

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

## HALF YEAR RESULT – 31 DECEMBER 2017

The Company delivered good trading results for the half year to 31 December 2017 and the current outlook is for a continuation of this positive trend. The Company posted a statutory profit for the half year of \$2.2m (2016: \$1.5m) on revenue of \$49.0m (2016: \$43m).

Revenue increased by 14% in comparison to the prior period, again confirming the success of the strategy to focus the company efforts on a limited portfolio of brands. Penetration into both Telco and CE Retail customers continued to strengthen.

Earnings per share increased to 4.0c at 31 December 2017 (31 December 2016: 2.8c)

Net tangible assets per share increased to 28.5c at 31 December 2017 (30 June 2017: 28.1c) as a result of the profit recorded, options exercised and shares issued.

During the period under review the Company paid a final dividend for the 2017 financial year of 1.25c per share. No interim dividend has been declared.

The Company's balance sheet remains in a healthy state, leaving it in a good position to continue to evaluate and potentially execute organic and acquisitive growth opportunities.

Alan Sparks  
Chief Executive Officer



**Cellnet Group Limited**  
and its controlled entities

**ABN: 97 010 721 749**

**Half-Year Financial Report**  
**Period Ended 31 December 2017**

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	<b>Section</b>
<b>Appendix 4D</b>	<b>A</b>
<b>Financial Report</b>	<b>B</b>

## Section A

### Appendix 4D HALF YEAR REPORT Statutory Results

<b>Name of Entity</b>	Cellnet Group Limited
<b>ABN</b>	97 010 721 749
<b>Reporting Period</b>	Half-year ended 31 December 2017
<b>Previous Corresponding Period</b>	Half-year ended 31 December 2016

This information presented should be read in conjunction with the 30 June 2017 financial report.

#### Results for announcement to the market

	<b>Reporting Period \$000</b>	<b>Previous Corresponding Period \$000</b>	<b>% Change Increase / (Decrease)</b>
Revenues from ordinary activities	49,043	42,968	14.14%
Profit from ordinary activities after tax attributable to members	2,206	1,477	49.36%
Net Profit for the period attributable to members	2,206	1,477	49.36%

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

	<b>Reporting Period</b>	<b>Previous Corresponding Period</b>
Final Dividend	\$688,946	\$649,325
Amount per security	\$0.0125	\$0.0125
Franked amount per security	\$0.00292	\$0.0125
Record Date	21.09.2017	09.09.2016
Interim Dividends	-	-
Amount per Security	N/A	N/A
Franked Amount per Security	N/A	N/A
Record Date	N/A	N/A

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**NTA Backing**

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Net tangible assets backing per share	28.5¢	28.1¢
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**Additional Appendix 4D Disclosure Requirements**

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Nil.

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**Financial Information**

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This Appendix 4D should be read in conjunction with the Half Year Report for the half year ended 31 December 2017 as set out on pages 4 to 24.

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**Compliance Statement**

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

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

Condensed Financial Report  
for the Half-Year Ended  
31 December 2017

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# **Cellnet Group Limited and its controlled entities**

## **Half-Year Financial Report**

### **Corporate Information**

**ABN 97 010 721 749**

#### **Directors**

M. Wendt (Chairman)  
A. Sparks  
B. Danos  
K. Gilmore  
M.Reddie

#### **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 Banking Corporation  
260 Queen Street  
Brisbane QLD 4000

#### **Auditor**

Pitcher Partners  
345 Queen Street  
Brisbane QLD 4000  
Phone: 07 3222 8444

#### **Share Registrar**

Link Market Services Ltd  
Level 21  
10 Eagle Street  
Brisbane QLD 4000  
Phone: 1300 554 474

#### **Stock Exchange**

The Company is listed on the Australian Securities Exchange. The home exchange is Brisbane.

# **Cellnet Group Limited and its controlled entities**

## **Half-Year Financial Report**

### **Directors' Report**

Your Directors submit their report for the half-year ended 31 December 2017.

