



## **NOTICE OF ANNUAL GENERAL MEETING 2010 AND SPECIAL MEETING**

Notice is given that the Annual General Meeting of Cellnet Group Limited will be held at 9.00am (Brisbane time) on Monday 15 November 2010 at 59 - 61 Qantas Drive Eagle Farm, Queensland 4009.

### **Ordinary Business**

#### **FINANCIAL STATEMENTS AND REPORTS**

To receive and consider the financial and other reports for the year ended 30 June 2010.

#### **Resolution 1**

##### **ADOPTION OF REMUNERATION REPORT**

To consider and, if thought fit, pass the following in accordance with Section 250R(2) of the Corporations Act 2001 as an ordinary resolution:

*"That the section of the Directors' Report dealing with the remuneration of the Company's Directors and Senior Executives ('Remuneration Report') be adopted".*

NB: This resolution shall be determined as if it were an ordinary resolution, but under section 250R(3) of the *Corporations Act*, the vote does not bind the Directors or the Company.

#### **Resolution 2**

##### **RE-ELECTION OF DIRECTOR – MR MEL BROOKMAN**

To consider and, if thought fit, pass the following as an ordinary resolution:

*"Mel Brookman, who having retired by rotation in accordance with clause 17.1 of the Company's constitution, and being eligible, offers himself for re-election, be re-elected as a director".*

#### **Resolution 3**

##### **CHANGE TO LONG TERM INCENTIVE PLAN LOAN TERMS**

To consider and, if thought fit, pass the following as an ordinary resolution:

*"That the terms of the loan agreement with Mr Stuart Smith to purchase the shares in the Company as approved by shareholders at the Annual General Meeting held on 28 October 2009 be amended in the manner set out in the Explanatory Memorandum".*

#### **Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Stuart Smith and any of his associates. However, the Company will not disregard a vote if:



- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Resolution 4**

##### **APPROVAL OF ON-MARKET SHARE BUY-BACK**

To consider and, if thought fit, pass the following as an ordinary resolution:

*"That the Company is authorised to conduct an on-market share buy-back program for up to 13,882,296 fully paid ordinary shares, in accordance with the terms and conditions set out in the Explanatory Memorandum."*

#### **Resolution 5 – Special Resolution**

##### **CHANGE TO COMPANY CONSTITUTION**

To consider and, if thought fit, pass the following as a special resolution:

*'That, in accordance with section 136 of the Corporations Act 2001, approval be given to amend the Company's Constitution in the manner set out in the Explanatory Memorandum.'*

#### **Notes:**

Persons entitled to vote:

Under regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the meeting will be as it appears in the share register at 7.00pm (Sydney time) on Friday 12 November 2010.

Proxies:

Votes at the Meeting may be given personally or by proxy, attorney or representative. A member entitled to attend and vote at the meeting has the right to appoint no more than two proxies.

A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the member appoints two proxies and the appointment does not specify the proportion or the number of the member's votes each proxy may exercise, each proxy may exercise one half of the member's votes. If the member appoints two proxies, neither proxy may vote on a show of hands.

A proxy form is attached. A proxy need not be a member of the Company.



A proxy form must be signed by the member or his or her power of attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed by a director, company secretary, sole director and sole company secretary or under the hand of a duly authorized officer or attorney.

The proxy form (and any power of attorney under which it is signed) must be received by the Link Market Services Pty Limited either by –

- fax to 61 2 9287 0309
- by mail in the enclosed self addressed envelope, or
- by delivery to Level 12, 680 George Street, Sydney NSW 2000

no later than 48 hours before the commencement of the meeting, that is by no later than 9.00am (Brisbane time) on Saturday 13 November 2010. Any proxy form received after that time will not be valid for the scheduled meeting.

### **Explanatory Memorandum**

An Explanatory Memorandum accompanies and forms part of this Notice of Meeting and shareholders should read this document in full.

By Order of the Board

Stuart Smith  
Company Secretary  
8 October 2010



## **Explanatory Memorandum**

### **Ordinary Business– Financial Statements and Reports**

The Corporations Act 2001 requires the Financial Report, Directors' Report and Audit Report to be laid before the Annual General Meeting. In addition, Cellnet Group Limited's Constitution provides for such reports to be received and considered at the meeting. Apart from the matters involving remuneration, which are required to be voted upon, neither the Corporations Act 2001 nor Cellnet Group Limited's Constitution requires shareholders to vote on such reports.

