

**Cellnet Limited**

**ASX-CLT**

**PRESS RELEASE**

In spite of difficult trading conditions including the impact of the closure of the Dick Smith Electronic stores, the Company is pleased to report a continuing improved result.

Profit after tax was up by 6% to \$1.75m while earnings per share improved by 10% to 3.3 cents per share following the buyback of 4,124,800 shares during the financial year.

In the second half of the 2016 financial year, a number of organic growth opportunities were implemented, which are expected to further improve operating performance in the 2017 financial year. The Company is also continuing to seek value enhancing acquisition opportunities.

A fully franked dividend of 1 cent per share was paid in September 2015 and the Board has declared a fully franked final dividend of 1.25 cents per share for the 2016 financial year.

**Alexander Beard**  
**Chairman**  
**02 9087 8000**



**Cellnet Group Limited**  
and its controlled entities

**ABN: 97 010 721 749**

**Financial Report**  
**Year Ended 30 June 2016**

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

## Section A

**Appendix 4E**  
**Final Report**  
**Results for announcement to the market**

<b>Name of Entity</b>	Cellnet Group Limited
<b>ABN</b>	97 010 721 749
<b>Reporting Period</b>	Full-year ended 30 June 2016
<b>Previous Corresponding Period</b>	Full-year ended 30 June 2015

### Results

	<b>Reporting Period</b>	<b>Previous Corresponding Period</b>	<b>% Change Increase / (Decrease)</b>
	<b>\$000</b>	<b>\$000</b>	
Revenue from continuing operations	75,154	78,268	(3.98%)
Revenue from ordinary activities	75,154	78,268	(3.98%)
Profit/(Loss) from ordinary activities after tax attributable to members	1,748	1,649	6.01%
Net Profit/(Loss) for the period attributable to members	1,748	1,649	6.01%

## Dividends

	Amount per Security	Franked Amount per Security
Final dividend	\$0.0125	\$0.0125
Previous year final dividend	\$0.01	\$0.01

## Commentary on Results:

Please refer to the attached commentary for a more detailed review of the Company.

## Commentary on Dividends:

The company has declared a fully franked final dividend of 1.25c per share with a record date for determining entitlements to the dividend of 9<sup>th</sup> September, 2016 and which will be paid on 23<sup>rd</sup> September, 2016.

## Net Tangible Assets:

	30 June 2016	30 June 2015
Net tangible assets backing per share	24.4¢	21.7¢

## Other Information:

Additional appendix 4E disclosure requirements can be found in the attached Financial report. This appendix 4E and financial report are based on accounts that have been audited. The audit report, which was unqualified, is included in the attached financial report.

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## Corporate Information

ABN 97 010 721 749

### **Directors**

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

### **Company Secretary**

C. Barnes

### **Principal Registered Office**

Cellnet Group Limited  
59-61 Qantas Drive  
Eagle Farm QLD 4009  
Phone: 1300 CELLNET  
Fax: 1800 CELLNET

### **Banker**

Westpac Banking Corporation  
260 Queen Street  
Brisbane QLD 4000

### **Auditor**

Pitcher Partners  
345 Queen Street  
Brisbane QLD 4000

### **Share Register**

Link Market Services Ltd  
Level 15 ANZ Building  
324 Queen Street, Brisbane QLD 4000  
Phone: 1300 554 474

### **Solicitors**

Thomson Geer  
Level 16 Waterford Place  
1 Eagle Street, Brisbane QLD 4000

### **Securities Exchange**

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

### **Corporate Governance**

All corporate governance related matters and associated disclosures regarding the company, including the company's corporate governance statement, can be found on the company's website in the investor relations section at: <http://www.cellnet.com.au/investorrelations/>

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

### **Financial Report**

#### **Directors' Report**

Your Directors submit their report for the year ended 30 June 2016.

#### **Directors**

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### **Names, qualifications, experience and special responsibilities**

##### **Alexander Beard**

**B. Com, MAICD, FCA**

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

Mr Beard is a Chartered Accountant and an experienced financier of growth companies as well as having gained considerable industry experience through his investee board roles. He is a fellow of the Institute of Chartered Accountants and a member of the Institute of Company Directors.

Mr Beard is Executive Director of CVC Limited (ASX: CVC) and Executive Director of Eildon Capital Limited (formerly CVC Private Equity Limited). Mr Beard is currently a member of the Audit and Risk Management and Remuneration Committees.

During the past three years Mr Beard has also served as Chairman and Non-Executive Director of Villa World and Director of the following listed companies: Mnemon Limited (formerly Mnet Group Limited) (ASX: MNZ), CVC Property Fund (ASX: CJT) and Lonestar Resources Limited (formerly Amadeus Energy Limited).

##### **Mel Brookman**

**(Non-Executive Director – appointed 4 June 1992)**

Mr Brookman was a co-founder of Cellnet in 1992. He has over 20 years' experience in mobile phone and distribution industries. He was previously the Managing Director of the Company from 1999 to November 2002, and is presently chair of the Remuneration Committee and a member of the Audit and Risk Management Committee.

##### **Elliott Kaplan**

**B. Acc, CA**

**(Non-Executive Director – appointed 25 July 2012)**

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

Mr Kaplan is a director of Eildon Capital Limited (formerly CVC Private Equity Limited) and is a non-executive director of ASX listed Pro-Pac Packaging Limited (ASX: PPG). Mr Kaplan is currently the chair of the Audit and Risk Management Committee and member of the Remuneration Committee.

During the past three years, Mr Kaplan also served as Non-Executive Director of Mnemon Limited (formerly Mnet Group Limited) (ASX: MNZ) and Non-Executive Director of Dolomatrix Limited (ASX: DMX).

As at the date of this report, the interest of the directors (including their related parties) in the shares and options of Cellnet Group Limited were:

<b>Director</b>	<b>Number of ordinary shares</b>	<b>Number of restricted shares</b>	<b>Number of options</b>
A. Beard	222,222	-	1,200,000
M. Brookman	1,851,943	-	-
E. Kaplan	133,779	-	1,200,000

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

## **Financial Report**

### **Directors' Report (continued)**

#### **Company Secretary**

**Chris Barnes**

**B. Acc, CPA**

**(Company Secretary and Chief Financial Officer – appointed 9 March 2011)**

Mr Barnes has been with the Company since 2006. He holds a Bachelor of Accounting Degree and is CPA qualified.

#### **Dividends**

A final dividend of \$0.01 per share was declared 24 August 2015 with a payment date of 23 September 2015.

#### **Principal activities**

The principal activities of the consolidated entity are:

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

#### **Operating and financial review**

In spite of difficult trading conditions including the impact of the closure of the Dick Smith Electronic stores, the Company is pleased to report a continuing improved result.

Profit after tax was up by 6% to \$1.75m (2015: \$1.65m) while earnings per share improved by 10% to 3.3 cents per share following the buyback of 4,124,800 shares during the financial year.

