



17 August 2012

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

2012 Full Year Result

The Directors announce a full year operating loss of \$488,000 (2011: profit \$1,041,000). This disappointing result is solely attributable to the Company's attempt to enter the online retail market. The expansion into online retail was viewed as an avenue for growth which would leverage the underutilised capacity available to the Group. However, after nearly a year of operating in the online retail space not enough traction was gained to warrant the further investment necessary to produce the desired returns. As a result it was announced on 8 June 2012 that the Company would exit this segment. This exit strategy is still in progress and will be finalised in the near future.

The positive aspect of the 2012 financial year was the operating performance of the Company's core retail business which produced a pre-tax operating profit of \$1,334,000 (2011: \$1,117,000). This is an improvement on prior year of approximately 19.4% which has been achieved whilst the majority of the Company's focus and investment has been consumed by the loss making online retail segment. With the online retail segment being discontinued the Company is excited about refocusing its energy and attention back to what it is good at – servicing the nation's retailers and providing third party logistical solutions to its trading partners.

Alexander Beard
Chairman

Cellnet Group Limited
and its controlled entities

ABN: 97 010 721 749

Financial Report
Year Ended 30 June 2012

	Section
Appendix 4E	A
Financial Report	B

Section A

Appendix 4E Final Report

Results for announcement to the market

Name of Entity	Cellnet Group Limited
ABN	97 010 721 749
Reporting Period	Full-year ended 30 June 2012
Previous Corresponding Period	Full-year ended 30 June 2011

Results

	Reporting Period \$000	Previous Corresponding Period \$000	% Change Increase / (Decrease)
Revenue from continuing operations	64,142	74,669	(14.1%)
Revenue from discontinued operations	1,266	-	100%
Revenues from ordinary activities	65,408	74,669	(12.4%)
Profit/(Loss) from ordinary activities after tax attributable to members	(488)	1,041	(146.9%)
Net Profit/(Loss) for the period attributable to members	(488)	1,041	(146.9%)

Dividends

	Amount per Security	Franked Amount per Security	Record Date
2012 Final	-	-	N / A
2012 Special	10.0¢	10.0¢	20.06.12
2012 Interim	1.0¢	1.0¢	09.12.11
2011 Final	2.5¢	2.5¢	05.08.11
2011 Interim	1.0¢	1.0¢	05.08.11

Commentary on Results:

The pre tax 2012 net profit result from core business and continuing operations represents a slight improvement on the prior year of 19.4%. This is an encouraging result given the challenging trading conditions which have been experienced by the retail sector throughout the 2012 financial year. The online business segment did not deliver the earnings growth that was initially forecast and as result has been discontinued in the current year contributing trading losses of \$1.7 million to the consolidated entity.

Commentary on Dividends:

The Board declared an interim dividend of 1 cent per share, fully franked, that was paid on 23rd December 2011. A special dividend fully franked dividend was declared by the board of 10 cents per share and paid to shareholders on the 29th June 2012. No final dividend will be paid for the 2012 financial year.

Net Tangible Assets:

	30 June 2012	30 June 2012
Net tangible assets backing per share	20.01¢	42.52¢

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

ABN: 97 010 721 749

Financial Report
For the Year Ended
30 June 2012

Cellnet Group Limited and its consolidated entities

Financial Report

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Corporate Information

ABN 97 010 721 749

Directors

A. Beard (Chairman)
M. Brookman
E. Kaplan

Company Secretary

C. Barnes

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
111 Eagle Street
Brisbane QLD 4000

Share Register

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.

Cellnet Group Limited and its consolidated entities

Financial Report

Director's Report

Your Directors submit their report for the year ended 30 June 2012.

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.

Names, qualifications, experience and special responsibilities

Alexander Beard, B.Com, MAICD, FCA

(Non-executive Chairman –appointed Director 15 December 2006 and Chairman 20 August 2007)

Mr. Beard is a Chartered Accountant and an experienced financier of growth companies as well as having gained considerable industry experience through his investee board roles. He is a fellow of the Institute of Chartered Accountants and a member of the Institute of Company Directors. Mr. Beard is an Executive Director of CVC Property Fund (ASX code: CJT), Non Executive Director of Mnet Group (ASX code: MNZ), Non Executive Director of Amadeus Energy Limited (ASX code: AMU), Executive Director of CVC Limited (ASX code: CVC), Non-Executive Director Villa World Group (ASX code: VLW).

Mel Brookman

(Non-Executive Director – appointed 4 June 1992)

Mr Brookman was a co-founder of Cellnet in 1992. He has over 20 years experience in mobile phone and distribution industries. Previous Managing Director of the Company from 1999 to November 2002. Chairman of the Audit and Risk Management Committee. Mr. Brookman is a Non Executive Director of Mnet Group (ASX code: MNZ).

Stuart Smith

B.Com, MAICD, CA

(Chief Executive Officer – appointed 30 January 2009, Managing Director appointed 28 October 2009. Resigned 25 July 2012)

Mr Smith joined the company as Chief Financial Officer in February 2008. He is a Chartered Accountant with previous senior appointments which include Chief Financial Officer of AAPT Mobile (Cellular One). Member of Audit and Risk Management Committee.

Elliot Kaplan

B. Acc, CA

(Non-Executive Director – appointed 25 July 2012)

Mr Kaplan is a Chartered Accountant with extensive experience in senior financial and chief executive officer roles in both private and publicly listed companies. His experience, from both an investor and investee perspective spans a diverse range of industries including manufacturing, environmental, distribution and services. Mr Kaplan is Managing Director of CVC Private Equity Limited, Chairman and Non Executive Director of Pro-Pac Packaging Limited (ASX code: PPG), and former Non-Executive Director of Dolomatrix Limited (ASX code: DMX). Member of Audit and Risk Management Committee.

As at the date of this report, the interest of the directors in the shares and options of Cellnet Group Limited were:

Director	Number of ordinary shares	Number of restricted shares	Number of options
A. Beard	-	-	-
M. Brookman	-	-	400,000
S. Smith (i)	-	2,000,000	900,000
E. Kaplan	-	-	-

(i) Resigned 25 July 2012.

Cellnet Group Limited and its consolidated entities Financial Report

Directors Report (continued)

Company Secretary

Chris Barnes

B. Acc, CPA

(Company Secretary and Financial Controller – appointed 9 March 2011)

Mr Barnes has been with the Company since 2006. He holds a Bachelor of Accounting Degree and is CPA qualified. Mr Barnes replaced Mr Mackenzie, who resigned as Company Secretary on 9 March 2011.

Dividends

Details	Cents	\$000
Final dividends recommended	0.0	-
Dividends paid in the year:		
Interim for the year	1.0	610
Special for the year	10.0	5,770
		6,380
Final for 2011 shown as recommended in the 2011 financial report	1.0	613
Special for 2011 shown as recommended in the 2011 financial report	1.5	919
		1,532

Principal Activities

The principal activities during the year of the entities within the consolidated entity were:

- Wholesale distribution of flash memory, mobile phone accessories and CE equipment and accessories, and fulfilment services to the mobile telecommunications and retail industries in Australia and New Zealand.
- Sales and distribution of products on-line.

The company advised on 8 June 2012 that it planned to exit the online business segment. This exit strategy is still in process at 30 June 2012 and as a result the online business segment has been treated as a discontinued operation for the 2012 financial year. Other than the online business segment being discontinued there has been no other material changes to the nature of these activities during the year.

Operating and financial review

The pre tax net profit from continuing operations represents a 19.4% increase compared to the prior year. This is an encouraging result given the generally challenging conditions that have been experienced by the retail sector which the company services. Revenue from continuing operations has decreased by \$10.5 million (14.1%) compared with the prior year, however gross profit has remained generally consistent due to an improved product mix, and an increased third party logistic offering.

In July 2011 the Board announced its intention to expand into the online retail business segment, with a product offering including both grocery and opportunistic products. This was viewed as an avenue for diversification and earnings growth, as it would provide both a new channel to market as well as leverage off the underutilised infrastructure available to the consolidated entity. After nearly a full year of operation, the Board viewed that not enough traction was gained in the online retail space to warrant the further investment required to achieve positive earnings. As a result on 8 June 2012 the Board announced that it would exit the online retail business segment and refocus its energies back to its profitable core business of retail distribution and third party logistics.

Cellnet Group Limited and its consolidated entities Financial Report

Directors Report (continued)

During the year the company acquired 100% of OYT Pty Ltd. The entities that were discontinued during the current year were OYT Pty Ltd, Cellnet Online Pty Ltd and Buyii Pty Ltd.

During the year the consolidated entity embarked on a share holder return initiative which resulted in 22.5 cents distributed to shareholders by way of either fully franked dividend or equal capital return. This consumed approximately \$13.2 million of cash reserves, however the remaining cash balance of continuing operations of approximately \$4.6 million is viewed as being sufficient to fund any potential future acquisition opportunities as well as provide for future distributions to shareholders.

The on market share buy-back program continued in 2012 with a further \$0.85 million (2011: \$4.1 million) being consumed by this initiative.

Significant changes in the state of affairs

There have been no acquisitions or disposals of business entities or operations in the current year apart from those outlined above.

Significant events after balance date

On 25 July 2012 CEO Stuart Smith resigned from all of his positions with the consolidated entity. Mr. Smith's replacement as CEO is yet to be determined. His position on the Cellnet Board as an executive director was replaced by Mr. Elliot Kaplan who will act as a non executive director.

