



16 March 2010

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

**Corporate Governance Statement**

**Cellnet (ASX : CLT)**

Please find attached an updated corporate governance statement.

Stuart Smith  
Company Secretary

# CELLNET GROUP LIMITED

## Corporate Governance

### Background

"Principles of Good Corporate Governance and Best Practice Recommendations" were published in March 2003 (and revised effective 1 January 2008) by the Australian Securities Exchange Limited's Corporate Governance Council and also at this time the Commonwealth Government's CLERP 9 amendments to the Corporations Act were released. The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have not followed the Best Practice Recommendations during a reporting period and are also required to provide reasons for their non compliance. In addition, specific corporate governance information must be included in the Corporate Governance Statement section or elsewhere in the Annual Report.

### Compliance

Prior to the restructure of the Company in August 2007, Cellnet had issued a Corporate Governance Statement and reported annually on its compliance with the Best Practice Recommendations. After the commencement of the restructure and in recognition of the poor financial performance of the business operations, the newly constituted Board adopted a turnaround plan that focused on future viable operations in all aspects of the business (including its senior management) and began a process to reduce to an appropriate size the business and operating costs, but this process resulted in certain changes.

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

The Board will also re-issue its Statement of Corporate Governance with the release of the annual financial statements and its compliance therewith will be referenced in those financial statements.

### ASX Principles and Recommendations

### Summary of the Company's Position

#### Principle 2 – Structure the board to add value

Recommendation 2.1  
A majority of the Board should be independent directors

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

Recommendation 2.2  
The Chair should be an independent Director

Recommendation 2.4  
The Board should establish a nominations committee

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

Recommendation 2.5  
Disclose the process for evaluating the performance of the Board, its committees and individual Directors

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

#### Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.2  
Structure of the Audit Committee

The Company is unable to comply with this recommendation principally due to the current composition of the Board. Notwithstanding this departure, the audit committee process operates in accordance with the Audit Committee Charter.

Further information on the Company's corporate governance policies and practices has been posted on its website at [www.cellnet.com.au](http://www.cellnet.com.au).