### **Directors**

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the periods as detailed below:

M. Wendt (Chairman)  
A. Sparks  
B. Danos  
K. Gilmore  
M. Reddie

### **Principal activities**

The principal activities of the consolidated entity are:

Sourcing products and the distribution of market leading brands and lifestyle technology products and accessories for mobile phones, tablets and notebooks/hybrids into retail and business channels in Australia and New Zealand.

### **Review and results of operations**

The Company delivered good trading results for the half year to 31 Dec 2017 and the current outlook is for a continuation of this positive trend. The Company posted a statutory profit for the half year of \$2.2m (2016: \$1.5m) on revenue of \$49.0m (2016: \$43m).

Revenue increased by 14% in comparison to the prior period, again confirming the success of the strategy to focus the company efforts on a limited portfolio of brands. Penetration into both Telco and CE Retail customers continued to strengthen.

Earnings per share increased to 4.0c at 31 December 2017 (31 December 2016: 2.8c)

Net tangible assets per share increased to 28.5c at 31 December 2017 (30 June 2017: 28.1c) as a result of the profit recorded, options exercised and shares issued.

During the period under review the Company paid a final dividend for the 2017 financial year of 1.25c per share. No interim dividend has been declared.

The Company's balance sheet remains in a healthy state, leaving it in a good position to continue to evaluate and potentially execute organic and acquisitive growth opportunities.

### **Dividends**

A partially (23.36%) franked dividend of \$0.0125 per share was declared on 7 August 2017. The dividend had a record date of 21 September 2017 and was paid to shareholders on 6 October 2017.

### **Rounding**

The consolidated entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. Amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000 unless otherwise stated.



## **Cellnet Group Limited and its controlled entities**

### **Half-Year Financial Report**

#### **Auditor's Independence Declaration**

Attached is a copy of the Auditors Independence Declaration provided under Section 307C of the *Corporations Act 2001* in relation to the review of the half year ended 31 December 2017. This Auditors Independence Declaration forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



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Director  
8 February 2018



**PITCHER PARTNERS**

ACCOUNTANTS • AUDITORS • ADVISORS

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Brisbane  
Queensland 4000

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MARK NICHOLSON  
PETER CAMENZULI  
JASON EVANS  
IAN JONES  
KYLIE LAMPRECHT  
NORMAN THURECHT  
BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON  
SIMON CHUN  
JEREMY JONES

### **Auditor's Independence Declaration**

As lead auditor for the audit of Cellnet Group Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of APES 110: *Code of Ethics for Professional Accountants* in relation to the review.

This declaration is in respect of Cellnet Group Limited and the entities it controlled during the half-year.

*Pitcher Partners*

PITCHER PARTNERS

JASON EVANS  
Partner

Brisbane, Queensland  
8 February 2018



an independent member of

**BAKER TILLY**  
INTERNATIONAL

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

**Interim consolidated statement of  
comprehensive income**  
**For the six months ended 31 December 2017**

	<b>Consolidated</b>	
<b>Note</b>	<b>31 Dec 2017 \$000</b>	<b>31 Dec 2016 \$000</b>
<b>Continuing operations</b>		
Sales of goods	48,961	42,792
Rendering of services	82	176
<b>Revenue</b>	<b>49,043</b>	<b>42,968</b>
Other income	2	2
Materials, packaging and consumables used	(37,162)	(32,492)
Depreciation and amortisation expense	(77)	(83)
Employee benefit expense	(4,914)	(4,746)
Finance costs	(325)	(225)
Freight expense	(1,392)	(1,227)
Occupancy expense	(271)	(260)
Transaction advice	-	(290)
Warehousing expense	(1,537)	(1,009)
Other expense	(1,161)	(1,161)
<b>Profit before income tax</b>	<b>2,206</b>	<b>1,477</b>
Income tax (expense) / benefit	-	-
<b>Profit for the period</b>	<b>2,206</b>	<b>1,477</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation	(288)	(42)
<b>Total comprehensive income for the period</b>	<b>1,918</b>	<b>1,435</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent</b>		
Basic earnings per share	4.01¢	2.84¢
Diluted earnings per share	4.01¢	2.83¢