In the second half of the 2016 financial year, a number of organic growth opportunities were executed on, which are expected to further improve operating performance in the 2017 financial year. The Company is also continuing to seek value enhancing acquisition opportunities.

A fully franked dividend of 1 cent per share was paid in September 2015 and the Board has declared a fully franked final dividend of 1.25 cents per share for the 2016 financial year.

#### **Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the company during the current year.

#### **Significant events after balance date**

There have been no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of Cellnet Group Limited, the results of those operations, or the state of affairs of Cellnet Group Limited in future years.



## Cellnet Group Limited and its consolidated entities Financial Report

### Directors' Report (continued)

#### Likely Developments

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

#### Share options

At the date of this report there were a total of 2,400,000 vested and exercisable share options and 3,169,667 unvested performance rights over ordinary shares in the company on issue. Ordinary shares issued under performance rights are to be held in escrow until 30 June 2017. No option or right holder has any rights under the terms of the instruments to participate in any other share issue of the company or any other entity. Details of these instruments are outlined as follows:

##### Options:

Grant Date	Vest Date	Expiry Date	Exercise Price (\$)	Opening	Lapsed	Exercised	Closing
24/10/2014	24/10/2014	31/10/2017	0.25	2,400,000	-	-	2,400,000

##### Performance rights:

Grant Date	Vest Date	Expiry Date*	Exercise Price (\$)	Opening	Issued	Lapsed/ Forfeited	Exercised	Closing
3/2/2015	30/6/2015	30/9/2017	-	366,666	-	-	(366,666)	-
3/2/2015	30/6/2016	30/9/2017	-	366,667	-	(33,333)	-	333,334
3/2/2015	30/6/2017	30/9/2017	-	366,667	-	(33,334)	-	333,333
3/2/2015	30/6/2017	30/9/2017	-	2,200,000	-	(200,000)	-	2,000,000
1/8/2016	30/6/2019	30/9/2019	-	-	334,000	-	-	334,000
1/8/2016	30/6/2017	30/9/2019	-	-	55,000	-	-	55,000
1/8/2016	30/6/2018	30/9/2019	-	-	55,000	-	-	55,000
1/8/2016	30/6/2019	30/9/2019	-	-	56,000	-	-	56,000

\* Vested performance rights will expire on the date which is 30 business days subsequent to the release of 30 June results to market.

#### Indemnification and insurance of officers

##### Indemnification

The Company has agreed to indemnify the current and former Directors and Company Secretaries of its controlled entities for all liabilities to another person, other than the Company or a related body corporate that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

##### Insurance premiums

Insurance premiums have been paid in respect of Directors' and Officers' Liability Insurance. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability insurance as such disclosure is prohibited under the terms of the contract.

## Cellnet Group Limited and its consolidated entities

### Financial Report

## Directors' Report (continued)

### Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Meetings of Committees		
	Board	Audit & Risk Mgmt	Remuneration
Number of meetings held:	6	2	1
Number of meetings attended:			
A. Beard	6	2	1
M. Brookman	6	2	1
E. Kaplan	6	2	1

### Committee membership

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

### Audit and risk management

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

### Remuneration

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

### Non-audit services

The following non-audit services were provided by the entity's current auditor, Pitcher Partners during the year. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

	Consolidated	
	2016	2015
	\$	\$
Tax compliance services	-	17,530

### Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 1 April 2016 and in accordance with that Instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Cellnet Group Limited and its consolidated entities**  
**Financial Report**

**Directors' Report (continued)**

**Auditor's independence declaration**

The Auditor's independence declaration is set out on page 7 and forms part of the Directors' report for the financial year ended 30 June 2016.

## Auditors Independence Declaration



**PITCHER PARTNERS**

ACCOUNTANTS • AUDITORS • ADVISORS

Level 30  
345 Queen Street  
Brisbane  
Queensland 4000

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Queensland 4001

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Pitcher Partners is an association of independent firms  
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ROSS WALKER  
KEN OGDEN  
NIGEL FISCHER  
TERESA HOOPER  
MARK NICHOLSON  
PETER CAMENZULI  
JASON EVANS  
IAN JONES  
KYLIE LAMPRECHT  
NORMAN THURECHT  
BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON  
SIMON CHUN

The Directors  
Cellnet Group Limited  
59-61 Qantas Drive  
EAGLE FARM QLD 4009

### Auditor's Independence Declaration

As lead auditor for the audit of Cellnet Group Limited for the year ended 30 June 2016, 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 audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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  
11 August 2016

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Directors' Report (continued)

### Remuneration Report (audited)

This remuneration report for the year ended 30 June 2016 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308 (3C) of the Act. The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent.

### Remuneration report approval at FY15 AGM

The FY15 remuneration report received positive shareholder support at the FY15 AGM with a vote of 99.3% in favour.

For the purposes of this report, the term "executive" includes the executive directors, senior executives, general managers and secretaries of the consolidated entity and the term "director" refers to non-executive directors only.

The remuneration report is presented under the following sections:

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

### 1. Individual key management personnel disclosures

#### Key management personnel

#### (i) Directors

A. Beard	Chairman (Non-Executive)
M. Brookman	Director (Non-Executive)
E. Kaplan	Director (Non-Executive)

#### (ii) Executives

A. Sparks	Chief Executive Officer
C. Barnes	Chief Financial Officer and Company Secretary
D. Clark	General Manager - New Zealand

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

## **Financial Report**

### **Directors' Report (continued)**

### **Remuneration Report (audited) (continued)**

## **2. Remuneration at a glance**

Remuneration levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced executives. The Board as necessary obtains independent advice on the appropriateness of remuneration packages of the consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

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

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control performance;
- the consolidated entity's performance including:
  - the consolidated entity's earnings; and
  - the growth in share price and delivering of constant returns on shareholder wealth;
- the amount of incentives within each key management person's remuneration.

Remuneration packages include a mix of fixed and variable remuneration including short and long-term performance-based incentives.

## **3. Board oversight of remuneration**

### **Remuneration committee**

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

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

### **Remuneration strategy**

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

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

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

### **Remuneration structure**

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

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Directors' Report (continued)

### Remuneration Report (audited) (continued)

#### 4. Non-executive director remuneration arrangements

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 1999 AGM, is not to exceed \$300,000 per annum.

The Chairman's base fee is \$54,500 per annum and Non-Executive Directors' base fees are presently \$50,000 per annum. Non-Executive Directors do not receive performance related remuneration. Non-executives may, at the discretion of the Remuneration Committee and subject to shareholder approval, receive compensation in the form of share options. No options were issued to Non-Executive Directors during the current financial year. The following options were issued to Non-Executive Directors during the 2015 year as part of their remuneration:

Director	Grant Date	No. Granted	Grant Date Fair Value (\$)	Exercise Price (\$)	No. Forfeited	No. Vested	Percentage Vested
A. Beard	24/10/2014	1,200,000	0.03	0.25	-	1,200,000	100%
E. Kaplan	24/10/2014	1,200,000	0.03	0.25	-	1,200,000	100%

There were no vesting conditions attached to the options. Options are exercisable at any time from the grant date to the expiry date, being 31 October 2017.

