

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

24 February 2021

Cellnet continues to deliver – strongest first-half performance in 15 years

- First-half profit before tax of \$3.41m, up \$3.11m year-on-year
- All term debt fully repaid
- Cash at bank of \$4.7m as of 31 December 2020
- First-half year-on-year cost reduction of over \$1m
- Capital management policy under review with a full-year dividend planned

Trans-Tasman lifestyle technology distributor Cellnet Group Limited (Cellnet or the Company) has announced a first half FY2021 profit before tax of \$3.41m, up \$3.11m on the corresponding prior year period.

During the same period, the Company also fully repaid all of its outstanding term loans, which has further strengthened Cellnet's financial position.

The board of Cellnet is actively considering reinstatement of the Company's full year dividend. Subject to the performance of the Company's businesses in the second half, and any other capital requirements of the business in the second half, the Company anticipates declaring a full-year dividend equivalent to at least 15% of net profit after tax. The company currently has adequate carried forward tax losses that it can utilise against the majority of taxable profits earned in the six months ending 31 December 2020.

Commenting on the announcement, Cellnet's Chief Executive, Dave Clark, stated "This is an extremely pleasing first-half result in which we have been able to significantly improve profitability, extinguish our term loans and reduce operating costs year-on-year by over \$1m. The team has done a truly remarkable job to achieve this result. We are all very excited about the opportunities ahead – having now reshaped the business to be more agile, we can accelerate execution of our growth strategies across gaming, mobile accessories and online distribution."

Cellnet Chief Executive, Dave Clark, and Chief Financial Officer, Chris Barnes, are available to discuss the results with investors. To register interest in a Cellnet results briefing please email ir@cellnet.com.au.

Ends

Authorised for release by the Board.

For further information, please contact Chris Barnes (Company Secretary) on 1300 235 563

Cellnet Group Limited
and its controlled entities

ABN: 97 010 721 749

Half-Year Financial Report
Period Ended 31 December 2020

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Financial Report	B

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 2020
Previous Corresponding Period	Half-year ended 31 December 2019

This information presented should be read in conjunction with the 30 June 2020 financial report.

Results for announcement to the market

	Reporting Period \$000	Previous Corresponding Period \$000	% Change Increase / (Decrease)
Revenues from ordinary activities	56,461	57,769	(2.26%)
Profit from ordinary activities after tax attributable to members	2,408	202	1092.08%
Net Profit for the period attributable to members	2,408	202	1092.08%

The company currently has adequate carried forward tax losses that it can utilise against the majority of taxable profits earned in the six months ending 31 December 2020.

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	\$nil	\$nil
Amount per security	N/A	N/A
Franked amount per security	N/A	N/A
Record Date	N/A	N/A
Interim Dividends	\$nil	\$nil
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	8.0¢	21.2¢
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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 2020 as set out on pages 4 to 26.

Compliance Statement

This report is based on accounts that have been reviewed. The review report, which was not subject to audit modification 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 2020

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

Corporate Information

ABN 97 010 721 749

Directors

Mr Tony Pearson (Chairman)
Mr Michel Wendt (Deputy Chairman)
Mr Brian Danos
Mr Giles Karhan
Mr Kevin Gilmore

Company Secretary

Mr Chris Barnes

Principal Registered Office

Cellnet Group Limited
Tenancy E1, 5 Grevillea Place
Brisbane Airport QLD 4008
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 2020.

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:

Mr Tony Pearson (Chairman)
Mr Michel Wendt (Deputy Chairman)
Mr Brian Danos (appointed 1 July 2020)
Mr Giles Karhan
Mr Kevin Gilmore

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, gaming, table and notebook/hybrid accessories into retail and business channels in Australia and New Zealand; and
- Category management and fulfilment services to the mobile telecommunications and retail industries in Australia and New Zealand

Review and results of operations

- First-half profit before tax of \$3.41m, up \$3.11m year-on-year
- All term debt fully repaid
- Cash at bank of \$4.7m as of 31 December 2020
- First-half year-on-year cost reduction of over \$1m
- Capital management policy under review with a full-year dividend planned

Trans-Tasman lifestyle technology distributor Cellnet Group Limited (Cellnet or the Company) has announced a first half FY2021 profit before tax of \$3.41m, up \$3.11m on the corresponding prior year period.

During the same period, the Company also fully repaid all of its outstanding term loans, which has further strengthened Cellnet's financial position.