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

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

**Interim consolidated statement of financial position**

**As at 31 December 2017**

	Note	Consolidated	
		31 Dec	30 June
		2017	2017
		\$000	\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	1,274	1,505
Trade and other receivables		21,029	13,487
Inventories	8	14,632	13,238
<b>Total current assets</b>		<b>36,935</b>	<b>28,230</b>
<b>Non-current assets</b>			
Property, plant and equipment		218	249
Deferred tax assets		988	930
Intangible assets		206	36
<b>Total non-current assets</b>		<b>1,412</b>	<b>1,215</b>
<b>TOTAL ASSETS</b>		<b>38,347</b>	<b>29,445</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		11,491	6,553
Current tax liabilities		138	82
Provisions		597	579
Derivative instruments		381	239
Interest-bearing loans and borrowings	9	8,260	6,326
<b>Total current liabilities</b>		<b>20,867</b>	<b>13,779</b>
<b>Non-current liabilities</b>			
Provisions		33	13
<b>Total non-current liabilities</b>		<b>33</b>	<b>13</b>
<b>TOTAL LIABILITIES</b>		<b>20,900</b>	<b>13,792</b>
<b>NET ASSETS</b>		<b>17,447</b>	<b>15,653</b>
<b>EQUITY</b>			
Issued capital	10	31,453	30,953
Reserves		7,082	5,788
Accumulated losses		(21,088)	(21,088)
<b>TOTAL EQUITY</b>		<b>17,447</b>	<b>15,653</b>

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

# Cellnet Group Limited and its controlled entities

## Half-Year Financial Report

### Interim consolidated statement of changes in equity

For the six months ended 31 December 2017

Note	Share capital \$000	Reserve for own shares \$000	Foreign currency translation reserve \$000	Share based payment reserve \$000	Reserve for profits \$000	Accumulated losses \$000	Total Equity \$000
At 1 July 2017	30,953	(25)	(44)	1,631	4,226	(21,088)	15,653
Profit for the period	-	-	-	-	-	2,206	2,206
Foreign currency translation	-	-	(288)	-	-	-	(288)
Total comprehensive income for the half year	-	-	(288)	-	-	2,206	1,918
Transactions with owners in their capacity as owners:							
Transfers to / from reserves	-	-	-	-	2,206	(2,206)	-
Share based payments	-	-	-	65	-	-	65
Exercise of options	500	-	-	-	-	-	500
Dividends paid	-	-	-	-	(689)	-	(689)
<b>Balance at 31 December 2017</b>	<b>31,453</b>	<b>(25)</b>	<b>(332)</b>	<b>1,696</b>	<b>5,743</b>	<b>(21,088)</b>	<b>17,447</b>
At 1 July 2016	30,953	(25)	(66)	942	2,840	(21,088)	13,556
Profit for the period	-	-	-	-	-	1,477	1,477
Foreign currency translation	-	-	(42)	-	-	-	(42)
Total comprehensive income for the half year	-	-	(42)	-	-	1,477	1,435
Transactions with owners in their capacity as owners:							
Transfers to / from reserves	-	-	-	-	1,477	(1,477)	-
Share based payments	-	-	-	185	-	-	185
Dividends paid	-	-	-	-	(649)	-	(649)
<b>Balance at 31 December 2016</b>	<b>30,953</b>	<b>(25)</b>	<b>(108)</b>	<b>1,127</b>	<b>3,668</b>	<b>(21,088)</b>	<b>14,527</b>