Mr. Kaplan is a Chartered Accountant with extensive experience in both senior financial and chief executive officer roles. His experience, from both an investor and investee perspective spans a diverse range of industries including manufacturing, environmental, distribution and services.

Mr. Kaplan is the Managing Director of CVC Private Equity Limited, and Chairman of Pro-Pac Packaging Limited.

Other than as set out above, there are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of Cellnet Group Limited, the results of those operations, or the state of affairs of Cellnet Group Limited in future financial years.

Likely developments

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

Indemnification and insurance of officers

Indemnification

The Company has 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. 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.

Cellnet Group Limited and its consolidated entities

Financial Report

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:

	Meetings of Committees		
	Board	Audit & Risk Mgmt	Remuneration
Number of meetings held:	8	2	1
Number of meetings attended:			
A. Beard	8	2	1
M. Brookman	7	2	1
S. Smith	8	2	1

Committee membership

As at the date of this report the Company had an Audit and Risk Management Committee and a Remuneration Committee. Members acting on the committee of the Board during the year were:

Audit and risk management

M. Brookman (Chairman)
A. Beard
S. Smith (resigned 25 July 2012)
E. Kaplan (appointed 25 Jul 2012)

Remuneration

M. Brookman (Chairman)
A. Beard
S. Smith (resigned 25 July 2012)
E. Kaplan (appointed 25 Jul 2012)

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 received or are due to receive the following amounts for the provision of non-audit services:

	Consolidated	
	2012 \$	2011 \$
Tax compliance services	10,403	10,386

Rounding

The Company is of a kind referred to in ASIC Class Order 98/0100 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.

Cellnet Group Limited and its consolidated entities
Financial Report

Directors Report (continued)

Share options

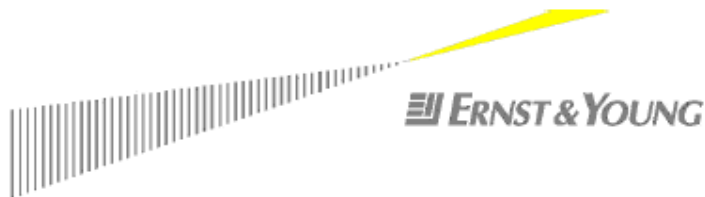
2,000,000 shares were issued to S. Smith on 28 October 2009. The shares were issued for \$0.35 each. It was accounted for as an option. The theoretical value of the options was calculated as being \$0.1195 per option. For further terms and conditions refer to note 16 (b).

In the current year, a total of 3,300,000 options were awarded to key management personnel (KMP). The options have a vesting period of two years. The fair value of these options is being expensed over the vesting period. None of these options have been exercised as at 30 June 2012. For further details, please refer to note 16(c).

Auditor's independence declaration

The Auditor's independence declaration is set out on page 13 and forms part of the Directors' report for the financial year ended 30 June 2012.

Auditors Independence Declaration



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www.ey.com/au

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 2012, 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'.

Ernst & Young

A handwritten signature in black ink that appears to read 'Winna Brown'.

Winna Brown
Partner
17 August 2012

Cellnet Group Limited and its consolidated entities

Financial Report

Directors Report (continued)

Remuneration Report (audited)

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308 (3C) of the Act. The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) receiving the highest remuneration.

Remuneration report approval at FY11 AGM

The FY11 remuneration report received positive shareholder support at the FY11 AGM with a vote of 97% in favour.

For the purposes of this report, the term “executive” includes the Managing Director (MD), executive directors, senior executives, general managers and secretaries of the consolidated entity and the term “director” refers to non-executive directors only.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements and the link to company performance
6. Executive contractual arrangements
7. Additional statutory disclosures

1. Individual key management personnel disclosures

Key management personnel

(i) Directors

A. Beard	Chairman (non-executive)
M. Brookman	Director (non-executive)
S. Smith	Managing Director and Joint Company Secretary (i)
(i) Resigned 25 July 2012	

(ii) Executives

D. Clarke	General Manager New Zealand
J. Laun	Information Technology Manager
J. Phua	General Manager Product Development & Supply Chain
M. Wallace	General Manager Retail Sales
C. Barnes	Financial Controller and Company Secretary
B. Watts	Logistics Manager

2. Remuneration at a glance

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 the consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

Cellnet Group Limited and its consolidated entities

Financial Report

Directors Report (continued)

Remuneration Report (audited)

2. Remuneration at a glance (continued)

Non-Executive Directors receive a fixed fee for their 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;
- 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.

3. Board oversight of remuneration

Remuneration committee

The remuneration committee is responsible for making recommendations to the board on the remuneration arrangements of non-executive directors and executives.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors and executives on a periodic basis by reference to the relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team.

Remuneration strategy

Cellnet Group Limited's remuneration strategy is designed to attract, motivate and retain employees and non executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the consolidated entity.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- are aligned to the consolidated entity's business strategy
- offer competitive remuneration benchmarked against the external market
- provide strong linkage between individual and the performance and rewards of the consolidated entity

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

4. Non-executive director remuneration arrangements

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 major Board activities and membership of the Audit and Risk Management Committee.

Cellnet Group Limited and its consolidated entities

Financial Report

Directors Report (continued)

Remuneration Report (audited)

5. Executive remuneration arrangements and the link to company performance

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 remuneration is also reviewed upon promotion.

5.1 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.

5.2 Variable remuneration – short term incentive (STI) and long term incentive (LTI)

Performance linked remuneration includes both STI and LTI and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The STI is an 'at risk' bonus provided in the form of cash.

5.3 STI bonus

The consolidated entity operates an annual STI program that applies to executives and awards a cash bonus subject to the attainment of clearly defined consolidated entity, business unit and individual measures. Actual STI payments awarded to each executive depends on the extent to which specific targets set at the beginning of each six months are met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial, corporate and individual measures of performance. A summary of these measures and weightings are set out below.

	Earnings per share	Gross profit	Non financial measures: • Implementation of key growth initiatives; • Customer service • Leadership/team contribution
Managing Director	100%	-	-
General Manager Retail Sales	-	100%	-
Other KMP	-	-	100%

These performance indicators were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long-term value.

On a biannual basis, after consideration of performance against KPI's the Managing Director, in line with his responsibilities, determine the amount, if any, of the short term incentive to be paid to each KMP. On an annual basis, after consideration of the KPI's, the board will determine the amount, if any, of the short term incentive to be paid to the Managing Director.

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

Cellnet Group Limited and its consolidated entities Financial Report

Directors Report (continued)

Remuneration Report (audited)

5.3 STI bonus (continued)

STI awards for 2011 and 2012 financial years

For the 2012 financial year, a total payment of \$278,985 was made which represents 94.8% of the total STI cash bonus previously accrued in that period which has vested to executives. This was paid in bi-annual instalments in both the 2012 and 2013 financial years. The forfeitures amounted to \$15,174. For the 2011 financial year, a total payment of \$180,684 was made which represents 88.1% of the total STI cash bonus previously accrued in that period which has vested to executives. This was paid in bi-annual instalments in both the 2011 and 2012 financial years. The forfeitures amounted to \$33,044.

5.4 LTIs- Executive Share Option Plan

Executive Share Option Plan

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

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. There were a total of 3,300,000 options issued in the current year to directors and KMP (2011: nil).

LTI 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 Annual General Meeting held 18 December 2007.

The purpose and rules of the plan are the same as the Executive Share Option Plan described above, except that there is no prohibition on issuing shares 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. No shares were issued in the current year (2011: nil).

5.5 STI 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.

Improving the performance of the operations was the main focus in setting the financial year 2012 short-term incentive.

Cellnet Group Limited and its consolidated entities

Financial Report

Directors Report (continued)

Remuneration Report (audited)

5.6 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 previous financial years.

Details	2012	2011	2010	2009	2008
Net profit attributable to equity holders of the Company	(\$488,000)	\$1,041,000	\$1,472,000	(\$16,288,000)	(\$4,702,000)
Dividends paid	\$7,912,000	\$699,000	-	-	-
Reduction of share capital	\$5,308,000	-	-	-	-
Change in share price	(\$0.19)	\$0.09	\$0.05	(\$0.03)	(0.65)
Working capital days at year end	63	46	46	18	43.3*
Cash flow	(\$15,211,000)	(\$708,000)	\$557,000	\$10,435,000	\$14,105,000

* As disclosed in 2009 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.

5.7 Other benefits

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

6. Executive contractual arrangements

It is the consolidated entity's policy that service contracts for key management personnel are unlimited in term but capable of termination as per the relevant period of notice and that the consolidated entity retains the right to terminate the contract immediately, by making payment that is commensurate with 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 2012, Stuart Smith, the Managing Director, has a contract of employment dated 19 December 2007, which was subsequently amended with the change in positions. The Managing Directors' termination provisions are as follows:

Details	Notice Period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer initiated termination	12 months	12 months	Pro-rated for time and performance	Board discretion (i)
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee initiated termination	12 months	12 months	Pro-rated for time and performance	Unvested awards forfeited subject to Board discretion.

On the 25 July 2012 Stuart Smith, Managing Director submitted his resignation to the Board. His termination benefits were paid on that date and were as per the terms and conditions detailed above. The final payment to Mr Smith totalled \$275,000 which equated to 12 months of his normal salary at the date of his resignation.

- (i) On the date of his resignation Mr Smith held 2,000,000 shares and 900,000 options for which both were awarded under the employee long term incentive plan. As per the conditions of the long term incentive plan, since Mr Smith is no longer an employee of the consolidated entity the entitlement to both his shares and share options are currently at the discretion of the Board.