However, shareholders will be given ample opportunity to ask questions or make comments about these reports and the management at the meeting. Shareholders will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's report. In addition to asking questions at the meeting, shareholders may address written questions to the Company's Auditor which are relevant to:

- the content of the Auditor's Report to be considered at the meeting; or
- the conduct of the audit of the annual financial report to be considered at the meeting.

### **Resolution 1 - Adoption of Remuneration Report**

In accordance with Section 250R(2) of the Corporations Act 2001, shareholders are asked to adopt the Company's remuneration report at the Company's Annual General Meeting. The remuneration report is set out in the Directors' Report on pages 9 to 16 of the Annual Report.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting. The vote on this resolution is advisory only and does not bind the Directors or the Company.

### **Resolution 2 - Re-election of Mr Mel Brookman Mr Mel Brookman (Age 47)**

Clause 17.1 of the Company's constitution requires that at every annual general meeting, one-third of the Directors (other than the Managing Director) must retire from office. Mr Mel Brookman was appointed a Director on 4 June 1992. Mr Brookman will, in accordance with the Constitution, retire by rotation and, being eligible, offer himself for re-election.



Mel is the Chairman and a Director of ASX-listed mNet Limited and a shareholder of the Company. Mel has had over 20 years experience in the telecommunications industry and brings significant commercial and entrepreneurial experience to the Board of Cellnet.

He is currently Chairman of the Audit and Risk Management Committee.

***The Directors (Mr Brookman abstaining) recommend that shareholders vote in favour of this resolution.***

### **Resolution 3 – Change to Long Term Loan Incentive Plan Loan Terms**

Resolution 3 seeks shareholder approval pursuant to ASX Listing Rule 10.15.6 for an amendment to the terms of the loan provided to Mr Stuart Smith to acquire shares issued under the Company's Long Term Incentive Plan approved by shareholders on 18 December 2007 (**Plan Loan** and **Plan Shares** respectively). The issue of 2,000,000 Plan Shares (including the Plan Loan) was approved by shareholders at the Annual General Meeting held on 28 October 2009 and shares were issued to Mr Smith on 24 November 2009.

The proposed amendment is a consequential amendment required following the recent changes to the dividend laws.

#### **Current interest provisions of Plan Loan**

Under the current Plan Loan, the after tax amount of dividends received in respect of the Plan Shares, are payable to the Company by way of interest on the Plan Loan.

The Plan Loan currently provides:

*2.1 Subject to clause 3.7, interest accrues on the Financial Assistance at the rate equal to all dividends paid on the Plan Shares (less income tax payable by the Borrower on the dividends) until the Financial Assistance is fully repaid.*

That interest provision was agreed under laws which prohibited the declaration and payment other than out of profits. Following recent changes to the law, dividends may now be paid out of surplus assets and not just profits. As a result, there is a possibility that the post tax amount of dividends under the Plan Shares will be too high to be appropriately considered as interest.

Accordingly, it is proposed to vary the Plan Loan so that after tax amount of dividends paid out of profits will be paid as interest on the Plan Loan and any after tax amount of dividends paid out of any surplus available for distribution which are not profits be applied towards the reduction of the Plan Loan principal.

The proposed amendments are to amend clauses 2.1, 2.2 and 3.1 to read as follows.

## **2 Interest**

### ***Interest***

2.1 *Subject to clause 3.7, interest accrues on the Financial Assistance at the rate equal to dividends paid from profits on the Plan Shares (less income tax payable by the Borrower on the dividends) until the Financial Assistance is fully repaid.*

### ***Payment of interest***

2.2 *Interest must be paid by the Borrower on the date that the Company pays a dividend to its ordinary shareholders.*

## **3 Repayment**

### ***When Financial Assistance repayable***

3.1 *Subject to clauses 3.1A, 3.2 and 3.3, Financial Assistance provided to the Borrower shall be repayable by the Borrower in full within three years after the date on which the Financial Assistance is provided (or within such longer period and in such manner as the Company may determine).*

3.1A *To the extent that dividends received on the Plan Shares are paid from surpluses available for distribution which are not profits, the Borrower must apply the amount of those dividends received (less income tax payable) towards reduction of the Financial Assistance. The Borrower must make any repayment of Financial Assistance required under this clause 3.1A on the date that the Company pays the relevant dividend to its ordinary shareholders.*

The Directors consider that approval for the proposed amendments to the Plan Loan under Part 2E of the Corporations Act 2001 is not required because it comprises part of Mr Smith's remuneration package which is reasonable in all the circumstances.