The board of Cellnet is actively considering reinstatement of the Company's full year dividend. Subject to the performance of the Company's businesses in the second half, and any other capital requirements of the business in the second half, the Company anticipates declaring a full-year dividend equivalent to at least 15% of net profit after tax. The company currently has adequate carried forward tax losses that it can utilise against the majority of taxable profits earned in the six months ending 31 December 2020

Cellnet continues to focus on a core set of brands together with developing its own Brand (3SixT) and increase its penetration into Telco and consumer electronic (CE) channel retailers, continuing to strengthen its market share in Australia and New Zealand.

Turn Left likewise focuses on a core set of brands and enjoys a leading position with CE Retailers in Australia in the Gaming category.

The Group forms an important supply base to leading retailers and our Category Management capability continues to differentiate it from competitors with the result that it is in a position of strength within its markets.

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

Dividends

There was no dividend declared in the six months ended 31 December 2020.

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.

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 2020. This Auditors Independence Declaration forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



Chairman
24 February 2021

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Cellnet Group Limited
Tenancy E1/5 Grevillia Place
BRISBANE AIRPORT QLD 4008

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2020, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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



PITCHER PARTNERS



DANIEL COLWELL
Partner

Brisbane, Queensland
24 February 2021

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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NIGEL FISCHER	PETER CAMENZULLI	KYLIE LAMPRECHT	BRETT HEADRICK	COLE WILKINSON	JEREMY JONES	JAMES FIELD	ROBYN COOPER	CHERYL MASON	MURRAY GRAHAM
MARK NICHOLSON	JASON EVANS	NORMAN THURECHT	WARWICK FACE	SIMON CHUN	TOM SPLATT	DANIEL COLWELL	FELICITY CRIMSTON	KERAN WALLIS	

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

**Interim consolidated statement of
comprehensive income**

For the six months ended 31 December 2020

	Note	Consolidated	
		31 Dec 2020 \$000	31 Dec 2019 \$000
Revenue from contracts with customers	4	56,461	57,769
Other income		268	-
Materials, packaging and consumables used		(42,815)	(46,222)
Depreciation and amortisation expense		(595)	(562)
Employee benefit expense		(4,897)	(5,568)
Finance costs		(440)	(469)
Freight expense		(1,205)	(1,549)
Occupancy expense		(84)	(144)
Warehousing expense		(1,504)	(1,637)
Other expense		(1,779)	(1,313)
Profit before income tax		3,410	305
Income tax (expense) / benefit	7	(1,002)	(103)
Profit for the period		2,408	202
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(136)	(162)
Total comprehensive income for the period		2,272	(40)
Earnings per share for profit attributable to the ordinary equity holders of the parent			
Basic earnings per share	17	1.03¢	0.23¢
Diluted earnings per share	17	1.03¢	0.23¢

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 2020

	Note	Consolidated	
		31 Dec 2020 \$000	30 Jun 2020 \$000
ASSETS			
Current assets			
Cash and cash equivalents		4,732	6,936
Trade and other receivables	8	21,588	15,027
Inventories	9	24,165	15,377
Other current assets		1,567	1,409
Derivative financial instruments	5	-	37
Total current assets		52,052	38,786
Non-current assets			
Property, plant and equipment		278	299
Right of use asset		629	700
Deferred tax assets (net)		1,867	2,750
Intangible assets	10	6,601	6,812
Total non-current assets		9,375	10,561
TOTAL ASSETS		61,427	49,347
LIABILITIES			
Current liabilities			
Trade and other payables	11	18,833	11,905
Current tax liabilities		119	33
Provisions		677	768
Interest-bearing loans and borrowings	12	12,895	9,042
Derivative financial instruments	5	113	-
Lease liabilities		404	360
Total current liabilities		33,041	22,108
Non-current liabilities			
Provisions		124	168
Interest-bearing loans and borrowings	12	-	1,250
Lease liabilities		304	420
Total non-current liabilities		428	1,838
TOTAL LIABILITIES		33,469	23,946
NET ASSETS		27,958	25,401
EQUITY			
Issued capital	13	38,485	38,389
Reserves		12,934	10,473
Accumulated losses		(23,461)	(23,461)
TOTAL EQUITY		27,958	25,401