Cellnet Group Limited and its consolidated entities
Financial Report

6. Executive contractual arrangements (continued)

Standard KMP termination provisions apply to all members of the KMP. The standard KMP provisions are as follows:

Details	Notice Period	Payment in lieu of notice	Treatment of STI on termination
Employer initiated termination	3 months	12 months	Pro-rated for time and performance
Termination for serious misconduct	None	None	Unvested awards forfeited
Employee initiated termination	3 months	3 months	Pro-rated for time and performance

Cellnet Group Limited and its consolidated entities
Financial Report

Director's Report (continued)

Remuneration Report (Audited) (continued)

6.1 Directors' and executive officers' remuneration

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise). Remuneration of Directors and KMP are as follows:

		Short-term				Post Employment	Long-term benefits		Share –based payment		% performance related
	Year	Salary & fees \$	STI cash bonus \$	Motor Vehicle allowances \$	Non monetary benefits \$	Superannuation benefits \$	Cash Incentives \$	Long Service Leave \$	\$	Total \$	
Non-executive Directors											
A. Beard	2012	54,500	-	-	-	-	-	-	-	54,500	-
	2011	54,500	-	-	-	-	-	-	-	54,500	-
S. Harrison (Resigned 31.07.10)	2012	-	-	-	-	-	-	-	-	-	-
	2011	4,167	-	-	-	-	-	-	-	4,167	-
M Brookman	2012	50,000	-	-	-	-	-	-	1,354	51,354	-
	2011	50,000	-	-	-	-	-	-	-	50,000	-
Total non-executive directors	2012	104,500	-	-	-	-	-	-	-	105,854	-
	2011	108,667	-	-	-	-	-	-	-	108,667	-
Executive Director											
S. Smith (Resigned 25.07.12)	2012	285,046	27,500	-	-	22,375	-	-	82,703	417,624	6.63
	2011	268,752	20,000	-	-	15,199	-	-	79,661	383,612	5.21

Cellnet Group Limited and its consolidated entities
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Director's Report (continued)

Remuneration Report (Audited) (continued)

6.1 Directors' and five highest paid Executives officers, remuneration (continued)

	Year	Short-term				Post	Long-term benefits		Share –based	Total	% performance related
		Salary & fees \$	STI cash bonus \$	Motor Vehicle allowances \$	Non monetary benefits \$	Employment	Cash Incentives \$	Long Service Leave \$	payment		
						Superannuation benefits \$			\$		
Other key management personnel											
D.Clark	2012	105,074	34,988	10,406	-	-	-	-	1,354	151,822	23.25
	2011	95,079	11,343	8,387	-	-	-	-	-	114,809	9.88
J. Laun	2012	122,944	25,000	-	-	13,579	-	2,931	1,354	165,808	15.20
	2011	118,496	19,000	-	-	13,864	-	462	-	151,821	12.51
J. Phua	2012	164,065	60,000	-	-	20,188	-	-	1,354	245,607	24.56
	2011	155,939	45,000	-	-	16,182	-	-	-	217,121	20.73
B. Watts	2012	132,000	33,850	-	-	14,926	-	-	-	180,776	18.72
	2011	132,000	7,000	-	-	12,915	-	-	-	151,915	4.61
M. Wallace	2012	153,333	62,909	-	-	16,953	-	-	1,354	234,549	26.98
	2011	140,000	63,525	-	-	15,752	-	-	-	219,277	28.97
E. Schillinger (Resigned on 31.10.11)	2012	35,000	9,738	5,000	-	4,476	-	12,187	-	66,401	14.67
	2011	105,000	21,409	15,000	-	11,826	-	-	-	153,235	13.97
C. Barnes	2012	124,624	25,000	-	-	13,916	-	-	1,354	164,894	15.29
	2011	112,916	23,750	-	-	11,681	-	-	-	148,347	16.01
Total executive and KMP	2012	1,122,086	278,985	15,406	-	106,413	-	15,118	89,473	1,627,481	17.25
	2011	1,128,182	211,027	23,387	-	97,419	-	462	79,661	1,540,137	13.70
Totals	2012	1,226,586	278,985	15,406	-	106,413	-	15,118	90,827	1,733,335	16.20
	2011	1,236,849	211,027	23,387	-	97,419	-	462	79,661	1,648,804	12.80

Cellnet Group Limited and its consolidated entities
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Director's Report (continued)

Remuneration report (Audited) (continued)

7. Additional statutory disclosures

This section sets out the additional disclosures required under the Corporations Act 2001. The table below discloses the share options granted to executives as remuneration during the current financial year.

Options awarded and vested during the year

	Year	Options awarded during the year No.	Award date	Fair value of option at award date (\$)	Vesting date	No. vested during year	No. lapsed during year
Executive Directors							
M Brookman	2012	400,000	21 Oct 2011	\$0.02	21 Oct 2013	-	-
	2011	-	-	-	-	-	-
S Smith	2012	900,000	21 Oct 2011	\$0.02	21 Oct 2013	-	-
	2011	-	-	-	-	-	-
Other key management personnel							
D Clark	2012	400,000	21 Oct 2011	\$0.02	21 Oct 2013	-	-
	2011	-	-	-	-	-	-
J Laun	2012	400,000	21 Oct 2011	\$0.02	21 Oct 2013	-	-
	2011	-	-	-	-	-	-
J Phua	2012	400,000	21 Oct 2011	\$0.02	21 Oct 2013	-	-
	2011	-	-	-	-	-	-
M Wallace	2012	400,000	21 Oct 2011	\$0.02	21 Oct 2013	-	-
	2011	-	-	-	-	-	-
C Barnes	2012	400,000	21 Oct 2011	\$0.02	21 Oct 2013	-	-
	2011	-	-	-	-	-	-

Value of options awarded, exercised and lapsed during the year

	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of share options for the year %
M Brookman	\$8,000	-	-	2.6%
S Smith	\$18,000	-	-	0.7%
D Clark	\$8,000	-	-	0.9%
J Laun	\$8,000	-	-	0.8%
J Phua	\$8,000	-	-	0.6%
M Wallace	\$8,000	-	-	0.6%
C Barnes	\$8,000	-	-	0.8%

This report is made with a resolution of the Directors:



Alexander Beard
Chairman
Signed at Brisbane on 17 August 2012

Cellnet Group Limited and its consolidated entities
Financial Report

Statement of financial position

As at 30 June 2012

		Consolidated	
	Note	2012	2011
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	9	4,623	20,044
Trade and other receivables	10	10,951	9,260
Inventories	11	5,194	5,259
Income tax receivable	12	17	94
		20,785	34,657
Assets classified as held for sale	21	532	4
Total current assets		21,317	34,661
Non-current assets			
Property, plant and equipment	13	1,213	1,517
Deferred tax assets (net)	7	2,661	2,754
Total non-current assets		3,874	4,271
TOTAL ASSETS		25,191	38,932
LIABILITIES			
Current liabilities			
Trade and other payables	14	9,821	9,316
Provisions	15	543	491
		10,364	9,807
Liabilities directly associated with the assets classified as held for sale	21	127	-
Total current liabilities		10,491	9,807
Non-current liabilities			
Provisions	15	412	327
Total non-current liabilities		412	327
TOTAL LIABILITIES		10,903	10,134
NET ASSETS		14,288	28,798
EQUITY			
Issued capital	26(a)	31,699	37,861
Reserves		752	700
Accumulated losses		(18,163)	(9,763)
TOTAL EQUITY		14,288	28,798

The above statement of financial position should be read in conjunction with the accompanying notes.

Cellnet Group Limited and its consolidated entities
Financial Report

Statement of comprehensive income

For the year ended 30 June 2012

		Consolidated	
	Note	2012	2011
		\$000	\$000
Continuing operations			
Sales of goods		61,633	72,534
Rendering of services		1,662	1,116
Other revenue	5	847	1,019
Revenue		64,142	74,669
Cost of sales	6(d)	(47,610)	(58,273)
Gross Profit		16,532	16,396
Other income	5	943	-
Distribution expenses		(2,609)	(2,551)
Sales and marketing expenses		(5,224)	(5,152)
Administrative expenses		(7,739)	(7,069)
Bad debts (expenses)/recoveries		(63)	69
Other expenses	6(a)	(506)	(576)
Profit from continuing operations before income tax		1,334	1,117
Income tax expense	7	(93)	87
Profit from continuing operations after income tax		1,241	1,204
Discontinued operations			
Loss from discontinued operations after income tax	21	(1,729)	(163)
Net profit / (loss) for the period		(488)	1,041
Other comprehensive income			
Foreign currency translation		(39)	(149)
Total comprehensive income for the period		(527)	892
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	8	\$0.02	\$0.02
Diluted earnings per share	8	\$0.02	\$0.02
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	8	(\$0.01)	\$0.02
Diluted earnings per share	8	(\$0.01)	\$0.02

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Cellnet Group Limited and its consolidated entities
Financial Report

Statement of changes in equity

For the year ended 30 June 2012

	Consolidated					
	Share capital	Reserve for own shares	Foreign currency translation reserve	Share based payment reserve	Accumulated losses	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2011	37,861	(25)	36	689	(9,763)	28,798
Loss for the period	-	-	-	-	(488)	(488)
Foreign currency translation	-	-	(39)	-	-	(39)
Total comprehensive income for the period	-	-	(39)	-	(488)	(527)
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	(7,912)	(7,912)
Share buy-back	(854)	-	-	-	-	(854)
Share based payments	-	-	-	91	-	91
Share capital reduction	(5,308)	-	-	-	-	(5,308)
Balance as at 30 June 2012	31,699	(25)	(3)	780	(18,163)	14,288
At 1 July 2010	41,993	(25)	185	609	(10,105)	32,657
Profit for the period	-	-	-	-	1,041	1,041
Foreign currency translation	-	-	(149)	-	-	(149)
Total comprehensive income for the period			(149)		1,041	892
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	(699)	(699)
Share buy-back	(4,132)	-	-	-	-	(4,132)
Share based payments	-	-	-	80	-	80
Balance as at 30 June 2011	37,861	(25)	36	689	(9,763)	28,798