***The Directors recommend (with Mr Smith abstaining) that you vote in favour of this resolution.***

## **Resolution 4 – Approval of on-market share buy-back**

### **Regulatory requirements**

The Corporations Act 2001 (**Act**) authorises a company to buy-back its own shares on-market if the buy-back does not materially prejudice the company's ability to pay its creditors and it follows the procedures required in the Act.



Shareholder approval is required if the number of shares to be bought back will exceed 10% of the minimum number of shares on issue at any time during the previous 12 months. The limit after which a company requires shareholder approval for a buy-back is known as the '10/12 limit'.

### **Background**

In 2009, after completing a capital management review, the Company decided that it had cash surplus to its requirements. As the Company's shares were trading at a significant discount to net tangible assets of the Company, the Company determined that a share buy-back was an appropriate capital management strategy.

The Company obtained shareholder approval to buy-back up to 20 million shares at its 2009 annual general meeting, and during the period 29 October 2009 to 29 September 2010 bought back and cancelled 6,117,704 shares for a total of \$1.92 million.

The Directors believe that the rationale for the original buy-back remains valid, and that an effective way to improve shareholder value is for the continuation of the share buy-back.

As the shareholder approval for the buy-back obtained at the Company's 2009 annual general meeting is only valid for 12 months, it is necessary for the Company to seek new shareholder approval to buy-back the remaining 13,882,296 shares out of the total 20 million shares proposed to be bought back.

### **Number of shares subject to the buy-back**

The Company currently has 70,221,390 fully paid ordinary shares on issue and seeks shareholder approval for the on-market buy-back of a total of up to 13,882,296 shares, representing approximately 20% of the total issued share capital at the date of this notice. If the buy-back is completed, the Company will have 56,339,094 shares on issue.

It is intended that the on-market buy-back will commence as soon as practicable if approved and end once the maximum number of shares have been bought back or the date that is 12 months after the annual general meeting or earlier if determined by the Directors.

### **Price**

The Company will in its discretion offer to buy-back shares on market at a price determined by the Company subject to the ASX Listing Rules. ASX Listing Rule 7.33 imposes a moving cap on the price the Company may pay for the shares of 5% above the average market price per share for the last 5 days on which trades were recorded before the day on which the purchase under the buy-back was made.



Historical share price information is below.

<b>Information</b>	<b>Price</b>	<b>Date</b>
Close price	\$0.32	30 September 2010
High for 12 months to 30 September 2010	\$0.35	7,14,17,20,21 and 22 Sept 2010
Low for 12 months to 30 September 2010	\$0.28	13 Oct 2009 and 2 November 2009
30 day Volume Weighted Average	\$0.3228 (rounded to 4 decimal places)	30 days to 30 September 2010
60 day Volume Weighted Average	\$0.3214 (rounded to 4 decimal places)	60 days to 30 September 2010

#### **Financial information and pro-forma balance sheet information**

The cost to the Company of the buy-back is dependent on the number and price of shares bought back. The Company will incur brokerage costs to buy-back shares.

The following table is a summary of the Company' audited balance sheet as at 30 June 2010 reflecting a pro-forma adjustment for the completion of the buy-back of 13,882,296 shares at an estimated price of 34 cents per share being the highest average price paid by the Company during the buy-back conducted between 29 October 2009 to 29 September 2010.



<u>\$ Millions</u>	<u>Balance Sheet Summary 30/06/2010</u>	<u>On market buy-back 13.8m shares</u>	<u>Pro Forma balance sheet post buy-back</u>
<u>Assets</u>			
- Cash		(4.7) <sup>1 and 2</sup>	16.1
- Other Assets	20.8		20.5
Total Assets	20.5	(4.7)	36.6
	41.3		
<u>Liabilities</u>			
- Interest bearing liabilities	0.0		0.0
- Other liabilities	8.6		8.6
Total liabilities	8.6		8.6
<u>Equity</u>			
- Contributed Equity	42.0	(4.7)	37.3
- Retained earnings	(10.1)		(10.1)
- Reserves	0.8	(4.7)	0.8
Total Equity	32.7		28.0
Net Tangible Assets (NTA)	30.0	(4.7)	25.3
Number of Issued Shares (million)	73.5	(13.8)	59.7
NTA Per Share	40.8 cents		42.4 cents

Notes to the table –

1. Proposed share buy-back assuming the purchase of 13,882,296 shares at an average price 34 cents per share.

2. Excluding buy-back costs.

### **Advantages of buy-back**

The Directors consider that buy-back is a desirable capital management strategy and, on completion, could result in an increase to the Company's NTA per share from \$0.408 to \$0.424.