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

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

**Interim consolidated statement of cash flows**

**For the six months ended 31 December 2017**

Note	Consolidated	
	31 Dec 2017 \$000	31 Dec 2016 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	46,727	39,838
Payments to suppliers and employees (inclusive of GST)	(48,112)	(47,519)
Interest paid	(256)	(150)
<b>Net cash flows used in operating activities</b>	<b>(1,641)</b>	<b>(7,831)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(29)	(32)
Purchase of intangibles	(187)	(8)
Interest received	2	2
<b>Net cash flows used in investing activities</b>	<b>(214)</b>	<b>(38)</b>
<b>Cash flows from financing activities</b>		
Payment of dividend	(689)	(649)
Proceeds from exercise of options	500	-
Proceeds from borrowings	16,295	19,134
Repayment of borrowings	(14,361)	(11,278)
<b>Net cash flows from financing activities</b>	<b>1,745</b>	<b>7,207</b>
Net increase / (decrease) in cash and cash equivalents	(110)	(662)
Cash and cash equivalents at beginning of period	1,505	1,411
Net foreign exchange differences	(121)	(57)
<b>Cash and cash equivalents at end of period</b>	<b>1,274</b>	<b>692</b>

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

# **Cellnet Group Limited and its controlled entities**

## **Half-Year Financial Report**

### **Notes to the Financial Statement**

**For the six months ended 31 December 2017**

#### **1. Corporate Information**

Cellnet Group Limited (the "Company") is a company domiciled in Australia whose shares are publicly traded. The interim condensed consolidated financial statements of the Company as at and for the half-year ended 31 December 2017 comprise the results of the Company and its subsidiaries (together referred to as the "consolidated entity").

The interim condensed consolidated financial statements of the consolidated entity for the six months ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 8 February 2018.

The interim condensed consolidated financial statements of the consolidated entity as at and for the half-year ended 31 December 2017 are available upon request from the Company's registered office at 59-61 Qantas Drive, Eagle Farm QLD 4009 or at [www.cellnet.com.au](http://www.cellnet.com.au).

#### **2. Basis of preparation and accounting policies**

##### **Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 31 December 2017 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted in the Group's annual report for the year ended 30 June 2017.

#### **3. Seasonality of operations**

The consolidated entity's balance sheet is impacted by seasonality in sales. December trade balances are generally expected to be higher than those as at the previous financial year end due to greater sales activity around calendar year end. Users of the interim consolidated financial report may therefore benefit from reading this report in conjunction with the interim consolidated financial report for the half-year ended 31 December 2016.

#### **4. Operating segment information**

##### **Identification of reportable segments**

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (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. For the six months ended 31 December 2017 and the comparative period the consolidated entity's activities related solely to retail sales.

As there is only one segment, segment revenues, profit/(loss), assets and liabilities are consistent with those reported in the statement of comprehensive income and statement of financial position.

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

**Notes to the Financial Statement**

**For the six months ended 31 December 2017**

**4. Fair value measurements**

Outlined below are the judgements and estimates made in determining the fair value of assets and liabilities that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its assets and liabilities into the three levels prescribed under the accounting standards, as follows:

**Level 1:** The fair value of assets and liabilities traded in active markets is based on quoted market prices at the end of the reporting period.

**Level 2:** The fair value of assets and liabilities that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. That is, all valuation inputs are observable.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The group holds forward foreign exchange contracts at fair value. The fair value of these financial instruments is determined using forward exchange rates at the balance sheet date. Such fair value measurement is included in level 2, as it is based on an observable input. At 31 December 2017 the group recognised a liability of \$381,000 (30 June 2017: liability of \$239,000) for forward exchange contracts held at balance date.

**5. Dividends**

The group paid a partially franked (23.36%) dividend of 1.25 cents per fully paid ordinary share, amounting to \$688,946, on 6 October 2017. In the comparative half year ended 31 December 2016 the group paid a fully franked (100%) dividend of 1.25 cents per fully paid ordinary share, amounting to \$649,325, on 23 September 2016.