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cellnet Group Limited and its consolidated entities
Financial Report

Statement of cash flows

For the year ended 30 June 2012

		Consolidated	
	Note	2012	2011
		\$000	\$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		67,921	82,821
Payments to suppliers and employees (inclusive of GST)		(69,234)	(79,498)
Net income taxes received		80	-
Net cash flows from operating activities		(1,233)	3,323
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		22	-
Interest received	5	847	1,019
Acquisition of property, plant and equipment	13	(223)	(219)
Acquisition of subsidiary		(550)	-
Net cash flows from/(used in) investing activities		96	800
Cash flows from financing activities			
Share buy back	20	(854)	(4,132)
Return of capital	26(a)	(5,308)	-
Dividend	27(a)	(7,912)	(699)
Net cash flows from/(used in) financing activities		(14,074)	(4,831)
Net increase/(decrease) in cash and cash equivalents		(15,211)	(708)
Net foreign exchange differences		(25)	(78)
Cash and cash equivalents at beginning of period		20,044	20,830
Cash and cash equivalents at end of period	9	4,808	20,044

The above statement of cash flows should be read in conjunction with the accompanying notes.

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

1. Corporate Information

Cellnet Group Limited (the 'Company') is a company limited by shares and incorporated in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2012 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 17 August 2012.

The nature of the operations and principal activities of the consolidated entity are described in the director's report.

2. Significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is prepared on the historical cost basis and is presented in Australian dollars.

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 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.

Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2011.

- ▶ AASB 124 *Related Party Disclosures (amendment)* effective 1 July 2011
- ▶ AASB 1054 Australian Additional Disclosures effective 1 July 2011
- ▶ Improvements to AASBs

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Disclosures (amendment)

The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:

- (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other.
- (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other.
- (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

2. Significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB 1054 Australian Additional Disclosures

Australian Additional Disclosures

This standard is a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas;

- (a) Compliance with Australian Accounting Standards;
- (b) The statutory basis or reporting framework for financial statements;
- (c) Whether the entity is a for-profit or not-for-profit entity;
- (d) Whether the financial statements are general purpose or special purpose;
- (e) Audit fees;
- (f) Imputation credits.

The adoption of this amendment has had minimal impact on the consolidated entity.

Improvements to AASBs

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 no impact on the financial position or performance of the group.

► AASB 3 Business combinations – the measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair values.

► The amendments to AASB 3 are effective for annual periods beginning on or after 1 July 2011. The consolidated entity adopted these as of 1 July 2011 and has changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of AASB 3.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2012, are outlined below:

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

- (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

2. Significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB 9 Financial Instruments (continued)

- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - ▶ The remaining change is presented in profit or lossIf this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

Impact on the consolidated financial report – minimal. Application date of standard 1 January 2013. Application date for the consolidated entity 1 July 2013.

AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.

Impact on the consolidated financial report – minimal. Application date of standard 1 January 2013. Application date for the consolidated entity 1 July 2013.

AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.

Impact on the consolidated financial report – minimal. Application date of standard 1 January 2013. Application date for the consolidated entity 1 July 2013.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

Impact on the consolidated financial report – minimal. Application date of standard 1 January 2013. Application date for the consolidated entity 1 July 2013.

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

2. Significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.

Impact on the consolidated financial report – minimal. Application date of standard 1 January 2013. Application date for the consolidated entity 1 July 2013.

Annual Improvements 2009–2011 Cycle Annual Improvements to IFRSs 2009–2011 Cycle

This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

IFRS 1 First-time Adoption of International Financial Reporting Standards

Repeated application of IFRS 1

Borrowing costs

IAS 1 Presentation of Financial Statements

Clarification of the requirements for comparative information

IAS 16 Property, Plant and Equipment

Classification of servicing equipment

IAS 32 Financial Instruments: Presentation

Tax effect of distribution to holders of equity instruments

IAS 34 Interim Financial Reporting

Interim financial reporting and segment information for total assets and liabilities

Impact on the consolidated financial report – minimal. Application date of standard 1 January 2013. Application date for the consolidated entity 1 July 2013.

AASB 1053 Application of Tiers of Australian Accounting Standards

This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:

(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)

(b) The Australian Government and State, Territory and Local Governments

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB 1053 Application of Tiers of Australian Accounting Standards (continued)

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

- (a) For-profit private sector entities that do not have public accountability
- (b) All not-for-profit private sector entities
- (c) Public sector entities other than the Australian Government and State, Territory and Local Governments.

Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.

Impact on the consolidated financial report – minimal. Application date of standard 1 July 2013. Application date for the consolidated entity 1 July 2013.

AASB 2010-7 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] The requirements for classifying and measuring financial liabilities were added to AASB 9.

The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

- ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- ▶ The remaining change is presented in profit or loss.

Application date of standard 1 January 2013. Impact on the consolidated financial report – minimal. Application date for the consolidated entity 1 July 2013.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112. Impact on the consolidated financial report – minimal. Application date of standard 1 January 2012. Application date for the consolidated entity 1 July 2013.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

Impact on the consolidated financial report – minimal. Application date of standard 1 July 2012. Application date for the consolidated entity 1 July 2012.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cellnet Group Ltd and its subsidiaries (as outlined in note 22 as at and for the period ended 30 June each year (the consolidated entity). Interests in associates are equity accounted and are not part of the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

2. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra group transactions have been eliminated in full.

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.

(d) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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 date are translated to Australian dollars at the foreign exchange rate ruling at reporting date. Foreign exchange differences arising on translation are recognised in net income.

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 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) 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 (j)).

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.

(iii) Depreciation

With the exception of freehold land depreciation is charged to net income 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:

Leasehold improvements	3½ - 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.

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(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.

(f) Intangible assets

(i) Goodwill

Business combinations

Subsequent to 1 July 2009

Goodwill acquired in a business combination being the excess of the consideration transferred over the fair value of the group's net identifiable net assets after measure at cost acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in net income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(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 (j)).

(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 net income 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 date. Other intangible assets are amortised from the date they are available for use over their estimated useful lives.

(g) Trade and other receivables

Trade, loans and other receivables are stated at their amortised cost less impairment losses. Collectability of trade receivables is reviewed on an ongoing basis at a customer level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the consolidated entity will not be able to collect the receivable. Debts which are aged greater than 120 days or more are considered as objective evidence of impairment and a provision of 80% is recognised. For any debts that are passed onto the consolidated entities solicitors for collection a provision of 100% is recognised.

(h) 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 recognised when there is objective evidence that the consolidated entity will not be able to sell the inventory at normal reseller pricing. Amounts are provisioned as per below:

Stock < 120 days	Nil
Stock > 120 days	50%
Stock > 180 days	Genuine product 50%, Non genuine product 75%
Stock > 360 days	100%

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank and in hand and short term deposits with a maturity of 60 days or less that are readily convertible to known amounts of cash and which are subject to insignificant risks of change in values.

(j) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (h)), trade and other receivables (see accounting policy (g)) and deferred tax assets (see accounting policy (r)), are reviewed at each balance 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 (j) (i)).

For goodwill, intangible 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 date.

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

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

The recoverable amount of assets (apart from receivables, inventory, and deferred tax) 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 relates.

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; or
- 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 has either (a) transferred substantially all the risks and rewards of the asset, or (b) 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 net income.

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value of the consideration received less related 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 net income over the period of the borrowings on an effective interest basis.

(m) Provisions and employee leave benefits

(i) Provisions

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 net income 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 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.

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

(iii) Wages, salaries, annual leave and sick 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(n) Share based payment transactions

The consolidated entity provides benefits to KMP in the form of share based payments, whereby the KMP renders services in exchange for shares. There is currently share based payment plans in place for the Managing Director and KMP. The cost of share based payments with KMP is measured by reference to the fair value of the equity instrument at the date at which they are granted (refer note 16 (b) and (c) for further details).

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(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 between 30 day and 45-day terms. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(p) Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in net income 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. 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.

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

(q) Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at fair value of the leased asset or, if lower, at the present value of the minimum 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. Finance charges are recognised as an expense in net income.

(r) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided using the statement of financial position 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 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.

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(r) Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right 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 entity with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated entity is Cellnet Group Limited.

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

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

2. Significant accounting policies (continued)

(s) Goods and services tax (continued)

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.

(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.

Impairment losses for trade receivables and stock on hand

Note 10 contains information about the assumptions and their risk factors relating to trade receivable impairment losses and Note 6(d) contains information about the stock on hand impairments losses and changes in the way the estimate was calculated.

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a binomial model. The related assumptions are detailed in note 16. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise temporary differences and recognised tax losses. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next three years together with future tax planning strategies. Where the consolidated entity has made a taxable loss in the current or preceding year, a tax asset is only recognised to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the recognised unused tax losses can be utilised.

(u) Non-current assets held for sale and discontinuing operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes.

(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.

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(w) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entities chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Managing Director. Note 4 contains information on reportable segments.