#### 5. Executive remuneration arrangements and the link to company performance

##### 5.1 Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board.

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

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

##### 5.3 STI bonus

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

	Net Cash Position	PBT
Chief Executive Officer	50%	50%
General Manager New Zealand	50%	50%
Chief Financial Officer	50%	50%

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

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

## Cellnet Group Limited and its consolidated entities

### Financial Report

#### Directors' Report (continued)

#### Remuneration Report (audited) (continued)

##### 5.3 STI bonus (continued)

At the end of the financial year the Board assesses the actual performance of the consolidated entity and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results, between 0% and 100% for reaching target performance for non-financial objectives, and uncapped beyond 100% in respect of financial performance objectives. No bonus is awarded where performance falls below the minimum. The following table outlines the proportion of maximum STI that was earned and forfeited in relation to the 2016 financial year.

Name	Proportion of maximum STI earned in FY16	Proportion of maximum STI forfeited in FY16
A. Sparks	50%	50%
D. Clark	100%	NIL
C. Barnes	50%	50%

No other members of the Company's key management personnel were eligible to earn an STI in the 2016 financial year.

##### STI awards for 2015 and 2016 financial years

For the 2016 financial year, a total payment of \$198,243 was made which represents 100% of the total STI cash bonus previously accrued in that period which has vested to executives. For the 2015 financial year, a total payment of \$292,352 was made which represented 100% of the total STI cash bonus previously accrued in that period which had vested to executives.

##### 5.4 LTIs

###### Executive Share Option Plan

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

Under the plan the Board has the discretion to issue options to Executives as long as the issue does not result in the Executive owning or controlling the exercise of voting power attached to 5% or more of all shares then on issue. Each option is convertible to one ordinary share. The exercise price of the option is determined by the Board.

The rules governing the operation of the plan may be amended, waived or modified, at any time by resolution of the Board provided there is no reduction of rights to Executives in the plan. If an amendment reduces the rights of Executives in the plan, it requires written consent of three-quarters of affected Executives.

The plan may be terminated or suspended at any time by a resolution of the Board, provided the termination or suspension does not materially adversely affect the rights of persons holding shares issued under the plan at that time. No options were issued in the current year to executive directors (2015: Nil).

###### LTI Plan

The Board has established a Long Term Incentive Plan which is designed to provide incentives to the Executives of the consolidated entity. The plan was approved by shareholders at the Annual General Meeting held on 18 December 2007.

The purpose and rules of the plan are the same as the Executive Share Option Plan described above, except that there is no prohibition on issuing shares if it would result in an Executive owning (legally or beneficially) or controlling the exercise of voting power attached to 5% or more of all shares then on issue. No shares were issued under the LTI plan during the 2016 year (2015: Nil).



# Cellnet Group Limited and its consolidated entities

## Financial Report

### Directors' Report (continued)

### Remuneration Report (audited) (continued)

### Performance Rights Plan

On 24 October 2014 at the Company's Annual General Meeting, shareholders approved a performance rights plan.

Under this plan, performance rights are issued to key management personnel. The rights deliver ordinary shares to key management personnel (at no cost to the executive) where the performance hurdle in relation to those performance rights is met. Following the exercise of a Right, the Company must, within such time as the Board determines, issue or allocate to or acquire on market for the person exercising the Right, the number of shares in respect of which the Right has been exercised, credited as fully paid. No rights were issued to KMP under this plan during the current year (2015: 2,100,000). Details of the rights granted to KMP during the comparative year are summarised as follows:

KMP	Grant Date	No. Granted	Grant Date Fair Value (\$)	Exercise Price (\$)	No. Forfeited	No. Vested	Percentage Vested
A. Sparks	3/2/2015	866,667*	0.13	-	-	-	0%
A. Sparks	3/2/2015	433,333^	0.28	-	-	143,000	33.0%
C. Barnes	3/2/2015	200,000*	0.13	-	-	-	0%
C. Barnes	3/2/2015	100,000^	0.28	-	-	33,333	33.3%
D. Clark	3/2/2015	333,333*	0.13	-	-	-	0%
D. Clark	3/2/2015	166,667^	0.28	-	-	55,000	33.0%

#### Conditions attached to performance rights:

\* Rights vest subject to achievement of a total shareholder return (TSR) performance hurdle. Rights will vest if the TSR over the performance period, being 1 July 2014 to 30 June 2017, has increased by at least 20% per annum on a compounding basis. TSR will be calculated by the Board as the difference in share price from \$0.25 per share over the performance period, plus the value of shares earned from notionally reinvesting dividends received over this period, expressed as a percentage of the share price of \$0.25. The closing share price is calculated as the volume weighted average sale price of shares on the ASX for the 10 trading days up to and including the date that is 10 trading days following the date FY17 audited results are released to the market. Employees must remain in service with the company throughout the measurement period for the rights to vest.

^ Rights vest subject to achievement of profit before tax (PBT) performance hurdles in respect of each of the 2015, 2016 and 2017 financial years. Each annual PBT performance hurdle is achieved if actual PBT is equal to or greater than 120% of Budgeted PBT. Actual PBT means the profit before tax disclosed in the Company's audited financial statements for the relevant performance period as adjusted in the Board's discretion for one-off, abnormal and non-recurring items or such other matters that the Board considers fair and reasonable. Budgeted PBT means the profit before tax set out in any budget approved by the Board from time to time for the relevant performance period. The rights are subject to a cumulative vesting condition if a PBT hurdle in one or more periods is not achieved. The last date for measurement is the date which is 30 days subsequent to the release of 30 June 2017 audited results to the market. Employees must remain in service with the company throughout the measurement period for the rights to vest.

Shares issued on exercise of vested rights are held in escrow and are not transferable until 30 June 2017.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Directors' Report (continued)

### Remuneration Report (audited) (continued)

#### 5.5 STI structure

The Board considers that the above performance-linked remuneration structure is appropriate at this time. It provides both short-term focus on operating performance and longer term focus on share price growth.

Improving the performance of the operations was the main focus in setting the financial year 2016 short-term incentive.

#### 5.6 Consequences of performance on shareholder wealth

In considering the consolidated entity's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and previous financial years.

Details	2016	2015	2014	2013	2012
Net profit / (loss) attributable to equity holders of the Company	\$1,748,000	\$1,649,000	(\$3,887,000)	\$962,000	(\$488,000)
Dividends paid	\$557,071	-	-	-	\$7,912,000
Reduction of share capital	\$746,000	-	-	-	\$5,308,000
Change in share price	-	\$0.03	\$0.01	-	(\$0.19)

#### 5.7 Other benefits

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

### 6. Executive contractual arrangements

It is the consolidated entity's policy that service contracts for key management personnel are unlimited in term but capable of termination as per the relevant period of notice and that the consolidated entity retains the right to terminate the contract immediately, by making payment that is commensurate with pay in lieu of notice.