The buy-back will not affect the rights and entitlements of individual shareholders. By reducing the total number of shares on issue, continuing shareholders will have a larger proportional ownership of the Company.

### **Disadvantages of buy-back**

The proposed buy-back will be funded from existing cash reserves which were \$20.8 million as at 30 June 2010. The use of funds for the buy-back will mean that the funds will not be available for use in the Company's ordinary course of business.

Following a review, the Directors believe that, after the buy-back, the Company will have adequate capital to achieve its current strategy and business plan.

### **Consequence if approval not given**

If approval is not given, the Company intends to buy-back on-market the maximum number of shares permitted under the 10/12 limit without shareholder approval.



### **Directors' intention and recommendation**

Although the Directors are eligible to participate in the buy-back, it is not the present intention of any director to participate. Those intentions may however change without notice. Any participation by Directors will be disclosed to the market.

*The Directors unanimously recommend that shareholders vote in favour of the proposed share buy-back.*

### **Resolution 5 – Special Resolution – Change to Company Constitution**

Until recently, a company was only permitted to pay dividends out of its profits. This is reflected in clause 28.2(a) of the Company's Constitution which provides that:

*The Directors (without the sanction of a general meeting) may determine that a dividend, whether interim or final, is payable to the Members out of profits and those Members will be entitled to participate in accordance with Article 28.1 and this Article 28.2'*

The law has recently changed to replace the profits test with a solvency and fairness test. From 28 June 2010 companies are permitted to pay a dividend if:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; and
- the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

Despite this change of law, the current dividend provisions in the constitution would prevent the declaration and payment of dividends other than out of profits.

Accordingly, it is proposed that technical amendments be made to the Constitution to reflect the new laws and provide the Directors the maximum flexibility permitted by law to declare and pay dividends.

It is proposed that Article 28.1(a) and (c) and Article 28.2(a) of the Company's Constitution be amended to read as follows:

**'28            *Dividends***

**28.1            *Proportional distribution of dividends***

**(a)            *Subject to:***

**(i)            *any special rights or restrictions for the time being attaching to any Shares; and***



(ii) Articles 5.8, 27.1 and 28.2(e),

*all dividends are apportioned and paid proportionately to the amounts paid or credited as paid on the Shares in proportion to the relevant issue price for the Shares.'*

...

(c) *A determination by the Directors as to the amount of dividends available for distribution is conclusive.*

**28.2 Directors determine dividends**

(a) *Subject to any special rights or restrictions attached to any Shares, the Directors (without the sanction of a general meeting) may from time to time at their discretion, declare or determine, and pay dividends out of profits or in any other manner permitted by law.'*

If approved, the amendments will enable the Directors to declare and pay a dividend based on whether the Company is solvent, rather than whether it has produced a profit. Accordingly, if the Company fails to produce a profit for one year the Directors may still be able to declare and pay a dividend, if the solvency and fairness test is met.

For the amendments to be approved, this resolution must be passed by at least 75% of the votes cast by shareholders at the meeting.

***The Directors unanimously recommend that you vote in favour of this resolution.***



**Cellnet Group Limited**  
 ABN 97 010 721 749

**LODGE YOUR VOTE**

**By mail:**  
 Cellnet Group Limited  
 C/- Link Market Services Limited  
 Locked Bag A14  
 Sydney South NSW 1235 Australia

**By fax:** (02) 9287 0309

**All enquiries to: Telephone:** (02) 8280 7454 **Overseas:** +61 2 8280 7454

**SECURITYHOLDER VOTING FORM**

I/We being a member(s) of Cellnet Group Limited and entitled to attend and vote hereby appoint:

**STEP 1**

**APPOINT A PROXY**

the Chairman  
of the Meeting  
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 9:00 am (Brisbane time) on Monday, 15 November 2010, at the company's office, 59-61 Qantas Drive, Eagle Farm QLD 4009 and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an

**STEP 2**

**VOTING DIRECTIONS**

**ORDINARY BUSINESS**

**Resolution 1**  
Adoption of Remuneration Report

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 2**  
Re-election of Director -  
Mr Mel Brookman

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**Resolution 3**  
Change to Long Term Incentive Plan  
Loan Terms

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**Resolution 4**  
Approval of on-market share buy-back

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**SPECIAL BUSINESS**

**Resolution 5**  
Change to Company Constitution

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3**

**SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED**

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

**CLT PRX001**

## HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. A proxy may be an individual or a body corporate.

### Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's security registry.

## Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 9:00 am on Saturday, 13 November 2010, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



by mail:

Cellnet Group Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you.  
This will assist in registering your attendance.