(x) Investment in an associate

The consolidated entity's investment in its associate is accounted for using the equity method. An associate is an entity in which the consolidated entity has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the consolidated entity's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the consolidated entity recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the consolidated entity and the associate are eliminated to the extent of the interest in the associate.

The consolidated entity's share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the consolidated entity. When necessary, adjustments are made to bring the accounting policies in line with those of the consolidated entity.

(y) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non controlling interest in the acquiree. For each business combination the consolidated entity elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the consolidated entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable net assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit or loss.

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

2. Significant accounting policies (continued)

(y) Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entity's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

(z) Interest in a joint venture

The consolidated entity has an interest in a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The consolidated entity recognises its interest in the joint venture using the equity accounting method.

Under the equity method, the investment in the jointly controlled entity is carried on the statement of financial position at cost plus post acquisition changes in the consolidated entity's share of net assets of the jointly controlled entity. Goodwill relating to the jointly controlled entity in the carrying amount of the investment is not amortised however it is tested for impairment.

The income statement reflects the consolidated entity's share of the results of operations of the jointly controlled entity. This is disclosed as part of discontinued operations. Where there has been a change recognised directly in the equity of the associate, the consolidated entity recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gain and losses resulting from transactions between the consolidated entity and the jointly controlled entity are eliminated to the extent of the interest in the jointly controlled entity.

The consolidated entity's share of profit from the jointly controlled entity is shown on the face of the income statement but has been treated as discontinued operations for the 2012 financial year. This is the profit attributable to equity holders of the jointly controlled entity and, therefore, is profit after tax and non-controlling interests in the subsidiaries of a jointly controlled entity.

The financial statements of the jointly controlled entity are prepared for the same reporting period as the consolidated entity. When necessary, adjustments are made to bring the accounting policies in line with those of the consolidated entity.

After application of the equity method, the consolidated entity determines whether it is necessary to recognise an additional impairment loss on its investment in the jointly controlled entity. The consolidated entity determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case the consolidated entity calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognises that amount in the share of profit of and jointly controlled entity in the income statement. This is classified as a discontinued operation for the 2012 financial year.

(aa) Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of AASB139 are classified as financial assets at fair value through the profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The consolidated entity determines the classification of its financial assets at initial recognition.

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

2. Significant accounting policies (continued)

(aa) Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the profit or loss.

The consolidated entity's financial assets include cash and short term deposits, trade and other receivables, and derivative financial instruments.

(ii) Impairment of financial assets

The consolidated entity assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The consolidated entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair values plus, in the case of loans and borrowings, directly attributable transaction costs. The consolidated entity's financial liabilities include trade and other payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(iv) Fair value of financial instruments

The fair value of financial instruments that are in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deductions for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- ▶ Using recent arms length market transactions
- ▶ Using reference to current fair value of another instrument that is substantially the same
- ▶ Applying a discount cash flow analysis or other valuation models

Cellnet Group Limited and its consolidated entities

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Notes to the financial statements

3. Financial risk management objectives and policies

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

Risk exposures and responses

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 this policy is to support the delivery of the consolidated entity's financial targets 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 analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through using future rolling cash flow forecasts.

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.

Interest rate risk

The consolidated entity's exposure to market interest rates relates solely to the consolidated entities short-term cash deposits. The amount of cash is disclosed in note 9. At balance date, the consolidated entity had nil financial liabilities exposed to Australian and New Zealand variable interest rate risk.

	Note	2012 \$000	2011 \$000
Financial assets			
Cash and cash equivalents	9	4,808	20,044
		4,808	20,044

The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2012, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Consolidated				
+1% (100 basis points)	43	177	-	-
-0.5% (50 basis points)	(21)	(88)	-	-

The movements in profit are due to higher / lower cash receipts from variable rate cash balances. The assumed reasonably possible interest rate movements are based on an economic forecaster's expectations.

Cellnet Group Limited and its consolidated entities

Financial Report

Notes to the financial statements

3. Financial risk management objectives and policies (continued)

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 risk are primarily U.S dollars, Euros, 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 45 days. It is the consolidated entity's policy not to enter into forward contracts until a firm commitment is in place.

The consolidated entity has a subsidiary based in New Zealand and all transactions for this subsidiary are denominated in New Zealand dollars. There is currently no hedge in place to mitigate the foreign currency risk for this subsidiary.

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. At balance date, the consolidated entity had the following exposure to US\$ foreign currency that is not designated in cash flow hedges:

	2012 \$000	2011 \$000
Financial assets		
Trade and other receivables	1,684	950
	1,684	950
Financial liabilities		
Trade and other payables	(4,319)	(3,751)
	(4,319)	(3,751)
Net exposure	(2,635)	(2,801)

At 30 June 2012, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Consolidated				
AUD / USD +10% (2010: +10%)	282	221	-	-
AUD / USD -10% (2010: -10%)	(268)	(343)	-	-

Significant assumptions:

- The reasonably possible movement was calculated by taking the USD spot rate as at balance date, moving the spot rate by the reasonably possible movements and then re-converting the USD into AUD with the 'new spot rate'. This methodology reflects the translation methodology undertaken by the consolidated entity.

Cellnet Group Limited and its consolidated entities
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Notes to the financial statements

3. Financial risk management objectives and policies (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 \$10,000, whichever is greater.

Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The consolidated entities objective is to maintain a balance between continuity of at cash funding and short-term fixed cash deposits.

The consolidated entity manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily basis. Cellnet Group Ltd has established comprehensive risk reporting covering its Australian and New Zealand operations that reflect expectations of management of the expected settlement of financial assets and liabilities.

Maturity analysis of financial liabilities based on management's expectation

Consolidated:

	Note	2012				
		Total	6 months or less	6 – 12 months	1 – 5 years	More than 5 years
Liquid financial assets						
Cash and cash equivalents	9	4,808	4,808	-	-	-
Trade and other receivables	10, 21	11,013	10,844	-	169	-
		15,821	15,652	-	169	-
Financial liabilities						
Trade and other payables	14, 21	(9,933)	(9,768)	-	(165)	-
		(9,933)	(9,768)	-	(165)	-
Net inflow		5,888	5,884	-	4	-

	Note	2011				
		Total	6 months or less	6 – 12 months	1 – 5 years	More than 5 years
Liquid financial assets						
Cash and cash equivalents	9	20,044	20,044	-	-	-
Trade and other receivables	10	9,260	9,100	107	53	-
		29,304	29,144	107	53	-
Financial liabilities						
Trade and other payables	14	(9,316)	(9,156)	(107)	(53)	-
		(9,316)	(9,156)	(107)	(53)	-
Net inflow		19,988	19,988	-	-	-

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4. Operating segments

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which products are sold, whether direct to retail customer or via on-line sales. Discrete financial information about each of these operating segments is reported to the Managing Director at least on a monthly basis. However, for the 2012 financial year the consolidated entity's activities relate solely to retail sales as the Board announced on 8 June 2012 that it planned to exit from the online segment. Details relating to the online business segment are disclosed in note 21.

	Retail sales \$000	Online sales \$000	Unallocated items \$000	Total \$000
For the year ended 30 June 2011				
Revenue				
Sales to external customers	72,451	83	-	72,534
Other revenues from external customers	1,116	-	-	1,116
Other revenue	1,019	-	-	1,019
Total segment revenue	74,586	83	-	74,669
Segment net operating profit after tax	1,204	-	-	1,204
Discontinued operations after income tax	-	-	(163)	(163)
Segment assets	36,137	46	2,749	38,932
Segment liabilities	9,301	15	-	9,316
Cash flow information				
Net cash flow from operating activities	3,323	-	-	3,323
Net cash flow from investing activities	800	-	-	800
Net cash flow from financing activities	(4,831)	-	-	(4,831)

- (i) Segment revenue reconciliation to the statement of comprehensive income

	2012 \$000	2011 \$000
Total segment revenue	61,633	72,534
Other revenue from continuing activities	2,509	2,135
Total revenue	64,142	74,669

Revenue from external customers by geographical location is detailed below. Revenue is attributable to geographic location based on the location of the customers. The company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

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4. Operating segments (continued)

	2012	2011
	\$000	\$000
Australia	51,925	63,343
New Zealand	12,217	11,326
Total revenue	64,142	74,669

5. Other revenue

	Consolidated	
	2012	2011
	\$000	\$000
Interest	847	1,019
Net foreign currency gain	943	-
Total other revenue	1,790	1,019

6. Expenses

	Consolidated	
	2012	2011
	\$000	\$000
(a) Other expenses		
Depreciation	483	442
Total depreciation and amortisation	483	442
Net loss on disposal of property, plant and equipment	23	-
Net foreign currency exchange loss	-	134
Total other expenses	506	576

	Consolidated	
	2012	2011
	\$000	\$000
(b) Employee benefits expense		
Wages and salaries	7,866	7,887
Superannuation expense	581	565
Share based payment expense	91	80
Other employee benefits expense	109	79
Total employee benefits expense	8,647	8,611
(c) Lease payments included in net income		
Minimum lease payments – operating lease	913	842
(d) Cost of sales		
Cost of goods sold	46,864	57,507
Impairment of inventory included in cost of sales	746	766
Total cost of sales	47,610	58,273