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 2020

	Share capital \$000	Reserve for own shares \$000	Foreign currency translation reserve \$000	Share based payment reserve \$000	Reserve for profits \$000	Accumu- lated losses \$000	Total Equity \$000
At 1 July 2020	38,389	(25)	(339)	1,695	9,142	(23,461)	25,401
Profit for the period	-	-	-	-	-	2,408	2,408
Foreign currency translation	-	-	(136)	-	-	-	(136)
Total comprehensive income for the half year	-	-	(136)	-	-	2,408	2,272
Transfers to / from reserves	-	-	-	-	2,408	(2,408)	-
<i>Transactions with owners in their capacity as owners:</i>							
Share based payments	-	-	-	189	-	-	189
Issue of shares	96	-	-	-	-	-	96
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2020	38,485	(25)	(475)	1,884	11,550	(23,461)	27,958
At 1 July 2019	33,453	(25)	(187)	1,711	9,142	(21,088)	23,006
Profit for the period	-	-	-	-	-	202	202
Foreign currency translation	-	-	(162)	-	-	-	(162)
Total comprehensive income for the half year	-	-	(162)	-	-	202	(40)
Transfers to / from reserves	-	-	-	-	202	(202)	-
<i>Transactions with owners in their capacity as owners:</i>							
Share based payments	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2019	33,453	(25)	(349)	1,711	9,344	(21,088)	23,046

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 2020

Note	Consolidated	
	31 Dec 2020 \$000	31 Dec 2019 \$000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	56,593	58,542
Payments to suppliers and employees (inclusive of GST)	(60,633)	(60,890)
Income tax paid	(34)	(201)
Interest paid	(331)	(345)
Net cash flows used in operating activities	(4,405)	(2,894)
Cash flows from investing activities		
Purchase of property, plant and equipment	(18)	(72)
Purchase of intangibles	(128)	-
Payment for acquisition of subsidiaries, net of cash acquired	-	(714)
Lease incentives received	-	69
Payment of contingent consideration	-	(1,131)
Net cash flows used in investing activities	(146)	(1,848)
Cash flows from financing activities		
Proceed from share issue	96	-
Principal repayments on leases	(218)	(134)
Proceeds from borrowings	21,342	24,373
Repayment of borrowings	(18,739)	(18,122)
Net cash flows from financing activities	2,481	6,117
Net increase / (decrease) in cash and cash equivalents	(2,070)	1,375
Cash and cash equivalents at beginning of period	6,936	1,311
Net foreign exchange differences	(134)	(150)
Cash and cash equivalents at end of period	4,732	2,536

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 2020

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 2020 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 2020 were authorised for issue in accordance with a resolution of the directors on 23 February 2021.

The interim condensed consolidated financial statements of the consolidated entity as at and for the half-year ended 31 December 2020 are available upon request from the Company's registered office at Tenancy E1, 5 Grevillea Place, Brisbane Airport QLD 4008 or at 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 2020 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 2020.

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 2020.

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 2019.

4. Operating segment information

Identification of reportable 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 entity's chief operating decision maker (the Chief Executive Officer) 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 are identified by management based on the manner in which products are sold. The group has identified three operating segments, being Cellnet Australia, Cellnet New Zealand, and Turn Left Distribution. The Cellnet Australia and Cellnet New Zealand operating segments are aggregated into the one reportable segment (Cellnet), based on the similar economic characteristics that exist between these two segments, and similarities in the nature of products, type and class of customer for these products, distribution methods and similar economic and regulatory environments in Australia and New Zealand.

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

Notes to the Financial Statement

For the six months ended 31 December 2020

4. Operating segment information (continued)

Financial information for each of the group's reportable segments is set out below:

December 2020	Cellnet \$'000	Turn Left \$'000	Corporate and Eliminations \$'000	Total \$'000
Australia	34,136	13,062	-	47,198
New Zealand	9,263	-	-	9,263
Revenue	43,399	13,062	-	56,461
Profit before tax	2,313	1,165	(68)	3,410
Other income	-	-	268	268
Segment assets	41,807	17,158	2,462	61,427
Segment liabilities	26,270	6,973	226	33,469
December 2019	Cellnet \$'000	Turn Left \$'000	Corporate and Eliminations \$'000	Total \$'000
Australia	39,947	9,806	-	49,753
New Zealand	8,016	-	-	8,016
Revenue	47,963	9,806	-	57,769
Profit before tax	2	364	(61)	305
Other income	-	-	-	-
Segment assets	46,046	10,474	4,410	60,930
Segment liabilities	32,667	3,198	2,019	37,884

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.