**6. Income tax expense**

Numerical reconciliation of income tax benefit to prima facie tax payable:

	<b>Dec 2017</b>	<b>Dec 2016</b>
	<b>\$000</b>	<b>\$000</b>
Profit before income tax benefit / (expense)	2,206	1,477
Prima facie tax benefit / (expense) at the Australian tax rate of 30%	(662)	(443)
<b>Tax effect of adjustments</b>		
Prior year under/(over) provision for deferred tax	(51)	-
Non-deductible expenditure	(38)	(67)
Difference in New Zealand tax rate (28%)	5	14
Recognition of historical tax losses	746	526
Tax losses not recognised	-	(30)
<b>Income tax benefit / (expense)</b>	<b>-</b>	<b>-</b>



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

**Notes to the Financial Statement**

**For the six months ended 31 December 2017**

**7. Cash and cash equivalents**

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

	<b>Dec 2017</b>	<b>June 2017</b>
	<b>\$000</b>	<b>\$000</b>
Cash at bank and in hand	924	1,155
Funds held by bank	350	350
<b>Total cash and cash equivalents</b>	<b>1,274</b>	<b>1,505</b>

**8. Inventories**

	<b>Dec 2017</b>	<b>June 2017</b>
	<b>\$000</b>	<b>\$000</b>
Stock on hand	16,213	14,103
Less: provision for obsolescence	(1,581)	(865)
	<b>14,632</b>	<b>13,238</b>

**9. Interest bearing loans and borrowings**

	<b>Interest Rate</b>	<b>Maturity</b>	<b>Dec 2017</b>	<b>June 2017</b>
	<b>%</b>		<b>\$000</b>	<b>\$000</b>
Business finance				
	4.83	10 July 2017	-	262
	4.90	24 July 2017	-	448
	4.83	28 July 2017	-	318
	4.83	28 July 2017	-	106
	4.90	31 July 2017	-	182
	4.90	31 July 2017	-	324
	4.87	2 January 2018	631	-
	4.92	15 January 2018	274	-
	4.92	15 January 2018	16	-
	4.88	17 January 2018	729	-
	4.88	17 January 2018	236	-
	4.88	17 January 2018	402	-
	4.92	22 January 2018	109	-
	4.92	22 January 2018	86	-
	4.81	22 January 2018	182	-
Invoice finance	5.19	Various	5,595	4,686
			<b>8,260</b>	<b>6,326</b>

## Cellnet Group Limited and its controlled entities

### Half-Year Financial Report

#### Notes to the Financial Statement

For the six months ended 31 December 2017

## 10. Contributed equity

	Dec 2017 No. of shares	Dec 2017 \$000	Dec 2016 No. of shares	Dec 2016 \$000
Balance at 1 July	52,278,956	30,953	51,922,956	30,953
Exercise of options	2,000,000	500	-	-
Shares issued	2,813,667	-	356,000	-
Balance at 31 December	<b>57,092,623</b>	<b>31,453</b>	<b>52,278,956</b>	<b>30,953</b>

## 11. Share based payments

### a) Long term incentive plan – performance rights

On 1 August 2016, the Group issued additional performance rights to key management personnel under the Group's performance share plan. Details of performance rights issued are as follows:

Rights granted	500,000
Grant date	1 August 2016
Consideration payable	\$Nil
Exercise price	\$Nil
Last exercise date	5pm on the date which is 30 days subsequent to market release of FY19 result

Exercise conditions Subject to the Plan Rules, a Performance Right cannot be exercised unless the Board acting reasonably is satisfied that the following conditions have been satisfied:

- 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 been either been given by the employee or received by the Company.
- All performance hurdles have been met.

Performance hurdles 334,000 will vest upon meeting a total shareholder return (TSR) performance hurdle  
166,000 will vest upon meeting various profit before tax (PBT) performance hurdles

The fair value of the performance rights granted during the half-year was determined by management using either a binomial pricing model (PBT hurdle) or a trinomial lattice pricing model incorporating a Monte-Carlo simulation (TSR hurdle), depending on the nature of the associated vesting conditions.