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7. Income Tax

		Consolidated	
		2012	2011
		\$000	\$000
(a) Income tax (expense)/benefit			
The major components of income tax are:			
Deferred income tax			
Relating to origination and reversal of temporary differences			
		(10)	87
Total income tax (expense)/benefit reported in net income		(10)	87
(b) Numerical reconciliation between aggregate tax expense recognised in net income and tax expense calculated per the statutory income tax rate			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:			
Accounting profit / (loss) before tax from continuing operations			
		1,334	1,117
Profit / (loss) before tax from discontinuing operations			
		(1,812)	(163)
Total accounting profit before income tax		(478)	954
At the parent entities statutory income tax rate 30% (2010: 30%)			
		(143)	286
Adjustments in respect of current income tax of previous years			
		36	-
Non-deductible expenses			
		27	24
Entertainment			
		12	7
(Recognition) / non-recognition of tax losses			
		58	-
Previously unrecognised tax losses used to reduce deferred tax asset			
		-	(230)
Aggregate income tax expense is attributable to:			
Continuing operations		(93)	87
Discontinued operations		83	-

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7. Income Tax (continued)

(c) Recognised deferred tax assets and liabilities

	Consolidated			
	2012 \$000	2012 \$000	2011 \$000	2011 \$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	94	2,754	98	2,667
Charged to income / (expense)	-	(10)	-	87
Payments/ (refunds)	(77)	-	(4)	-
Closing balance	17	2,744	94	2,754
Amounts recognised in the statement of financial position:				
Deferred tax asset	-	2,833	-	2,752
Deferred tax liability	-	(89)	-	2
	-	2,744	-	2,754

Deferred income tax at 30 June relates to the following:

<i>Deferred tax assets</i>		
Property, plant and equipment	-	66
Provisions and other	668	663
Value of tax losses carried forward	2,076	2,025
Net deferred tax asset	2,744	2,754
Reflected in the statement of financial position as follows:		
Deferred tax liability– continuing operations	(89)	(2)
Deferred tax asset – continuing operations	2,750	2,756
Deferred tax asset – discontinued operations	83	-
Deferred tax asset net	2,744	2,754

(d) Tax losses

The consolidated entity has Australian tax losses for which no deferred tax asset is recognised on the statement of financial position of \$18,526,716 (2011: \$17,163,813) which are available indefinitely for offset against future gains subject to meeting the relevant statutory tests.

The consolidated entity has recognised tax losses to the extent that forecasts suggest it is probable that sufficient taxable income will be earned to recoup the recognised losses.

(e) Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The consolidated entity has assessed the potential impact of these changes on its tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2012 (2011: \$Nil)

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8. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

	Consolidated	
	2012	2011
	\$000	\$000
<i>For basic earnings per share:</i>		
Profit from continuing operations	1,241	1,204
Profit / (loss) from discontinued operations	(1,729)	(163)
Net profit attributable to ordinary equity holders	(488)	1,041
<i>For diluted earnings per share:</i>		
Profit / from continuing operations	1,241	1,204
Profit / (loss) from discontinued operations	(1,729)	(163)
Net profit attributable to ordinary equity holders	(488)	1,041

(b) Weighted average number of shares

	2012	2011
	000s	000s
Weighted average number of shares (basic) at 30 June	60,211	67,229
Weighted average number of shares adjusted for effect of dilution	60,211	67,229

Restricted shares are considered non-dilutive where the current share price is lower than the exercise price.

9. Current assets – cash and cash equivalents

	Consolidated	
	2012	2011
	\$000	\$000
Cash at bank and in hand	4,273	2,844
Short-term deposits	-	16,850
Funds held by bank (note 19)	350	350
	4,623	20,044
Cash at bank and in hand relating to a discontinued operation (note 21)	185	-
	4,808	20,044

10. Current assets – trade and other receivables

	2012	2011
	\$000	\$000
Trade receivables	10,290	9,495
Allowances for impairment loss (a)	(87)	(624)
	10,203	8,871
Other receivables and prepayments	748	389
Carrying amount of trade and other receivables	10,951	9,260

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10. Current assets – trade and other receivables (continued)

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. Trade receivables are insured through a debtors' insurance policy. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired and not recoverable within the terms of the insurance policy.

Movements in the provision for impairment loss were as follows:

	Consolidated	
	2012	2011
	\$000	\$000
At 1 July	624	782
Charge for the year	(474)	(77)
Amount recovered	-	69
Amounts written off	(63)	(150)
At 30 June	87	624

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

	Total	0-30	31-60	61-90 days	+ 91 days	+91 days CI*
	\$000	days	days	PDNI*	PDNI*	\$000
		\$000	\$000	\$000	\$000	
2012 Consolidated	10,290	8,061	1,067	297	778	87
2011 Consolidated	9,495	5,445	2,761	405	260	624

* Past due not impaired (PDNI)

- * Considered impaired (CI)

Receivables past due but not considered impaired are \$1,075,000 (2011: \$434,000). 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.

11. Current assets – inventories

	Consolidated	
	2012	2011
	\$000	\$000
Stock on hand	6,017	5,913
Less: provision for obsolescence	(823)	(654)
Total inventories at the lower of cost and net realisable value	5,194	5,259

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2012 totalled \$42,785,000 (2011: \$51,330,000). This expense has been included in the cost of sales line item as a cost of inventories.

12. Current assets – income tax receivable

The current tax asset for the consolidated entity of \$17,000 (2011: \$94,000) 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.

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13. Non-current assets – property, plant and equipment

Reconciliation of the carrying amounts at the beginning and end of the period.

	Consolidated			
	Leasehold improvements \$000	Plant & Equipment \$000	Plant & Equipment under lease \$000	Total \$000
For the year ended 30 June 2012				
At 1 July 2011 net of accumulated depreciation and impairment	334	1,176	7	1,517
Additions	60	163	-	223
Disposals	(32)	(12)	-	(44)
Depreciation charge for the year	(95)	(386)	(2)	(483)
At 30 June 2011 net of accumulated depreciation and impairment	267	941	5	1,213
At 30 June 2012				
Cost or fair value	812	9,062	2,135	12,009
Accumulated depreciation and impairment	(545)	(8,121)	(2,130)	(10,796)
Net carrying amount	267	941	5	1,213

	Consolidated			
	Leasehold improvements \$000	Plant & Equipment \$000s	Plant & Equipment under lease \$000s	Total \$000
For the year ended 30 June 2011				
At 1 July 2010 net of accumulated depreciation and impairment	411	1,369	9	1,789
Additions	1	218	-	219
Disposals	-	(49)	-	(49)
Depreciation charge for the year	(78)	(362)	(2)	(442)
At 30 June 2010 net of accumulated depreciation and impairment	334	1,176	7	1,517
At 30 June 2011				
Cost or fair value	816	9,014	2,135	11,986
Accumulated depreciation and impairment	(482)	(7,838)	(2,128)	(10,469)
Net carrying amount	334	1,176	7	1,517

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14. Current and non-current liabilities – trade and other payables

	Consolidated	
	2012	2011
	\$000	\$000
Current		
Trade payables	6,532	6,722
Other payables and accrued expenses	3,289	2,594
	9,821	9,316

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

15. Current and non-current liabilities – provisions

	Consolidated	
	2012	2011
	\$000	\$000
Current		
Provision for fringe benefits tax	24	1
Liability for annual leave and employee provisions	519	490
Total current employee benefits	543	491
Non-Current		
Liability for long-service leave	412	327
Total non-current employee benefits	412	327

(a) Nature and timing of provisions

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

16. Share based payments

(a) Employee share bonus

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

(b) Long term incentive plan

2010 allocation

2,000,000 shares were issued to Stuart Smith 28 October 2009. The shares were issued for \$0.35 each. It was accounted for as an option. The Black and Scholes methodology was used to value the options. The theoretical value of the options was calculated as being \$0.1195 per option. Further terms and conditions were:

- The risk free rate is 5.31% 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 \$0.30, which is the closing price of the shares as at 28 October 2009;
- The volatility of the Company's shares is 60.00% (based on a 3 year historical volatility); and
- The vesting period was determined to be the length of service, being three years.

During the year the managing director received a capital return of \$0.09 per share and dividends of \$0.135 per share. As per the terms of the incentive plan all distributions received by the managing director were repaid to the company except \$105,000 which is recognised as a receivable at 30 June 2012 (included in note 10).

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16. Share based payments (continued)

(b) Long term incentive plan (continued)

Employee expenses

	Note	Consolidated	
		2012 \$000	2011 \$000
Expense arising from 2,000,000 shares granted to Stuart Smith on 18 October 2009		80	80
Expense arising from 3,300,000 options issued to KMP on 21 October 2011		11	-
Total expense recognised in employee costs	6(b)	91	80

(c) Executive share option plan

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

Upon the exercise of an option, 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.

The options issued during the year are as follows:

	No. Options Issued
Directors	
S. Smith	900,000
M. Brookman	400,000
	1,300,000
KMP	
D. Clark	400,000
J. Laun	400,000
J. Phua	400,000
M. Wallace	400,000
C. Barnes	400,000
	2,000,000
Total issued	3,300,000

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16. Share based payments (continued)

(c) Executive share option plan (continued)

The following summarises the details of the grant.

Grant date	21 October 2011
First exercise date	21 October 2013
Last exercise date	21 October 2014
Exercise price*	\$ 0.45.
Exercise Conditions	Subject to the Plan Rules, an option cannot be exercised unless the Board acting reasonably are satisfied that the following conditions have been met: <ul style="list-style-type: none"> • The employee remains employed by the Company • There is no outstanding breach of the terms of engagement with the Company • No notice of termination of engagement has either been given by the employee or received from the Company.