The service contract outlines the components of remuneration paid to the key management person but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Standard KMP termination payment provisions apply to all current members of the KMP, including the Chief Executive Officer. The standards KMP provisions are as follows:

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

**Cellnet Group Limited and its consolidated entities**  
**Financial Report**

**Directors' Report (continued)**

**Remuneration Report (audited) (continued)**

**6.1 Directors' and executive officers' remuneration**

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

	Year	Short-term			Post-Employment	Long-term benefits		Termination benefits	Total	% performance related (iii)	
		Salary & fees \$	STI cash bonus \$	Motor Vehicle allowances \$	Non-monetary benefits \$	Superannuation benefits \$	Cash Incentives \$	Long Service Leave \$			Share-based payments \$
Non-executive Directors											
A. Beard (i)	2016	-	-	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	37,140	-	37,140	-
M. Brookman	2016	50,000	-	-	-	-	-	-	-	50,000	-
	2015	50,000	-	-	-	-	-	-	-	50,000	-
E. Kaplan (ii)	2016	-	-	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	37,140	-	37,140	-
Total non-executive directors	2016	50,000	-	-	-	-	-	-	-	50,000	-
	2015	50,000	-	-	-	-	-	74,280	-	124,280	-

i During both the 2016 and 2015 financial years the Company paid management fees to CVC Managers Pty Limited totalling \$54,500 in relation to director's services performed by Mr A Beard.

ii During both the 2016 and 2015 financial years the Company paid management fees to CVC Managers Pty Limited totalling \$50,000 in relation to director's services performed by Mr E Kaplan.

iii There were no performance conditions attached to options granted to non-executive directors during the 2015 year. Options were granted in lieu of cash consideration as part of the company's remuneration strategy for non-executive directors.

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

Remuneration Report (audited) (continued)

6.1 Directors' and executives officers, remuneration (continued)

		Short-term				Post- Employment	Long-term benefits				% performance related	% Options/ rights		
	Year	Salary & fees \$	STI cash bonus \$	Motor Vehicle allowances \$	Non- monetary benefits \$	Superannuation benefits \$	Cash Incentives \$	Long Service Leave \$	Share Based Payments \$	Termination/Rete ntion Benefits \$	Total \$			
Other key management personnel														
A Sparks	2016	250,000	37,500	-	-	19,308	-	-	54,406	-	361,214	25.4%	15.1%	
	2015	250,000	89,396	-	-	18,783	-	-	67,687	-	425,866	36.9%	15.9%	
C Barnes	2016	209,731	30,750	-	-	19,308	-	4,800	12,555	-	277,144	15.6%	4.5%	
	2015	200,000	69,290	-	-	18,783	-	4,627	15,713	-	308,413	27.6%	5.1%	
D Clark	2016	191,553	129,993	14,490	-	9,859	-	-	20,925	-	366,820	41.1%	5.7%	
	2015	165,237	133,666	14,052	-	7,924	-	-	26,033	-	346,912	46.0%	7.5%	
Total executive and KMP		2016	651,284	198,243	14,490	-	48,475	-	4,800	87,886	-	1,005,178	28.5%	8.7%
		2015	615,237	292,352	14,052	-	45,490	-	4,627	109,433	-	1,081,191	37.2%	10.2%
Totals (Directors and KMP)		2016	701,284	198,243	14,490	-	48,475	-	4,800	87,886	-	1,055,178	27.1%	8.3%
		2015	665,237	292,352	14,052	-	45,490	-	4,627	183,713	-	1,205,471	33.3%	15.2%

**Cellnet Group Limited and its consolidated entities**  
**Financial Report**

**Directors' Report (continued)**

**7. Additional statutory disclosures**

This section sets out the additional disclosures required under the Corporations Act 2001.

**Option/right holdings:**

This table below details the number of options or rights over ordinary shares in the company held by directors, KMP or their related parties.

Director/ KMP	No. Held at 1/7/2015	No. Granted	No. Lapsed	No. Exercised	No. Held at 30/6/2016	No. Vested & Exercisable
A. Beard	1,200,000	-	-	-	1,200,000	1,200,000
M. Brookman	-	-	-	-	-	-
E. Kaplan	1,200,000	-	-	-	1,200,000	1,200,000
A. Sparks	1,300,000	-	-	(143,000)	1,157,000	-
C. Barnes	300,000	-	-	(33,333)	266,667	-
D. Clark	500,000	-	-	(55,000)	445,000	-

**Shareholdings:**

The table below details the number of ordinary shares in the company held by directors, KMP or their related parties. Unless otherwise stated, shares were acquired on-market.

Director/ KMP	No. Held at 1/7/2015	No. Acquired - On Market	No. Acquired - Exercise of Options (i)	No. Disposed	No. Held at 30/6/2016
A. Beard	-	222,222	-	-	222,222
M. Brookman	1,851,943	-	-	-	1,851,943
E. Kaplan	-	133,779	-	-	133,779
A. Sparks	-	-	143,000	-	143,000
C. Barnes	22,375	-	33,333	-	55,708
D. Clark	-	-	55,000	-	55,000

(i) As disclosed in section 5.4, shares issued on exercise of performance rights are subject to escrow restrictions prior to 30 June 2017.

**END OF REMUNERATION REPORT**

This report is made with a resolution of the Directors:



Alexander Beard  
Chairman  
Signed at Brisbane on 11 August 2016

**Cellnet Group Limited and its consolidated entities**  
**Financial Report**

**Statement of financial position**

**As at 30 June 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$000</b>	<b>\$000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	<b>10</b>	1,411	2,373
Trade and other receivables	<b>11</b>	10,044	9,400
Inventories	<b>12</b>	8,968	8,004
Derivative financial instruments	<b>18</b>	143	261
<b>Total current assets</b>		<b>20,566</b>	<b>20,038</b>
<b>Non-current assets</b>			
Property, plant and equipment	<b>13</b>	304	471
Deferred tax assets (net)	<b>8(c)</b>	848	838
Intangible assets	<b>14</b>	52	27
<b>Total non-current assets</b>		<b>1,204</b>	<b>1,336</b>
<b>TOTAL ASSETS</b>		<b>21,770</b>	<b>21,374</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<b>15</b>	6,913	7,153
Provisions	<b>16</b>	520	594
Interest-bearing loans and borrowings	<b>17</b>	763	555
<b>Total current liabilities</b>		<b>8,196</b>	<b>8,302</b>
<b>Non-current liabilities</b>			
Provisions	<b>16</b>	18	93
<b>Total non-current liabilities</b>		<b>18</b>	<b>93</b>
<b>TOTAL LIABILITIES</b>		<b>8,214</b>	<b>8,395</b>
<b>NET ASSETS</b>		<b>13,556</b>	<b>12,979</b>
<b>EQUITY</b>			
Issued capital	<b>19(a)</b>	30,953	31,699
Reserves	<b>19(b)</b>	3,691	2,368
Accumulated losses		(21,088)	(21,088)
<b>TOTAL EQUITY</b>		<b>13,556</b>	<b>12,979</b>

