

The Manager Companies
Company Announcements Office
ASX Limited
Level 4, Stock Exchange Centre
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HALF YEAR RESULT – 31 DECEMBER 2014

Whilst revenue was only marginally ahead of the corresponding period in the previous financial year, better cost control and enhanced inventory management enabled the Company to report a significantly improved result for the half year ended 31 December, 2014. Profit after tax was \$1.737m as compared to \$450k in the prior corresponding period.

During the period under review, the Company streamlined its supply chain and diversified its distribution channels.

The launch of the 3SIXT brand in October was well received by both retailers and consumers. The Company continues to source new and innovative products to bring to market and a pipeline of exciting opportunities is currently under review.

Alexander Beard
Chairman
02 9087 8000



Cellnet Group Limited
and its controlled entities

ABN: 97 010 721 749

Half-Year Financial Report
Period Ended 31 December 2014

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Section A

Appendix 4D HALF YEAR REPORT Statutory Results

Name of Entity	Cellnet Group Limited
ABN	97 010 721 749
Reporting Period	Half-year ended 31 December 2014
Previous Corresponding Period	Half-year ended 31 December 2013

This information presented should be read in conjunction with the 30 June 2014 financial report.

Results for announcement to the market

	Reporting Period	Previous Corresponding Period	% Change Increase / (Decrease)
	\$000	\$000	
Revenues from ordinary activities	43,742	43,711	0.07%
Profit from ordinary activities after tax attributable to members	1,737	450	286.00%
Net Profit for the period attributable to members	1,737	450	286.00%

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

	Reporting Period	Previous Corresponding Period
Final Dividend	-	-
Amount per security	N/A	N/A
Franked amount per security	N/A	N/A
Record Date	N /A	N /A
Special Dividend	-	-
Amount per security	N/A	N/A
Franked amount per security	N/A	N/A
Record Date	N/A	N/A

Interim Dividends	-	-
Amount per Security	N/A	N/A
Franked Amount per Security	N/A	N/A
Record Date	N/A	N/A

NTA Backing

Net tangible assets backing per share	21.9¢	18.7¢
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Additional Appendix 4D Disclosure Requirements

Nil.

Financial Information

This Appendix 4D should be read in conjunction with the Half Year Report for the half year ended 31 December 2014 as set out on pages 4 to 20.

Compliance Statement

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

Section B

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

**Condensed Financial Report
for the Half-Year Ended
31 December 2014**

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

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 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 15 ANZ Building

324 Queen 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 2014.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

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

Principal activities

The principal activities of the consolidated entity are:

Sourcing products and the distribution of market leading brands and lifestyle technology products including mobile phone, tablet and notebook/hybrid accessories into retail and business channels in Australia and New Zealand.

Review and results of operations

Whilst revenue was only marginally ahead of the corresponding period in the previous financial year, better cost control and enhanced inventory management enabled the Company to report a significantly improved result for the half year ended 31 December, 2014. Profit after tax was \$1.737m as compared to \$450k in the prior corresponding period.

During the period under review, the Company streamlined its supply chain and diversified its distribution channels.

The launch of the 3SIXT brand in October was well received by both retailers and consumers. The Company continues to source new and innovative products to bring to market and a pipeline of exciting opportunities is currently under review.

Dividends

No dividends were declared or paid in the six months ending 31 December 2014.

Rounding

The consolidated entity is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission. Amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000 unless otherwise stated.

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

Directors' Report (Cont'd)

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 2014. This Auditors Independence Declaration forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



A Beard
Director
Sydney
17 February 2015



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NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON

Auditor's Independence Declaration

As lead auditor for the audit of Cellnet Group Limited for the half-year ended 31 December 2014, 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 any applicable code of professional conduct in relation to the review.

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

PITCHER PARTNERS

J.J. EVANS
Partner

Brisbane, Queensland
17 February 2015

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

**Interim consolidated statement of
comprehensive income**

For the six months ended 31 December 2014

	Note	Consolidated	
		31 Dec 2014 \$'000	31 Dec 2013 \$'000
Continuing operations			
Sales of goods		43,042	42,145
Rendering of services		700	1,566
Revenue		43,742	43,711
Other income		850	68
Materials, packaging and consumables used		(33,933)	(34,333)
Depreciation and amortisation expense		(145)	(219)
Employee benefit expense		(5,040)	(4,922)
Finance costs		(249)	(139)
Freight expense		(1,504)	(2,065)
Occupancy expense		(750)	(736)
Other expense		(1,234)	(990)
Profit before income tax		1,737	375
Income tax (expense) / benefit	6	-	75
Profit for the period		1,737	450
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		17	215
Total comprehensive income for the period		1,754	665
Earnings per share for profit attributable to the ordinary equity holders of the parent			
Basic earnings per share		3.15¢	0.80¢
Diluted earnings per share		3.15¢	0.80¢

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 2014

	Note	Consolidated	
		31 Dec 2014 \$000	30 Jun 2014 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7	2,131	2,551
Trade and other receivables		20,105	11,441
Inventories	8	7,926	8,587
Derivative financial instruments		457	-
Total current assets		30,619	22,579
Non-current assets			
Property, plant and equipment		510	583
Deferred tax assets		842	828
Total non-current assets		1,352	1,411
TOTAL ASSETS		31,971	23,990
LIABILITIES			
Current liabilities			
Trade and other payables		11,314	5,032
Provisions		595	539
Derivative financial instruments		-	732
Interest-bearing loans and borrowings	11	6,906	6,270
Total current liabilities		18,815	12,573
Non-current liabilities			
Provisions		133	148
Total non-current liabilities		133	148
TOTAL LIABILITIES		18,948	12,721
NET ASSETS		13,023	11,269
EQUITY			
Issued capital		31,699	31,699
Reserves		675	658
Accumulated losses		(19,351)	(21,088)
TOTAL EQUITY		13,023	11,269