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

Notes to the Financial Statement

For the six months ended 31 December 2020

5. Fair value measurements (cont'd)

The only balances on the group's balance sheet which are measured at fair value are forward foreign exchange contracts and contingent consideration payable. The fair value of forward foreign exchange contracts is determined by calculating the difference between the forward rate and closing rate on these contracts at balance date. Such fair value measurement is included in level 2, as it is based on an observable input. At 31 December 2020 the group recognised a liability of \$113,000 (30 June 2020: asset of \$37,000) for forward exchange contracts held at balance date.

The fair value of contingent consideration is calculated based on a probability weighted assessment of management's expectations surrounding the satisfaction of related performance targets. Key inputs into the valuation include scenario probability factors which are determined based on forecast internal financial information, which are unobservable (level 3 inputs). Details of the assumptions made in valuing contingent consideration liabilities in respect of business combinations completed in the financial year ended 30 June 2020 are outlined as follows.

Performance Distribution

Contingent consideration consists of contractual earn-out arrangements amounting to 35% of net profit before tax generated by the acquired business for a three-year period subsequent to the acquisition date of 1 April 2020.

The fair value of the contingent consideration liability at 31 December 2020 was \$227,000 (30 June 2020: \$364,000), which allows for net profit before tax over the earn-out period of \$0.702m (30 June 2020: \$1.115m), discounted at a rate of 4.5% (30 June 2020: 4.5%). Reasonably possible changes in these assumptions may result in an increase or decrease in the fair value of the contingent consideration by \$45,000.

The fair value of the contingent consideration liability reduced by \$137,000 during the half-year. This amount has been recognised in other income in profit and loss.

Powerguard

Contingent consideration consists of contractual earn-out arrangements based on the financial performance of the Powerguard business over the FY20 and FY21 financial years. These arrangements grant the vendor an entitlement to 25% of the gross profit generated above a gross profit floor of \$600,000 per financial year.

The fair value of the contingent consideration liability at 31 December 2020 was \$nil (30 June 2020: \$131,000). This valuation allows for a forecast gross profit margin for FY21 of \$0.445m (30 June 2020: \$1.2m). No reasonably possible change in this assumption would result in an increase in the fair value of the contingent consideration liability.

The fair value of the contingent consideration liability reduced by \$131,000 during the half-year. This amount has been recognised in other income in profit and loss.

6. Dividends

The group has not paid or declared any dividends for the half-year ended 31 December 2020. The group did not pay or declared any dividends for the half-year ended 31 December 2019.

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

Notes to the Financial Statement

For the six months ended 31 December 2020

7. Income tax expense

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

	Dec 2020	Dec 2019
	\$000	\$000
Profit before income tax	3,410	305
Prima facie tax expense at the Australian tax rate of 30%	1,023	92
Tax effect of adjustments		
Non-deductible expenditure	65	13
Non-taxable income	(80)	-
Difference in New Zealand tax rate (28%)	(6)	(2)
Income tax expense	1,002	103

8. Trade and other receivables

	Dec 2020	June 2020
	\$000	\$000
Receivables from contracts with customers	20,751	13,875
Allowances for expected credit losses	(890)	(176)
	19,861	13,699
Other receivables and prepayments	1,727	1,328
	21,588	15,027

As disclosed in note 3, 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. The balance of trade and other receivables at 31 December 2019 was \$23,553,000.

9. Inventories

	Dec 2020	June 2020
	\$000	\$000
Stock on hand	26,037	18,646
Less: provision for obsolescence	(1,872)	(3,269)
	24,165	15,377

As disclosed in note 3, 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. The balance of inventories as at 31 December 2019 was \$21,990,000.

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

Notes to the Financial Statement

For the six months ended 31 December 2020

10. Intangible assets

	Dec 2020 \$000	June 2020 \$000
Software assets	944	884
Goodwill	2,854	2,854
Customer relationships	-	24
Supplier relationships	2,803	3,050
	6,601	6,812

11. Trade and other payables

	Dec 2020 \$000	June 2020 \$000
Trade payables	12,226	5,656
Rebate and incentive liability	3,634	3,072
Right of return liability [^]	2,130	1,810
Contingent consideration payable*	230	495
Other payables and accrued expenses	613	872
	18,833	11,905

* Refer Note 5 for further details of these earn-out arrangements.