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

**Cellnet Group Limited and its consolidated entities**  
**Financial Report**

**Statement of comprehensive income**

**For the year ended 30 June 2016**

	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$000</b>	<b>\$000</b>
<b>Continuing operations</b>			
Sales of goods		74,366	76,577
Rendering of services		788	1,691
<b>Revenue</b>		<b>75,154</b>	<b>78,268</b>
Other income	<b>6</b>	230	18
Depreciation and amortisation expense		(272)	(296)
Employee benefit expense		(8,992)	(9,999)
Finance costs		(437)	(489)
Freight expense		(1,988)	(2,659)
Materials, packaging and consumables used		(57,625)	(59,142)
Occupancy expense		(726)	(1,418)
Warehousing expense		(1,272)	-
Other expense		(2,324)	(2,634)
<b>Profit / (loss) from continuing operations before income tax</b>	<b>7</b>	<b>1,748</b>	<b>1,649</b>
Income tax expense	<b>8(b)</b>	-	-
<b>Net profit / (loss) for the period</b>		<b>1,748</b>	<b>1,649</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation		13	(186)
<b>Total comprehensive income for the period</b>		<b>1,761</b>	<b>1,463</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share (cents per share)	<b>9</b>	3.3	3.0
Diluted earnings per share (cents per share)	<b>9</b>	3.3	3.0
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share (cents per share)	<b>9</b>	3.3	3.0
Diluted earnings per share (cents per share)	<b>9</b>	3.3	3.0

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

**Cellnet Group Limited and its consolidated entities**  
**Financial Report**

**Statement of changes in equity**

	Share capital	Reserve for own shares	Foreign Currency translation reserve	Share based payment reserve	Reserve for profits	Accumulated Losses	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000s	\$000
At 1 July 2015	31,699	(25)	(79)	823	1,649	(21,088)	12,979
Profit for the period	-	-	-	-	-	1,748	1,748
Foreign currency translation	-	-	13	-	-	-	13
Total comprehensive income for the period	-	-	13	-	-	1,748	1,761
Transfers to/from reserves	-	-	-	-	1,748	(1,748)	-
<i>Transactions with owners in their capacity as owners:</i>							
Share based payments	-	-	-	119	-	-	119
Share buy back	(746)	-	-	-	-	-	(746)
Dividends paid	-	-	-	-	(557)	-	(557)
<b>Balance as at 30 June 2016</b>	<b>30,953</b>	<b>(25)</b>	<b>(66)</b>	<b>942</b>	<b>2,840</b>	<b>(21,088)</b>	<b>13,556</b>
At 1 July 2014	31,699	(25)	107	576	-	(21,088)	11,269
Profit for the period	-	-	-	-	-	1,649	1,649
Foreign currency translation	-	-	(186)	-	-	-	(186)
Total comprehensive income for the period	-	-	(186)	-	-	1,649	1,463
Transfers to/from reserves	-	-	-	-	1,649	(1,649)	-
<i>Transactions with owners in their capacity as owners:</i>							
Share based payments	-	-	-	247	-	-	247
Share buy back	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
<b>Balance as at 30 June 2015</b>	<b>31,699</b>	<b>(25)</b>	<b>(79)</b>	<b>823</b>	<b>1,649</b>	<b>(21,088)</b>	<b>12,979</b>

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



**Cellnet Group Limited and its consolidated entities**  
**Financial Report**

**Statement of cash flows**

**For the year ended 30 June 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		82,703	88,275
Payments to suppliers and employees (inclusive of GST)		(81,905)	(82,121)
Interest paid		(317)	(369)
<b>Net cash flows from operating activities</b>	<b>29</b>	<b>481</b>	<b>5,785</b>
<b>Cash flows from / (used in) investing activities</b>			
Interest received	<b>6</b>	8	18
Purchase of property, plant and equipment	<b>13</b>	(136)	(184)
Payments for purchase of intangibles	<b>14</b>	(44)	(27)
<b>Net cash flows from / (used in) investing activities</b>		<b>(172)</b>	<b>(193)</b>
<b>Cash flows from / (used in) financing activities</b>			
Share buy-back	<b>30</b>	(746)	-
Proceeds from borrowings		27,748	25,687
Repayment of borrowings		(27,540)	(31,402)
Dividends		(557)	-
<b>Net cash flows from / (used in) used in financing activities</b>		<b>(1,095)</b>	<b>(5,715)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(786)</b>	<b>(123)</b>
Net foreign exchange differences		(176)	(55)
Cash and cash equivalents at beginning of period		2,373	2,551
<b>Cash and cash equivalents at end of period</b>	<b>10</b>	<b>1,411</b>	<b>2,373</b>

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

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

#### 1. Corporate Information

Cellnet Group Limited (the 'Company') is a company limited by shares and incorporated in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The company is a for-profit entity for the purpose of preparing these financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

The financial report was authorised for issue by the Directors on 11 August 2016. The nature of the operations and principal activities of the consolidated entity are described in the directors' report.

#### 2. Significant accounting policies

##### (a) Basis of preparation

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

The financial report is presented in Australian dollars and has been prepared on the historical cost basis, except for derivative financial instruments which are measured at fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 1 April 2016 and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### Compliance with IFRS

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

##### (b) New accounting standards and interpretations

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

###### (i) Application of new accounting standards

No new or revised standards considered as having a material effect on the consolidated entity have become effective for the first time in preparing this financial report.

###### (ii) Accounting standards and interpretations issued but not yet effective

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

Standard/Interpretation	Application date of standard	Application date for the Group
AASB 9 Financial Instruments – revised and consequential amendments to other accounting standards resulting from its issue	1 Jan 2018	1 Jul 2018
AASB 15 Revenue from Contracts with Customers and consequential amendments to other accounting standards resulting from its issue	1 Jan 2018	1 Jul 2018
AASB 16 Leases	1 Jan 2019	1 Jul 2019

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (b) New accounting standards and interpretations (continued)

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

**AASB 9** – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss. The Group is yet to assess the impact of the new standard. In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There is not expected to be a significant impact on the Group's accounting for financial liabilities, as the Group's financial liabilities at fair value through profit or loss are not exposed to material risk of change in the group's own credit risk. Recent amendments as part of the project introduced a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. There will be no impact on the Group's accounting, as the Group does not presently utilise hedge accounting.

**AASB 15** – This new standard replaces AASB 118 and AASB 111. It contains a single model that applies to contracts with customers and two approaches to recognising revenue. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The Group does not expect the new standard to have any material impact on the timing of recognition of its revenues in the initial period of application.