Market conditions, such as the TSR vesting condition, were factored into the initial valuation of the options through use of a monte-carlo simulation which derives a valuation based on a range of possible outcomes.

Expected volatility was determined based on historical stock price volatility over a period consistent with the life of the performance rights.

The table below summarises the key inputs into the valuation model for each tranche of performance rights granted:

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

**Notes to the Financial Statement**

**For the six months ended 31 December 2017**

Tranche	Vesting Condition	Vesting Date	No. of Rights	Exercise Price \$	Expected Volatility %	Risk Free Rate %	Value per Right
Tranche 1	PBT	30/06/17	55,333	-	50	1.42	0.200
Tranche 2	PBT	30/06/18	55,333	-	50	1.42	0.200
Tranche 3	PBT	30/06/19	55,334	-	50	1.42	0.200
Tranche 4	TSR	30/06/19	334,000	-	50	1.42	0.066

The share price at the grant date of the performance rights was \$0.20. The combined grant date fair value of performance rights issued during the comparative half-year ended 31 December 2016 was \$55,114.

**Subsequent variations to the terms of performance rights on issue**

In connection with the proportional takeover offer announced by the Company on 11 November 2016, the Board of Directors resolved, as prescribed under the Company's performance rights plan, to amend the terms of performance rights on issue. These amendments, which applied from the date the takeover offer was successfully completed (January 2017), removed performance vesting conditions and altered the vesting date of all performance rights on issue. The following table summarises all performance rights on issue at the date of variation, and the revised vesting periods:

Tranche	Original Vesting Condition	Original Vesting Date	Revised Vesting Date	No. of Rights	Exercise Price \$	Grant Date Fair Value \$	Incremental Fair Value <sup>1</sup> \$
Tranche 1	PBT	30/06/17	30/06/17	572,667	-	0.280	-
Tranche 2	PBT	30/06/17	30/06/17	55,333	-	0.200	-
Tranche 3	PBT	30/06/18	30/06/18	55,333	-	0.200	-
Tranche 4	PBT	30/06/19	11/11/18	55,334	-	0.200	-
Tranche 5	TSR	30/06/17	30/06/17	1,741,000	-	0.127	0.228
Tranche 6	TSR	30/06/19	11/11/18	334,000	-	0.066	0.149

<sup>1</sup> Where modifications increase the fair value of the equity instruments granted measured immediately before and after the modification, the group is required to recognise the incremental fair value in employee benefits expense, over the remaining vesting period. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. The fair value of those performance rights with a market-based original vesting condition (TSR) at the date the condition was removed was equal to the share price of the Company on that date, being \$0.26.

The following table illustrates movements in the number of performance rights on issue during the half-year.

	Dec 2017 #	Exercise Price \$	Dec 2016 #	Exercise Price \$
Opening balance – 1 July	2,813,667	-	2,669,667	-
Granted during the half-year	-	-	500,000	-
Exercised during the half-year	(2,813,667)	-	(356,000)	-
Outstanding as at 31 December	-	-	<b>2,813,667</b>	-
Vested and exercisable	-	-	-	-

## Cellnet Group Limited and its controlled entities

### Half-Year Financial Report

#### Notes to the Financial Statement

##### For the six months ended 31 December 2017

###### b) Long term incentive plan – Director options

The company has options on issue that were granted to previous non-executive directors in 2014. As part of the proportional takeover in January 2017 these options were transferred to some of the current non-executive directors.