[^] An associated right to returned goods asset is recognised in other current assets, representing the expected value of goods to be returned by customers in future periods.

As disclosed in note 3, 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. The balance of trade and other payables at 31 December 2019 was \$18,584,000.

12. Interest bearing loans and borrowings

	Weighted Avg. Interest Rate %	Maturity	Dec 2020 \$000	June 2020 \$000
Business finance	3.07	4-28 January 2021	1,764	-
Business finance	3.14	6-29 July 2020	-	2,128
Invoice finance	3.30	Various	11,131	6,542
Business loan*	4.22	6 July 2021	-	372
			12,895	9,042
Business loan (non-current)*	5.06	6 July 2021	-	1,250
			-	1,250

* The Loan was repaid in full in December 2020

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

Notes to the Financial Statement

For the six months ended 31 December 2020

13. Contributed equity

	Dec 2020 No. of shares	Dec 2020 \$000	Dec 2019 No. of shares	Dec 2019 \$000
Balance at 1 July	231,601,856	38,389	62,595,096	33,453
Share issued – bonus shares*	992,778	36	-	-
Shares issued – exercise of options#	2,000,000	60	-	-
Balance at 31 December	234,594,634	38,485	62,595,096	33,453

* On 25 June 2020, the board approved a bonus of \$50,000 for the chairman and \$8,000 for the CFO in acknowledgement of their efforts in connection with the entitlement offer announced on 7 May 2020. A total of 992,778 shares were issued during the period at an issue price of 3.6 cents per share, after allowing for withholding tax payable on the bonuses.

A total of 2,000,000 shares were issued on exercise of options in December 2020, refer note 14 for further information.

14. Share based payments

Long term incentive plan – employee options

At 31 December 2020 a total of 1,275,000 employee share options were outstanding under the company's long-term incentive plan. Details of the options issued are as follows:

Options granted	1,587,500 and 312,500 and 500,000
Grant date	29 November 2017, 17 April 2018 and 10 October 2018
Issue date	1 July 2018, 1 July 2018 and 10 October 2018
Consideration payable	\$Nil
Exercise price	\$0.28, \$0.375 and \$0.28
Last exercise date	5pm Brisbane time on the date which is 12 months subsequent to market release of FY2021 result.
Exercise conditions	<p>Subject to the Plan Rules, an option cannot be exercised unless the Board acting reasonably is satisfied that the following conditions have been satisfied:</p> <ul style="list-style-type: none"> • The holder 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	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 an option pricing model. Expected volatility was determined based on historical stock price volatility over a period consistent with the life of the options.

Cellnet Group Limited and its controlled entities

Half-Year Financial Report

Notes to the Financial Statement

For the six months ended 31 December 2020

14. Share based payments (cont'd)

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

	Dec 2020 #	Weighted Average Exercise Price \$	Dec 2019 #	Weighted Average Exercise Price \$
Opening balance – 1 July	1,587,500	0.292	2,400,000	0.292
Granted during the half-year	-	-	-	-
Forfeited during the period	(312,500)	0.375	-	-
Exercised during the half-year	-	-	-	-
Outstanding as at 31 December	1,275,000	0.280	2,400,000	0.292
Vested and exercisable	-	-	-	-

The group has recognised share-based payments expense of \$31,000 in respect of these options during the half-year ended 31 December 2020 (31 December 2019: \$nil).

Non-executive Director options

At the Annual General Meeting held 22 October 2020 shareholders approved the issue of options to non-executive directors of the company, as consideration for the directors agreeing to forego cash payments for all or part of their director fees during the 2021 financial year. Details of the options issued are as follows:

Options granted	15,000,000
Grant date	22 October 2020
Issue date	22 October 2020
Consideration payable	\$Nil
Exercise price	\$0.03
Expiry date	21 October 2022 (3,000,000 options), 21 October 2023 (6,000,000 options) and 21 October 2025 (6,000,000 options)

Exercise conditions An option cannot be exercised unless the Board acting reasonably is satisfied that the following conditions have been satisfied:

- The option holders were also directors at the time when the relevant vesting condition was satisfied
- 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 director or received by the Company.
- All vesting conditions have been satisfied.

Vesting conditions Each tranche will vest on the earliest to occur of the Volume Weighted Average Price (VWAP) of the company's shares exceeding a target price:

- for 5 consecutive trading days on which shares are traded on the ASX; and
- 15 trading days regardless of whether shares trade on the ASX on consecutive trading days.