**AASB 16** – The new standard will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis; and
- Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations and IFRSs on issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements may result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Cellnet Group Ltd and its subsidiaries (as outlined in note 23) as at and for the year ended 30 June each year (the consolidated entity). Interests in associates are equity accounted and are not part of the consolidated entity. Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (d) Foreign currency

#### (i) Functional and presentation currency

Both the functional and presentation currency of Cellnet Group Limited and its Australian subsidiaries are Australian dollars (\$). The functional currencies of the New Zealand and Hong Kong subsidiaries are New Zealand dollars and United States dollars respectively, which are translated to the presentation currency as described in (iii) below.

#### (ii) Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to Australian dollars at the foreign exchange rate ruling at reporting date. Foreign exchange differences arising on translation are recognised in net income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### (iii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (e) Property, plant and equipment

#### (i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (j)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### (ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

#### (iii) Depreciation

Depreciation is charged to net income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	3 - 5 years
Plant and equipment	2 - 3 years
Leased plant and equipment	3 - 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

#### (iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### (f) Intangible assets

#### (i) Goodwill

Business combinations

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

#### (ii) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (j)).

#### (iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### (iv) Amortisation

Amortisation is charged to net income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Other intangible assets are amortised from the date they are available for use over their estimated useful lives.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (g) Trade and other receivables

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

### (h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is calculated using the average cost method and includes direct and allocated costs incurred in acquiring the inventories and bringing them to their present location and condition. A provision is recognised when there is objective evidence that the consolidated entity will not be able to sell the inventory at normal reseller pricing.

### (i) Cash and cash equivalents

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

### (j) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (h)), trade and other receivables (see accounting policy (g)) and deferred tax assets (see accounting policy (r)), are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (j) (i)).

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in net income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

#### (i) Calculation of recoverable amount

The recoverable amount of assets (apart from receivables, inventory, and deferred tax) is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset relates.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (k) Share capital

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

### (l) Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value of the consideration received less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in net income over the period of the borrowings on an effective interest basis.

### (m) Provisions and employee leave benefits

#### (i) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in net income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

#### (ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the balance date which have maturity dates approximating the terms of the consolidated entity's obligations.

#### (iii) Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, and are calculated using undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as worker's remuneration insurance and payroll tax. Amounts not expected to be wholly settled within 12 months are carried at a net present value determined in the same manner as long service leave benefits described in note 2(m)(ii). Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (n) Share based payment transactions

The consolidated entity provides incentives to KMP in the form of share based payments. There are currently share based payment plans in place for the KMP. The cost of share based payments with KMP is measured by reference to the fair value of the equity instrument at the date at which they are granted (refer note 20 for further details).

### (o) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on average between 30 day and 45 day terms. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

### (p) Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in net income when the significant risks and rewards of ownership have been transferred to the customer. This transfer generally occurs when the goods are delivered to the customer. Revenue from the provision of warehousing services to external parties is recognised as the service is provided. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing managerial involvement with the goods.

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

### (q) Leases

#### (i) Operating lease payments

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

#### (ii) Finance leases

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in net income.

### (r) Income tax

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

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for - initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.



# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (r) Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### Tax consolidation

The Company and its wholly-owned Australian resident subsidiaries have formed a tax-consolidated entity with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated entity is Cellnet Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated entity are recognised in the separate financial statements of the members of the tax-consolidated entity using the 'separate taxpayer' within the consolidated entity approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts in the separate financial statements of each entity and the tax values applied under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses or unused tax credits of the subsidiaries are assumed by the head entity in the tax consolidated entity and are recognised as amounts payable / (receivable) to / (from) other entities in the tax-consolidated entity in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses and unused tax credits of the tax-consolidated entity to the extent that it is probable that future taxable profits of the tax-consolidated entity will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses and unused tax credits as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

#### Nature of tax funding arrangements

The head entity, in conjunction with other members of the tax-consolidated entity, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated entity in respect of tax amounts. The tax funding arrangements require payments to / (from) the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss or tax credit related deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable / (receivable) equal in amount to the tax liability / (asset) assumed. The inter-entity payable / (receivable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

### (s) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the statement of financial position.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (s) Goods and services tax (continued)

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

### (t) Accounting estimates and judgements

Management discussed with the Audit and Risk Management Committee the development, selection and disclosure of the consolidated entity's critical accounting judgements and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses for trade receivables and stock on hand

Note 11 contains information about the assumptions and their risk factors relating to trade receivable impairment losses and note 7 discloses the amount of stock that has been scrapped throughout the course of the year, or has been written down to net realisable value in accordance with the policy outlined in note 2 (h).

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using either a binomial model or, where applicable, a monte-carlo simulation model. The related assumptions are detailed in note 20. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Recovery of deferred tax assets

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

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

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

### (v) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Potential ordinary shares shall be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 2. Significant accounting policies (continued)

### (w) Operating segments

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

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Chief Executive Officer. Note 5 contains information on reportable segments.

### (x) Business combinations

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

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

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

### (y) Financial instruments

#### (i) Financial assets

Initial recognition and measurement

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

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the profit or loss. The consolidated entity's financial assets include cash and short term deposits, trade and other receivables, and derivative financial instruments.

#### (ii) Impairment of financial assets

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

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

**2. Significant accounting policies (continued)**

**(y) Financial instruments – initial recognition and subsequent measurement (continued)**

**(iii) Financial liabilities**

**Initial recognition and measurement**

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

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

**Derecognition**

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

**(iv) Fair value of financial instruments**

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

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

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

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

### 3. Financial risk management objectives and policies

The consolidated entity's principal financial instruments comprise of receivables, payables, cash and short-term deposits, interest bearing loans and forward foreign currency contracts.

#### Risk exposures and responses

The consolidated entity manages its exposure to key financial risks, including interest and currency risk in accordance with the consolidated entity's financial risk management policy. The objective of this policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The consolidated entity enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from the consolidated entity's operations. The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through using future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for forward currency contracts, credit allowances and future cash flow forecast projections.

#### Interest rate risk

The consolidated entity's exposure to market interest rates relates solely to the consolidated entities short-term cash deposits and interest bearing loans and borrowings as disclosed in note 10 and 17.

	<b>Note</b>	<b>2016 \$000</b>	<b>2015 \$000</b>
Cash and cash equivalents	10	1,411	2,373
Interest bearing loans and borrowings	17	(763)	(555)
		<b>648</b>	<b>1,818</b>

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

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

At 30 June 2016, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit and other comprehensive income would have been affected as follows:

	<b>Post tax profit higher / (lower)</b>		<b>Other comprehensive income higher / (lower)</b>	
	<b>2016 \$000</b>	<b>2015 \$000</b>	<b>2016 \$000</b>	<b>2015 \$000</b>
Consolidated				
+1% (100 basis points) (2015: 1%)	5	13	-	-
-0.5% (50 basis points) (2015: 0.5%)	(2)	(6)	-	-

The movements in profit are due to higher / lower cash receipts / payments from variable rate net interest bearing balances.

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

### 3. Financial risk management objectives and policies (continued)

#### Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Australian dollars. The currencies giving rise to risk are primarily U.S dollars and New Zealand dollars.