These options were exercised in October 2017. Movements in Director options on issue during the half-year are summarised as follows:

	<b>Dec 2017</b>	<b>Exercise Price</b>	<b>Dec 2016</b>	<b>Exercise Price</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Opening balance - July	2,400,000	0.25	2,400,000	0.25
Granted during the year	-	-	-	-
Options exercised	(2,400,000)	0.25	-	-
Outstanding as at 31 Dec	-	-	<b>2,400,000</b>	<b>0.25</b>
Vested and exercisable	-	-	<b>2,400,000</b>	<b>0.25</b>

###### c) Long term incentive plan – employee options

On 19 October 2017 the Board resolved to issue additional new options to key management personnel under the company's long-term incentive plan. The terms of the options were agreed with the employees on 29 November 2017, being the accounting grant date, however options will not be issued to employees until 1 July 2018. Details of the options issued are as follows:

Options granted	2,400,000
Grant date	29 November 2017
Issue date	1 July 2018
Consideration payable	\$Nil
Exercise price	\$0.28
Last exercise date	5pm Brisbane time on the date which is 12 months subsequent to market release of FY2021 result.
Exercise conditions	Subject to the Plan Rules, an option cannot be exercised unless the Board acting reasonably is satisfied that the following conditions have been satisfied: <ul style="list-style-type: none"><li>• The employee remains employed by the company</li><li>• There is no outstanding breach of the terms of engagement with the Company.</li><li>• No notice of termination of engagement has been either been given by the employee or received by the Company.</li><li>• All performance hurdles have been met.</li></ul>
Performance hurdles	Options will vest upon meeting various profit before tax performance hurdles over the financial years 2019 to 2021.

The fair value of the options granted was determined by management using a Black-Scholes pricing model. Expected volatility was determined based on historical stock price volatility over a period consistent with the life of the performance rights.

The table below summarises the key inputs into the valuation model for each tranche of options granted:

**Cellnet Group Limited and its controlled entities**  
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**For the six months ended 31 December 2017**

Tranche	Vesting Condition	Vesting Date	No. of Rights	Exercise Price \$	Expected Volatility %	Risk Free Rate %	Value per Option \$
Tranche 1	PBT	30/08/20	699,000	0.28	50	1.86	0.0835
Tranche 2	PBT	30/08/21	699,000	0.28	50	1.98	0.0900
Tranche 3	PBT	30/06/22	1,002,000	0.28	50	2.09	0.0942

The following table illustrates movements in the number of employee share options on issue during the half-year

	Dec 2017 #	Exercise Price \$	Dec 2016 #	Exercise Price \$
Opening balance – 1 July	-	-	-	-
Granted during the half-year	2,400,000	0.28	-	-
Exercised during the half-year	-	-	-	-
Outstanding as at 31 December	-	-	-	-
Vested and exercisable	-	-	-	-

## 12. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties during the six month periods ending 31 December 2017 and 31 December 2016.

		Purchases from related parties \$000	Services from related parties \$000	Amounts owed by related parties \$000	Amounts owed to related parties \$000
<b>Entity with ultimate control over the consolidated entity:</b>					
Wentronic Asia Pacific	2017	6,138	-	-	-
CVC Managers Pty Limited	2017	-	-	-	-
Wentronic Asia Pacific	2016	-	-	-	-
CVC Managers Pty Limited	2016	-	52	-	-

## 13. Investments in associates

On 21 November 2017, the group obtained a 49% interest in Wentronic International Pte. Ltd, a private company incorporated in Singapore on the same date. No trading activity has occurred in this entity prior to 31 December 2017. The investment will be brought to account under the equity method of accounting in future periods. The Group's investment interest is held by Cellnet UK Holdings Limited, a new subsidiary incorporated in the United Kingdom.

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**14. Events subsequent to balance date**

There are no matters or circumstances that have arisen since the end of this financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

## Cellnet Group Limited and its controlled entities

### Half-Year Financial Report

#### Directors' declaration

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

In the opinion of the Directors:

1. the financial statements and notes of the consolidated entity for the half year ended 31 December 2017 are in accordance with the *Corporations Act 2001* including:
  - (a) giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



*Director*  
8 February 2018



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NIGEL BATTERS  
COLE WILKINSON  
SIMON CHUIN  
JEREMY JONES

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Cellnet Group Limited,

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cellnet Group Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Cellnet Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*

*Conclusion*

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*Pitcher Partners*

PITCHER PARTNERS



JASON EVANS  
Partner

Brisbane, Queensland

8 February 2018