Lapse of options	The options lapse in occurrence of the earlier of: <ul style="list-style-type: none"> • Last exercise date; • Board determination that the employee has committed an act that brings the Company into disrepute; • Ceased employment other than due to a special circumstances; • The option is surrendered.
-------------------------	--

* The exercise price is subject to reduction as per the Plan Rules at a rate equal to the amount of share capital returned to share holders. Subsequent to the grant of the options an amount of \$0.09 was returned to share holders by way of equal capital reduction. The new exercise price of the options issued in the 2012 financial year is \$0.36.

Movements in the year

The following table illustrates the number of weighted average exercise price prices (WAEP) of, and movements in, share options during the year.

	2012 Number of options	2012 WAEP \$
Opening balance	-	-
Granted during the year	3,300,000	0.36
Options vested	-	-
Outstanding as at 30 June 2012	3,300,000	0.36

17. 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 are recognised in net income. 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 5).

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17. Financial Instruments (continued)

Fair values

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

Consolidated

		Carrying amount	Fair value	Carrying amount	Fair value
	Note	2012	2012	2011	2011
		\$000	\$000	\$000	\$000
Cash and cash equivalents	9	4,808	4,808	20,044	20,044
Trade and other receivables	10, 21	11,013	11,013	9,260	9,260
Trade and other payables	14, 21	(9,933)	(9,933)	(9,316)	(9,316)
		5,888	5,888	19,988	19,988

Estimation of fair values

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

18. Commitments

Operating leases

The consolidated entity has entered into commercial leases on 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 current year the lease on the Eagle Farm premises was renewed for a further five years.

Future minimum rentals payable under non-cancellable operating leases at 30 June are payable as follows:

	Consolidated	
	2012	2011
	\$000	\$000
Less than one year	823	378
Between one and five years	2,312	160
	3,135	538

19. Financial guarantees

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	
	2012	2011
	\$000	\$000
Contingent liabilities considered remote		
(i) The consolidated entity has provided bank guarantees in the normal course of business.	350	350
	350	350

20. 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 was initially for up to 10% of the issued capital of the Company. This was extended to buy back up to 20 million shares after approval from shareholders at the Annual General Meeting held 28 October 2009. For the year ended 30 June 2012, 3,579,643 shares were repurchased for a total cost of \$854,000 (2011: 12,238,767 shares, \$4,132,000).

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21. Discontinued operation

The company advised on the 8 June 2012 that it planned to exit the on-line business segment. This exit strategy is still in process at 30 June 2012 and as a result the online business segment has been treated as a discontinued operation in the 2012 financial year. The entity's that are being discontinued are OYT Pty Ltd and Cellnet Online Pty Ltd. Other than the discontinuance of the online business segment there have been no other significant changes in the nature of these activities during the year.

Results of the discontinued operations for the year are presented below:

	Consolidated	
	2012	2011
	\$000	\$000
Results of discontinued operation		
Revenue	1,266	-
Expenses	(2,074)	(163)
Gross profit	(808)	(163)
Share of losses from associate	(131)	-
Impairment on investment in associate	(87)	-
Loss on disposal of associate	(260)	-
Impairment of inventory	(245)	-
Impairment of intangible	(110)	-
Other impairment	(141)	-
Goodwill written off	(12)	-
Depreciations	(18)	-
Loss before tax	(1,812)	(163)
Tax	83	-
Loss for the period from a discontinued operation	(1,729)	(163)
Major classes of assets and liabilities of the discontinued operation are presented below:	-	-
Cash and cash equivalents	185	-
Trade and other receivables	62	4
Inventory	184	-
Deferred tax assets	83	-
Property, plant and equipment	18	-
Assets attributable to held for sale	532	4
Liabilities held for sale	(127)	-
Liabilities attributable to held for sale	(127)	-
Net assets attributable to held for sale	405	4
Cash flows from discontinued operation		
Net cash from operating activities	185	(163)
Net cash from (used in) discontinued operation	185	(163)

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21. Discontinued operation (continued)

Earnings per share:	Consolidated	
	2012	2011
Basic, profit / (loss) for the year, from discontinued operation	(\$0.029)	\$0.003
Diluted, profit / (loss) for the year from discontinued operation	(\$0.029)	\$0.003

22. Related party disclosure

Subsidiaries

The consolidated financial statements include the financial statements of Cellnet Group Ltd and the subsidiaries included in the following table:

Name	Country of incorporation	% Equity interest	
		2012	2011
Cellnet Group Ltd (Parent)	Australia	100	100
Cellnet Ltd	New Zealand	100	100
Comms Plus Marketing Pty Ltd	Australia	100	100
C&C Warehouse (Holdings) Pty Ltd	Australia	100	100
VME Systems Pty Ltd	Australia	100	100
Michael Hornsby & Associates Pty Ltd	Australia	100	100
Regadget Pty Ltd	Australia	90	-
OYT Pty Ltd *	Australia	100	-
Cellnet Online Pty Ltd *	Australia	100	-
Buyii Pty Ltd *	Australia	25	-

* Entity's represent discontinued operations

23. Key management personnel

(a) Key management personnel remuneration

	Consolidated	
	2012	2011
	\$000	\$000
Short-term employee benefits	1,416,477	1,362,595
Post-employment benefits	106,413	97,419
Long term benefits	15,118	462
Share-based payment benefits	89,473	79,661
Total compensation	1,627,481	1,540,137

(b) Recognition of directors shares

On 28 October 2009, 2,000,000 restricted shares were granted to a Director, for details refer to note 16(b).

(c) Shareholdings of key management personnel

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 / KMP	Held at 1 July 2011	Purchases	Other acquisitions / disposals	Sales	Held at 30 June 2012
M. Brookman	1,851,943	-	(1,851,943)	-	-
S. Smith (i)	2,000,000	-	-	-	2,000,000
(i) Resigned 25 July 2012					

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23. Key management personnel (continued)

(c) Shareholdings of key management personnel (continued)

Directors / KMP	Held at 1 July 2010	Purchases	Other acquisitions / disposals	Sales	Held at 30 June 2011
S. Harrison	702,917	-	-	(702,917)	-
M. Brookman	3,851,943	-	-	(2,000,000)	1,851,943
S. Smith	2,000,000 (A)	-	-	-	2,000,000
M. Wallace	219	-	-	(219)	-

(A) Received under Long Term Incentive Plan on 28 October 2009.

24. Subsequent events

On the 25th July 2012 CEO Stuart Smith resigned from his position as CEO as well as all other positions held within the consolidated entity. Mr. Smith's replacement as CEO is yet to be determined. His position on the board of directors was replaced by Mr. Elliot Kaplan who will act as a non executive director. Mr Kaplan is Managing Director of CVC Private Equity Limited, Chairman and Non Executive Director of Pro-Pac Packaging Limited (ASX code: PPG), and former Non-Executive Director of Dolomatrix Limited (ASX code: DMX).

Mr. Kaplan is a Chartered Accountant with extensive experience in both senior financial and chief executive officer roles. His experience, from both an investor and investee perspective spans a diverse range of industries including manufacturing, environmental, distribution and services.

25. Parent entity information

	2012 \$000	2011 \$000
Current assets	16,218	31,804
Total assets	17,761	38,479
Current liabilities	8,828	8,117
Total liabilities	9,241	21,839
Issued capital	31,699	37,861
Retained earnings	(23,932)	(21,884)
Reserve for own shares	(26)	(26)
Reserve for share based payment	780	689
Total shareholder's equity	8,520	16,640
Profit of the parent entity after tax	4,423	(3,946)
Total comprehensive income of the parent entity	4,423	(3,946)

The parent has not issued any guarantees in relation to the debts of its subsidiaries and has no contingent liabilities or contractual obligations as at 30 June 2012.

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26. Contributed equity and reserves

(a) Share Capital

	Consolidated	
	2012	2011
	No. of shares	No. of shares
Ordinary shares on issue	61,263,733	73,502,500
Share buy back	(3,579,643)	(12,238,767)
On issue at 30 June	57,684,090	61,263,733
Ordinary shares		
Issued and fully paid	55,684,090	59,263,733

*Restricted shares are issued for legal purposes but not for accounting.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated	
	2012	2011
	\$000	\$000
Ordinary shares on issue	37,861	41,993
Share buy back	(854)	(4,132)
Capital reduction (i)	(5,308)	-
	31,699	37,861

(i) An equal reduction of share capital of \$0.09 per share was approved by share holders at a general meeting held 16 January 2012. This equated to a total cash out flow of \$5,488,000. This was subsequently reduced by \$180,000 which was repaid by CEO as per the terms of his loan agreement with the company.

(b) 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.

(c) 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 2012 the consolidated entity held 107,110 of the Company's shares (2011: 107,110). 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.

(d) 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 adjusts 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, or issue new shares.

Management monitors capital through the capital adequacy ratio (net assets/total assets). The target for the consolidated entity's capital adequacy ratio is between 40% and 60%. The capital adequacy ratios based on continuing operations at 30 June 2012 and 2011 were as follows:

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26. Contributed equity and reserves (continued)

(d) Capital management (continued)

	Consolidated	
	2012	2011
	\$000	\$000
Net Assets	14,288	28,798
Total Assets	25,191	38,932
Capital adequacy ratio	56.7%	74.0%

27. Dividends paid and proposed

(a) Recognised amounts

	Consolidated	
	2012	2011
	\$000	\$000
Declared and fully paid during the year:		
Dividends on ordinary shares:		
Interim dividend for 2011: 1.0¢	-	699
Final franked dividend for 2011: 1.0¢	614	-
Special franked dividend for 2011: 1.5¢	918	-
Interim franked dividend for 2012: 1.0¢	610	-
Special franked dividend for 2012: 10.0¢	5,770	-
	7,912	699

(b) Unrecognised amounts

Final franked dividend	-	1,532
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(c) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	Consolidated	
	2012	2010
	\$000	\$000
Franking account balance as at the end of the financial year at 30% (2011:30%)	3,980	4,280
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
Franking debits that have arisen from the payment of dividends as at the end of the financial year	(3,394)	(300)
	586	3,980
The amount of franking credits available for future reporting periods:		
Impact on the franking account by dividends proposed or declared before the financial report was authorised for issue but not recognized as a distribution to equity holders during the period	-	(657)
	586	3,323

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

- (i) franking debits that will arise from the refund of the current tax receivable;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated entity at the year end; and
- (iv) franking credits that the entity may be prevented from distributing in subsequent years.