The consolidated entity enters into forward foreign exchange contracts to hedge certain anticipated purchase commitments denominated in foreign currencies (principally U.S dollars). The terms of these commitments are no more than 45 days. It is the consolidated entity's policy not to enter into forward contracts until a firm commitment is in place.

The consolidated entity has subsidiaries with function currencies of New Zealand and United States dollars. There are currently no hedges in place to mitigate the foreign currency risk for these subsidiaries.

Entering into forward foreign currency exchange contracts minimises the risk of sharp fluctuations in foreign exchange rates and allows for better cash flow management in relation to paying international suppliers. At balance date, the consolidated entity had the following exposure to US\$ foreign currency that is not designated as cash flow hedges:

	<b>2016</b>	<b>2015</b>
	<b>USD \$000</b>	<b>USD \$000</b>
Financial assets		
Trade and other receivables	239	295
	239	295
Financial liabilities		
Trade and other payables	(2,131)	(1,809)
Forward foreign currency contracts*	(13,710)	(13,059)
	(15,343)	(14,868)
<b>Net exposure</b>	<b>(15,602)</b>	<b>(14,573)</b>

\*Denotes the amount of USD to be exchanged at the forward exchange rate.

At 30 June 2016, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit and other comprehensive income would have been affected as follows:

	<b>Post tax profit</b>		<b>Other comprehensive income</b>	
	<b>higher / (lower)</b>		<b>higher / (lower)</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Consolidated				
AUD / USD +10% (2015: +10%)	(1,014)	(955)	-	-
AUD / USD -10% (2015: -10%)	1,240	1,167	-	-

Significant assumptions:

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

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**Notes to the financial statements**

**3. Financial risk management objectives and policies (continued)**

**Credit Risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the consolidated entity is the carrying amount, net of any impairment losses. The consolidated entity mitigates this risk by adopting procedures whereby it only deals with creditworthy customers. Where there is evidence of credit risk, an impairment loss is recognised. The consolidated entity also insures debtors that have an approved credit limit of greater than \$5,000 through trade credit insurance. Trade receivables that are greater than \$5,000 are insured up to 90% of the approved credit limit, with a \$5,000 excess payable per claim.

**Liquidity risk**

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

The consolidated entity's objective is to maintain a balance between continuity of at cash funding and short-term fixed cash deposits. The consolidated entity manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily basis.

Maturity analysis of financial assets and financial liabilities based on management's expectation.

	<i>Note</i>		2016			
		<b>Total \$000</b>	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>More than 5 years</b>
<b>Financial assets</b>						
Cash and cash equivalents	10	1,411	1,411	-	-	-
Trade and other receivables	11	10,044	10,044	-	-	-
Derivative financial instruments	18	143	143	-	-	-
		<b>11,598</b>	<b>11,598</b>	-	-	-
<b>Financial liabilities</b>						
Trade and other payables	15	(6,913)	(6,913)	-	-	-
Interest bearing loans and borrowings	17	(763)	(763)	-	-	-
		<b>(7,676)</b>	<b>(7,676)</b>	-	-	-
<b>Net inflow</b>		<b>3,922</b>	<b>3,922</b>	-	-	-
<b>2015</b>						
		<b>Total</b>	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>More than 5 years</b>
<b>Liquid financial assets</b>						
Cash and cash equivalents	10	2,373	2,373	-	-	-
Trade and other receivables	11	9,400	9,400	-	-	-
Derivative Financial Instruments	18	261	261	-	-	-
		<b>12,034</b>	<b>12,034</b>	-	-	-
<b>Financial liabilities</b>						
Trade and other payables	15	(7,153)	(7,153)	-	-	-
Interest bearing loans and borrowings	17	(555)	(555)	-	-	-
		<b>(7,708)</b>	<b>(7,708)</b>	-	-	-
<b>Net inflow</b>		<b>4,326</b>	<b>4,326</b>	-	-	-

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

#### 4. Fair Value Measurement

The fair values together with the carrying amounts of financial assets and financial liabilities shown in the statement of financial position are outlined in the table below. For short term trade receivables and payables with a maturity date of less than one year, the carrying amount, as adjusted for any allowances for impairment, is deemed to reflect the fair value.

		Carrying amount	Fair value	Carrying amount	Fair value
		2016	2016	2015	2015
	Note	\$000	\$000	\$000	\$000
Cash and cash equivalents	10	1,411	1,411	2,373	2,373
Trade and other receivables	11	10,044	10,044	9,400	9,400
Trade and other payables	15	(6,913)	(6,913)	(7,153)	(7,153)
Borrowings	17	(763)	(763)	(555)	(555)
Derivative financial instruments	18	143	143	261	261
		<b>3,922</b>	<b>3,922</b>	<b>4,326</b>	<b>4,326</b>

##### Fair value hierarchy

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 consolidated entity has classified its assets and liabilities into the three levels prescribed under the accounting standards, as follows:

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

**Level 2:** The fair value of financial instruments 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 only balance on the consolidated entity's balance sheet which is measured at fair value are forward foreign exchange contracts (refer note 18). 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.

#### 5. Operating segments

##### Identification of reportable segments

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

The operating segments are identified by management based on the manner in which products are sold. For the 2015 and 2016 financial years the consolidated entity's activities related solely to retail sales.

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



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**Notes to the financial statements**

**5. Operating segments (continued)**

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

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Australia	59,089	58,712
New Zealand	15,278	19,169
Asia	787	387
<b>Total revenue</b>	<b>75,154</b>	<b>78,268</b>

**6. Other revenue**

Interest	8	18
Net gain on disposal of property, plant and equipment	222	-
<b>Total other revenue</b>	<b>230</b>	<b>18</b>

**7. Items included in profit/(loss)**

Doubtful debts expense	44	66
Loss on scrapping of / provisioning for obsolete inventory	806	1,124
Minimum lease payments – operating leases	440	869
Share-based payments expense/(income)	119	247
Fair value (gains) / losses on FX derivatives	(143)	(261)
Net foreign exchange losses/(gains)	(540)	(1,137)

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**Notes to the financial statements**

**8. Income Tax**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>(a) Income tax (expense)/benefit</b>		
The major components of income tax are:		
Current income tax charge	-	-
Items charged to equity	(10)	(10)
Deferred income tax charge	10	10
<b>Total income tax (expense)/benefit reported in net income</b>	<b>-</b>	<b>-</b>
<b>(b) Numerical reconciliation between aggregate tax expense recognised in net income and tax expense calculated per the statutory income tax rate</b>		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:		
Accounting profit / (loss) before tax from continuing operations	1,748	1,649
Total accounting profit before income tax	<b>1,748</b>	<b>1,649</b>
At the parent entity's statutory income tax rate 30% (2015: 30%)	(524)	(495)
Adjustments in respect of income tax of previous years	8	(6)
Entertainment	(17)	(13)
Share-based payments	(36)	(74)
Effect of lower tax rate in New Zealand (28%)	1	10
Other	-	(13)
Recognition/(De-recognition) of prior year losses	619	467
Utilisation of previously unrecognised tax losses	-	124
Current year losses not recognised	(51)	-
Aggregate income tax	<b>-</b>	<b>-</b>