As the vesting conditions above are market conditions, these have been taken into consideration deriving the grant date fair value of the options. Provided that the Directors remain in service with the company over the life of the options, the grant date fair value of the options will be recognised in full as an expense regardless of whether the market-based vesting conditions are satisfied.

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

Notes to the Financial Statement

For the six months ended 31 December 2020

14. Share based payments (cont'd)

The fair value of the options granted was determined by management using an option pricing model. Expected volatility was determined based on historical stock price volatility over a period consistent with the life of the options. The table below summarises the key inputs into the valuation model for each tranche of options granted in the comparative half-year:

Tranche	Vesting Price	Life (years)	No. of Options	Exercise Price \$	Expected Volatility %	Risk Free Rate %	Value per Option \$
Tranche 1	\$0.05	2	3,000,000	0.03	50	0.26	0.2162
Tranche 2	\$0.10	3	6,000,000	0.03	50	0.28	0.2178
Tranche 3	\$0.15	5	6,000,000	0.03	50	0.45	0.2175

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

	Dec 2020 #	Weighted Average Exercise Price \$	Dec 2019 #	Weighted Average Exercise Price \$
Opening balance – 1 July	-	-	-	-
Granted during the half-year	15,000,000	0.03	-	-
Forfeited during the period	-	-	-	-
Exercised during the half-year	(2,000,000)	0.03	-	-
Outstanding as at 31 December	13,000,000	0.03	-	-
Vested and exercisable	1,000,000	0.03	-	-

Tranche 1 options (3,000,000) vested in November 2020, and 2,000,000 of these options were exercised prior to 31 December 2020. All remaining unvested options have vested subsequent to balance date on achievement of the applicable share price targets, and 4,000,000 of these options have now been exercised. At the date of this report, there are therefore 9,000,000 vested and exercisable options outstanding.

The group has recognised share-based payments expense of \$158,000 in respect of these options during the half-year ended 31 December 2020 (31 December 2019: \$nil).

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For the six months ended 31 December 2020

15. 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 2020 and 31 December 2019.

		Purchases from related parties	Sales to related parties	Amounts owed by related parties	Amounts owed to related Parties
		\$000	\$000	\$000	\$000
Ultimate parent entity					
Wentronic Holding GmbH	2020	-	-	65	-
Wentronic Holding GmbH	2019	-	-	-	-
Fellow subsidiary of Wentronic Holding GmbH:					
Wentronic Asia Pacific	2020	155	-	4	-
Wentronic Asia Pacific	2019	4,283	46	-	2,080

During the comparative half-year period, Cellnet purchased inventory from Wentronic Asia Pacific Limited (WAPL), as disclosed in the table above. WAPL is a wholly owned subsidiary of Wentronic Holding GmbH. A function of WAPL was to source and purchase inventory through bulk buying arrangements with third party suppliers on behalf of the Wentronic Group. WAPL sold inventory to Cellnet at cost price plus a fee to cover WAPL's operating costs. The fee paid was approximately 9% of the gross amount of purchases paid in United States Dollars.

As announced to the ASX on 2 March 2020, Cellnet started purchasing products directly from suppliers in March 2020 and now pays WAPL a 6% management / services fee for coordination of the purchasing and logistics function provided by WAPL under a service agreement between Cellnet Group Limited, Cellnet Limited and WAPL.

16. Events subsequent to balance date

Subsequent to balance date, a number of share options have vested and been exercised, as disclosed in note 14. There are no other 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.

17. Earnings per share

The weighted average number of shares used on the calculation of basic and diluted earnings per share for the comparative half-year ended 31 December 2019 has been adjusted for the bonus element in the entitlement offer completed on 7 May 2020. The bonus element represents the discount of the offer price under the entitlement offer to the fair value of shares on issue immediately prior to the close of the offer.

The previously reported earnings per share for the half-year ended 31 December 2019 was 0.32c per share

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 2020 are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the financial position as at 31 December 2020 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,



Chairman
24 February 2021

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Independent Auditor's Review Report to the Members of Cellnet Group Limited

Conclusion

We have reviewed the half-year financial report of Cellnet Group Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2020, 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, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 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*.

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.

Pitcher Partners

PITCHER PARTNERS



DANIEL COLWELL
Partner

Brisbane, Queensland
24 February 2021