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27. Dividends paid and proposed (continued)

(c) Franking credit balance (continued)

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 date but not recognised as a liability is to reduce it by \$0 (2011: \$1,531,593). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated entity has also assumed the benefit of nil (2011: nil) franking credits from its Australian wholly-owned subsidiaries during the year.

28. Auditor remuneration

	Consolidated	
	2012	2011
Amounts received or due and receivable by Ernst & Young (Australia & New Zealand) for:		
Audit or review of the financial report of the entity and any other entity in the consolidated entity	100,000	102,000
Other services in relation to the entity and any other entity in the consolidated entity		
• Tax compliance	10,403	10,386
	110,403	112,386

29. Cash flow statement reconciliation

	Consolidated	
	2012 \$000	2011 \$000
Reconciliation of net profit after tax to net cash flows from operations:		
Net profit	(488)	1,041
Adjustments for:		
Depreciation	501	442
Write-down inventory	649	766
Write-off bad debts	(63)	(77)
Loss / (profit) on sale of property, plant & equipment	108	-
Share based payments expense	91	80
Foreign exchange (gain) / loss	(904)	134
Changes in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(1,009)	647
(Increase) / decrease in inventories	(564)	(681)
(Increase) / decrease in current tax assets	77	4
(Increase) / decrease in deferred tax assets	10	(87)
(Decrease) / increase in trade and other payables	319	1,010
(Decrease) / increase in provisions	40	44
Net cash from operating activities	(1,233)	3,323

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30. Investment in an associate

The consolidated entity acquired a 30% interest in OYT Pty Ltd on 13 July 2011. OYT Pty Ltd is an online discount grocery retailer. OYT Pty Ltd is a private entity that is not listed on any public exchange. The following illustrates summarised financial information of the consolidated entity's investment in OYT Pty Ltd:

	2012 \$000
Opening balance	-
Acquired during the year	500
Share of losses from associate	(131)
Impairment recognised on acquisition of non controlling interest	(347)
Closing balance	22

For disclosure relating to the acquisition of the remaining 70% refer to note 31.

31. Business combination

Acquisition of OYT Pty. Ltd

During the current year the consolidated entity acquired an interest in OYT Pty Ltd in two separate stages. On 13 Jul 2011 30% of the share capital in OYT Pty Ltd was acquired for a consideration of \$500,000. The remaining 70% of share capital was acquired for a consideration of \$51,000 on the 17 February 2012. The fair value of identifiable net assets acquired from OYT Pty Ltd on 17 February 2012 is illustrated in the table below.

	2012 \$000
Assets	
Cash and cash equivalents	26
Trade and other receivables	42
Inventories	116
Property, plant and equipment	1
Intangibles	46
	231
Liabilities	
Trade and other payables	(146)
Total identifiable net assets at fair value	85
Goodwill arising on acquisition	12
Fair value of the investment in OYT Pty Ltd	73

Fair value is comprised of purchase consideration of \$51,000 and fair value of investment in associate (prior to business acquisition) \$22,000.

The table below details fair value of net assets as at 30 June 2012.

	2012 \$000
Assets	
Cash and cash equivalent (Note 21)	14
Inventories (Note 21)	18
Inventories (Note 21)	1
	33
Liabilities	-
Total identifiable net assets at fair value	33

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31. Business combination (continued)

On the same date, an impairment test was carried out as per AASB 139 on Cellnet Group Limited's investment in OYT Pty Ltd. Consequently an impairment loss of \$39,741 was recognised against the investment which effectively reduced its carrying amount from \$73,000 to \$33,000.

OYT Pty Ltd contributed \$146,000 from the date of acquisition (17 February 2012) to 30 June 2012 to the loss for the year of discontinued operations of the consolidated entity. If the acquisition had taken place at the beginning of the year, revenue from this discontinued operation would have been \$1,824,000 and the loss for the year from discontinued operations for the consolidated entity would have been \$2,121,000.

32. Intangible assets

	Consolidated	
	2012	2011
	\$000	\$000
Opening balance	-	-
Acquired	110	-
Impairment expense (refer note 21)	(110)	-
	-	-

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Director's declaration

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

In the opinion of the Directors:

- a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and Corporations Regulations 2001;
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a);
- c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- d) 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 ending 30 June 2012.

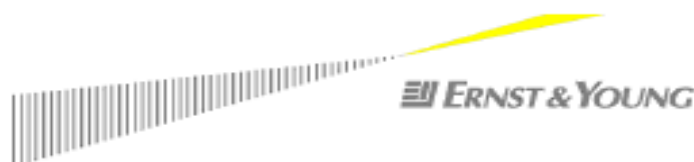
On behalf of the Board



Alexander Beard
Chairman
Brisbane
17 August 2012

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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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 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 of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 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.

Liability limited by a scheme approved
under Professional Standards Legislation

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Opinion

In our opinion:

- a. 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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 21 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Cellnet Group Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Winna Brown
Partner
Brisbane
17 August 2012

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Corporate governance statement

Background

Principles of Good Corporate Governance and Best Practice Recommendations" were published in March 2003, revised effective 1 January 2008 and the latest amendments issued under Corporate Governance Principles and Recommendations (2nd Edition) by the Australian Securities Exchange Limited's Corporate Governance Council. 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

Cellnet has reviewed its Corporate Governance Statement and this has been published on the Company website: <http://www.cellnet.com.au/>. The Company reports annually on its compliance with the Best Practice Recommendations. After the significant restructure the Company has completed and in recognition of the reduced scale of operations of the business, the Board has adopted and is in the process of executing a turnaround plan that focuses on future viable operations of the business.

In the restructured operations, Cellnet has been unable to fully comply with the requirements of the Corporate Governance Principles and Recommendations and details below the 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.

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 three person Board which comprises one executive director (who is the Managing Director) and two 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 regard to its current strategies and requirements, there is no nominations committee however 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 and risk committee process operates in accordance with the audit and risk committee charter.
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Principle 8 – Remunerate fairly and responsibly

Recommendation 8.2

The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent director
- has at least 3 members

Although there are 3 members of the committee, the Company is unable to comply with this recommendation in full principally due to the current composition of the Board. However, the Board assumes the functions of such a committee as and when required.

Recommendation 8.4

Companies should provide information in respect of restrictions on entering into transactions which limit risk in of participating in unvested entitlements.

While there is no structured process in place, the Chairman approves all equity participation schemes.

Corporate Governance Principles and Recommendations (2nd edition)

The ASX Corporate Governance Council announced on 30 June 2010 amendments to the current Corporate Governance Principles and Recommendations. Cellnet will recognise the impact of these changes in their Statement of Corporate Governance and report on them as required by no later than 30 June 2012.

In respect of the gender diversity initiatives contained in these changes, Cellnet will facilitate the introduction of an appropriate policy during the year ending 30 June 2011 and monitor progress towards the achievement of appropriate gender diversity in the Company. As part of this process, the Board will ensure that the policy contains measureable objectives for gender diversity but in doing so will need to recognise the nature and size of the Cellnet business and ensure any policy objectives are realistic and achievable.

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ASX Additional information

As at 23 July 2012

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 Ltd	28,472,046	49.36%
McNeil Nominees Pty Limited	3,702,155	6.42%
Hesley Consultants Limited	2,800,000	4.85%
Bywater Investments Limited	2,139,800	3.71%
Walter Stuart Macmillan Smith	2,000,000	3.47%
Ms Amaya Margaret Brookman	1,851,943	3.21%
Chemical Trustee Ltd	1,820,000	3.16%
Philadelphia Investments Pty Ltd	1,650,274	2.86%
Yardley Holdings Limited	1,155,000	2.00%
TUP Pty Ltd	733,280	1.27%
Engage Capital Pty Ltd	328,100	0.57%
Carmant Pty Ltd	220,000	0.38%
Citicorp Nominees Pty Limited	194,180	0.34%
Syvest Pty Ltd	182,000	0.32%
Mr Geoffrey Brian McDonald & Mrs Mary Louise McDonald	151,707	0.26%
Organisational Change Consultants Pty Ltd	140,000	0.24%
Mr Darryl Leslie Tebbutt & ms Merita Gail Pailthorpe	134,062	0.23%
Custodial Services Limited	123,270	0.21%
Rowabit Pty Ltd	110,680	0.19%
Cellnet ESP Pty Ltd	107,110	0.19%
Top 20 Holders	48,015,607	83.24%
All other holders	9,668,483	16.76%
All holders	57,684,090	100.00%

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	28,472,046
McNeil Nominees Pty. Ltd.	3,702,155
Distribution of equity security holders	
Category	Number of holders
1 – 1000	72
1,001 – 5,000	737
5001 – 10,000	246
10,001 – 50,000	172
50,001 – 100,000	28
100,001 and over	21
	1,276

The number of shareholders holding less than a marketable parcel of ordinary shares is 626.