively when compared to prior year.

Operating expenses decreased by \$0.4 million to \$7.8 million (2009: \$8.2million). This is largely due to reduced payroll costs and a lower depreciation expense.

The consolidated entity's profit before interest and income tax for continuing operations in the half year was a profit of \$1,033,000 (2009: profit of \$590,000), a 75.0% improvement.

Total cash flows for the half-year were a net outflow of \$2.2 million, which included \$1.2 million relating to purchase of shares under the share buy-back program.

Dividends

An interim fully franked dividend of 1.0¢ per share was declared on 8 February 2011 but has not been accrued for at the half year ended 31 December 2010. (2009: 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

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 2010. This Auditors Independence Declaration forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



A. Beard

Director
Sydney
8 February 2011

**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 2010, 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

Winna Brown
Partner
Brisbane
8 February 2011

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

Statement of financial position
As at 31 December 2010

	Note	Consolidated	
		31 Dec 2010 \$'000	30 Jun 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		18,580	20,830
Trade and other receivables		15,677	10,372
Inventories		7,200	5,293
Income tax receivable		92	98
		41,549	36,593
Current assets held as part of discontinued operations			
Trade and other receivables		169	169
Inventories		-	51
		169	220
Total current assets		41,718	36,813
Non-current assets			
Deferred tax assets		2,660	2,667
Property, plant and equipment		1,651	1,789
Total non-current assets		4,311	4,456
TOTAL ASSETS		46,029	41,269
LIABILITIES			
Current liabilities			
Trade and other payables		12,091	7,673
Provisions		491	502
Total current liabilities		12,582	8,175
Current liabilities held as part of discontinued operations			
Trade and other payables		165	165
		165	165
Non-current liabilities			
Provisions		300	272
Total non-current liabilities		300	272
TOTAL LIABILITIES		13,047	8,612
NET ASSETS		32,982	32,657
EQUITY			
Issued capital		40,819	41,993
Reserves		744	769
Retained earnings		(8,581)	(10,105)
TOTAL EQUITY		32,982	32,657

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

Statement of comprehensive income
For the half-year ended 31 December 2010

	Note	Consolidated	
		31 Dec 2010 \$'000	31 Dec 2009 \$'000
Sales of goods		43,651	43,339
Rendering of services		515	366
Other revenue	5(a)	491	380
Revenue		44,657	44,085
Cost of sales	6	(35,314)	(34,983)
Gross profit		9,343	9,102
Distribution expenses		(1,328)	(1,166)
Sales and marketing expenses		(2,462)	(2,293)
Administrative expenses		(3,627)	(4,125)
Bad debts expense		-	(52)
Other expenses	5(b)	(402)	(536)
Profit from continuing operations before income tax		1,524	930
Income tax credit/(expense)		-	-
Profit from continuing operations after income tax		1,524	930
Net profit for the period		1,524	930
Other comprehensive income			
Foreign currency translation		(64)	272
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the period		(64)	272
Total comprehensive income for the period		1,460	1,202
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent			
Basic earnings per share		2.1¢	1.2¢
Diluted earnings per share		2.1¢	1.2¢
Earnings per share for profit attributable to the ordinary equity holders of the parent			
Basic earnings per share		2.1¢	1.2¢
Diluted earnings per share		2.1¢	1.2¢

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

Statement of changes in equity

	Share capital \$'000	Reserve for Translation own shares \$'000	Translation reserve \$'000	Share based payment reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
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
At 1 July 2009	42,849	(25)	305	431	(11,577)	31,983
Profit for the period	-	-	-	-	930	930
Foreign currency translation	-	-	272	-	-	272
Total comprehensive income for the half year	-	-	272	-	930	1,202
Share buy-back	(333)	-	-	-	-	(333)
Share-based payments	-	-	-	138	-	138
Balance at 31 December 2009	42,516	(25)	577	569	(10,647)	32,990

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

Statement of cash flows
For the half-year ended 31 December 2010

Note	Consolidated	
	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Cash flows from operating activities		
	41,101	53,777
	(42,535)	(54,397)
	-	(17)
	(1,434)	(637)
Cash flows from investing activities		
	-	25
	(94)	(87)
5(a)	491	334
	397	272
Cash flows from financing activities		
8	(1,174)	(333)
	(1,174)	(333)
	(2,211)	(699)
	20,830	20,399
	(38)	(23)
	18,581	19,677

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

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 2010 comprises of 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 2010 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 2010 has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* 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 2010 and considered together with any public announcements made by Cellnet Group Limited during the half-year ended 31 December 2010 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 apart from those changes noted below.

There are other amendments to current accounting standards which are now effective. The impact of these amendments is not expected to be significant to the future results of 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 2010 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.

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

4. Discontinued operation

On 24 June 2009 the consolidated entity announced it would discontinue the entire IT segment. The IT inventory on hand at that time took until the end of August 2009 to sell through. The remaining business remains unchanged. Results attributable to the discontinued operation were as follows

	Consolidated	
	2010 \$'000	2009 \$'000
Results of discontinued operation		
Revenue	-	1,624
Expenses	-	1,624
Profit from operations	-	-
Profit from operation before income tax	-	-
Income tax expense	-	-
Profit for the period	-	-
Profit from discontinued operations	-	-

5. Revenue and expenses

	Consolidated	
	2010 \$'000	2009 \$'000
(a) Other revenue includes:		
Interest	491	340
Other	-	40
	491	380
(b) Other expenses includes:		
Depreciation	240	406
Foreign exchange loss	162	127
Net loss on disposal of property, plant and equipment	-	3
	402	536

6. Write down of inventory

During the six months ended 31 December 2010 the consolidated entity recognised a write-down of inventory of \$434,000 (2009: \$326,000) which related to reductions in value required as a result of the company's inventory obsolescence policy, which is included in cost of sales.

7. Recognition of directors shares

During the six months ending 31 December 2009, 2,000,000 shares were issued to Managing Director Stuart Smith. The fair value of these shares was deemed to be \$239,000 and a total amount of \$93,000 has since been recognised as a payroll expense, of which \$39,000 relates to the six months ending 31 December 2010.

8. 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 14 November 2011 as approved by shareholders at the Annual General Meeting held on 15 November 2010. During the six months ended 31 December 2010 3,626,777 shares were repurchased by the company at a total cost of \$1,174,000 (2009: 1,105,141 shares repurchased at a total cost of \$333,000)

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

9. Operating segments

The Group 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

The on-line sales business sells electronic related products exclusively on-line via E-bay. It both procures its own product as well as receives product on a consignment basis.

Accounting policies and intersegment eliminations

The accounting policies used by the Group in reporting segments internally 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		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
			46,029
Half year ended 31 December 2009			
Sales to external customers	42,504	835	43,339
Other revenues from external customers	288	78	366
Other revenue	254	-	254
Total segment revenue	43,046	913	43,959
Result			
Segment result	1,196	(266)	930
Segment assets			
Segment operating assets	40,414	852	41,266

10. Commitments and contingencies

Discontinued operations legal claim

The liquidators of a discontinued operations customer (Leading Solutions Ltd in liquidation) have commenced action against the company to recover an alleged preferential payment. The company intends to vigorously defend the claim and pursue recovery of any costs associated with this action.

At the date of the alleged payment the company held, and still holds, a debtors insurance policy.

11. Subsequent event

An interim fully franked dividend of 1.0¢ per share was declared on 8 February 2011 but has not been accrued for at the half year ended 31 December 2010. (2009: nil)

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 2010 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
8 February 2011



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 statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and 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 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 2010 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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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*.

Ernst & Young

Winnie Brown
Partner
Brisbane
8 February 2011