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 2014

	Note					
	Share capital \$000	Reserve for own shares \$000	Foreign currency translation reserve \$000	Share based payment reserve \$000	Accumulated losses \$000	Total Equity \$000
At 1 July 2014	31,699	(25)	107	576	(21,088)	11,269
Profit for the period	-	-	-	-	1,737	1,737
Foreign currency translation	-	-	17	-	-	17
Total comprehensive income for the half year	-	-	17	-	1,737	1,754
Balance at 31 December 2014	31,699	(25)	124	576	(19,351)	13,023
At 1 July 2013	31,699	(25)	(57)	576	(17,201)	14,992
Profit for the period	-	-	-	-	450	450
Foreign currency translation	-	-	215	-	-	215
Total comprehensive income for the half year	-	-	215	-	450	665
Balance at 31 December 2013	31,699	(25)	158	576	(16,751)	15,657

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 2014

	Note	Consolidated	
		31 Dec 2014 \$000	31 Dec 2013 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		36,302	44,037
Payments to suppliers and employees (inclusive of GST)		(42,129)	(48,920)
Interest paid		(185)	(86)
Net cash flows used in operating activities		(6,012)	(4,969)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	1
Purchase of property, plant and equipment		(72)	(75)
Interest received		8	7
Payment for contingent consideration of business combination		-	(66)
Net cash flows from / (used in) investing activities		(64)	(133)
Cash flows from financing activities			
Proceeds from borrowings		17,066	9,054
Repayment of borrowings		(11,478)	(3,460)
Net cash flows from financing activities		5,588	5,594
Net increase / (decrease) in cash and cash equivalents		(488)	492
Cash and cash equivalents at beginning of period		2,551	2,141
Net foreign exchange differences		68	123
Cash and cash equivalents at end of period	7	2,131	2,756

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 2014

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 2014 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 2014 were authorised for issue in accordance with a resolution of the directors on 17 February 2015.

The interim condensed consolidated financial statements of the consolidated entity as at and for the half-year ended 31 December 2014 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.

2. Basis of preparation and changes to the consolidated entity’s accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2014 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 2014.

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 2014, except for the adoption of new standards and interpretations as of 1 July 2014 as disclosed in the 30 June 2014 financial statements and noted below:

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2013-4 Novation of Derivative and Continuation of Hedge Accounting

AASB 2014-1 Part A Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013

Interpretation 21 Levies

The adoption of the above accounting standards had no material impact on the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2013.

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2014

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 General Manager (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

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.

5. 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. The fair value of the group's forward foreign exchange contracts at 31 December 2014 was \$457,000 (30 June 2014: (\$732,000)).

6. Income tax expense

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

	Consolidated	
	Dec 2014	Dec 2013
	\$000	\$000
Profit before income tax benefit / (expense)	1,737	375
Prima facie tax benefit / (expense) at the Australian tax rate of 30%	(551)	(113)
Tax effect of adjustments		
Non-deductible expenditure	(7)	(10)
Difference in New Zealand tax rate (28%)	10	10
Previously unrecognised tax losses utilised	122	113
Recognition of historical tax losses	339	
Deferred tax (timing differences) recognised	-	75
Other	(13)	-
Income tax benefit / (expense)	-	75

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2014

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:

	Consolidated	
	Dec 2014	June 2014
	\$000	\$000
Cash at bank and in hand	1,781	2,201
Funds held by bank	350	350
Total cash and cash equivalents	2,131	2,551

8. Inventories

	Consolidated	
	Dec 2014	June 2014
	\$000	\$000
Stock on hand	8,641	9,645
Less: provision for obsolescence	(715)	(1,058)
	7,926	8,587

9. Commitments and contingencies

Contingencies

Recovery of an alleged outstanding debt relating to a freight consultancy agreement from 2006 was commenced against the company in May 2013. Since that date the company has vigorously defended the claim and will pursue recovery of all costs associated with this action.

10. 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 2014 and 31 December 2013.

		Sales to	Services	Amounts owed	Amounts owed
		related	from related	by related	to related
		parties	parties	parties	parties
		\$000	\$000	\$000	\$000
Entity with ultimate control over the consolidated entity					
CVC Ltd	2014	-	-	-	-
	2013	-	-	-	605
CVC Managers Pty Limited	2014	-	52	-	-
	2013	-	52	-	-

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

Notes to the Financial Statements (continued)
For the six months ended 31 December 2014

11. Interest bearing loans and borrowings

	Interest Rate %	Maturity	Dec 2014 \$000	June 2014 \$000
Business finance				
		5 January 2015	345	-
		12 January 2015	686	-
		19 January 2015	608	
		23 January 2015	238	-
		2 February 2015	652	-
		3 July 2014	-	251
		7 July 2014	-	450
		10 July 2014	-	427
		21 July 2014	-	190
Invoice finance	5.94	Various	4,377	
	5.71	Various	-	4,952
			6,906	6,270

Facility Review

The Group was in breach of its minimum interest coverage ratio covenant under the terms of the above facility agreements as at 30 June 2014. The facilities were reviewed in August 2014 and extended to the company for the 2015 financial year pending quarterly reviews to ensure loan covenant compliance.

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 2014 are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



A. Beard
Director
Sydney
17 February 2015



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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 2014, 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: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cellnet Group Limited, 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 2013 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



JJ EVANS
Partner

Brisbane, Queensland
17 February 2015