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**8. Income Tax (continued)**

**(c) Recognised deferred tax assets and liabilities**

	Consolidated			
	2016 \$000	2016 \$000	2015 \$000	2015 \$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	-	838	-	828
Charged to income / (expense)	-	-	-	-
FX translation	-	10	-	10
<b>Closing balance</b>	<b>-</b>	<b>848</b>	<b>-</b>	<b>838</b>
Amounts recognised in the statement of financial position:				
Deferred tax asset	-	848	-	838
Deferred tax liability	-	-	-	-
	<b>-</b>	<b>848</b>	<b>-</b>	<b>838</b>

Deferred income tax at 30 June relates to the following:

	2016 \$000	2015 \$000
<i>Net deferred tax assets</i>		
Doubtful debts	18	30
Employee provisions	153	198
Foreign exchange differences	(50)	(54)
Other	31	12
Property, plant and equipment	134	134
Tax losses carried forward	562	518
<b>Net deferred tax asset</b>	<b>848</b>	<b>838</b>

As at 30 June 2016, the Company has a deferred tax asset relating to timing differences and tax losses arising from prior years totalling \$848,000 (2015: \$838,000). Management has recognised deferred tax assets on the basis that achievement of profit before tax within the next 3-5 years in the amounts sufficient to offset the reversal of timing differences and enable the utilisation of recognised unused losses is probable.

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#### 8. Income Tax (continued)

##### (d) Tax losses

The consolidated entity has gross tax losses, stated in the reporting currency of Australian dollars, for which no deferred tax asset is recognised on the statement of financial position of \$22,478,770 (2015: \$24,546,877) which are available indefinitely for offset against future gains subject to meeting the relevant statutory tests.

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

#### 9. Earnings per share

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

##### (a) Earnings used in calculating earnings per share

	2016 \$000	2015 \$000
<i>For basic earnings per share:</i>		
Profit / (Loss) from continuing operations	1,748	1,649
<b>Net profit/(loss) attributable to ordinary equity holders</b>	<b>1,748</b>	<b>1,649</b>
<i>For diluted earnings per share:</i>		
Profit / (loss) from continuing operations	1,748	1,649
<b>Net profit/(loss) attributable to ordinary equity holders</b>	<b>1,748</b>	<b>1,649</b>

##### (b) Weighted average number of shares

Weighted average number of shares (basic) at 30 June	53,383	55,684
<b>Weighted average number of shares adjusted for effect of dilution</b>	<b>53,746</b>	<b>55,684</b>

Potential ordinary shares under option and restricted shares are considered non-dilutive where the current share price is lower than the exercise price.

##### (c) Earnings per share

Basic earnings per share (cents per share)	3.3	3.0
Diluted earnings per share (cents per share)	3.3	3.0

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**10. Current assets - cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Cash at bank and in hand	1,061	2,023
Funds held by bank (note 22)	350	350
	<b>1,411</b>	<b>2,373</b>

Cash and funds held at bank earns interest at floating rates based on daily bank deposit rates. Funds held by banks represent monies pledged to fulfil financial guarantee collateral requirements.

**11. Current assets - trade and other receivables**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Trade receivables	9,998	9,240
Allowances for impairment loss <sup>(a)</sup>	(66)	(104)
	<b>9,932</b>	<b>9,136</b>
Other receivables and prepayments	112	264
<b>Carrying amount of trade and other receivables</b>	<b>10,044</b>	<b>9,400</b>

**(a) Allowance for impairment loss**

Trade receivables are non-interest bearing and are generally on 30 day terms. Trade receivables are insured through a debtors' insurance policy, as described in note 3. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired and not recoverable within the terms of the insurance policy.

Movements in the provision for impairment loss were as follows:

At 1 July	104	59
Charge for the year	44	66
Amounts written off	(82)	(21)
<b>At 30 June</b>	<b>66</b>	<b>104</b>

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

	<b>Total</b>	<b>Not past due</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>+ 60 days</b>	<b>+60 days</b>
	<b>\$000</b>	<b>\$000</b>	<b>PDNI*</b>	<b>PDNI*</b>	<b>PDNI*</b>	<b>CI*</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
2016 Consolidated	9,998	9,316	257	249	110	66
2015 Consolidated	9,240	8,584	288	156	108	104

\* Past due not impaired (PDNI)

\* Considered impaired (CI)

Receivables past due but not considered impaired are \$616,000 (2015: \$552,000). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each debtor has been directly contacted by debt recovery agents and the consolidated entity is satisfied that payment will be received in full. Note 2(g) details how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

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**12. Current assets – inventories**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Stock on hand	9,455	8,322
Less: provision for obsolescence	(487)	(318)
<b>Total inventories at the lower of cost and net realisable value</b>	<b>8,968</b>	<b>8,004</b>

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

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

	<b>Leasehold improvements</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>For the year ended 30 June 2016</b>			
At 1 July 2015 net of accumulated depreciation and impairment	99	372	471
Additions	23	113	136
Write-offs	-	(50)	(50)
Depreciation charge for the year	(58)	(195)	(253)
<b>At 30 June 2016 net of accumulated depreciation and impairment</b>	<b>64</b>	<b>240</b>	<b>304</b>
<b>At 30 June 2016</b>			
Cost or fair value	409	6,779	7,188
Accumulated depreciation and impairment	(345)	(6,539)	(6,884)
<b>Net carrying amount</b>	<b>64</b>	<b>240</b>	<b>304</b>

	<b>Leasehold improvements</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000s</b>	<b>\$000</b>
<b>For the year ended 30 June 2015</b>			
At 1 July 2014 net of accumulated depreciation and impairment	131	452	583
Additions	31	153	184
Disposals	-	-	-
Depreciation charge for the year	(63)	(233)	(296)
<b>At 30 June 2015 net of accumulated depreciation and impairment</b>	<b>99</b>	<b>372</b>	<b>471</b>
<b>At 30 June 2015</b>			
Cost or fair value	386	6,666	9,187
Accumulated depreciation and impairment	(287)	(6,294)	(8,716)
<b>Net carrying amount</b>	<b>99</b>	<b>372</b>	<b>471</b>

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**14. Non-current assets - intangible assets**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Opening balance	27	-
Acquisitions	44	27
Amortisation	(19)	-
Closing Balance	<b>52</b>	<b>27</b>

**15. Current liabilities – trade and other payables**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Trade payables	5,782	5,250
Other payables and accrued expenses	1,131	1,903
	<b>6,913</b>	<b>7,153</b>

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

**16. Provisions**

<b>Current</b>	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Provision for fringe benefits tax	25	21
Provision for long-service leave	100	145
Liability for annual leave and employee provisions	395	428
	<b>520</b>	<b>594</b>
<b>Non-Current</b>		
Liability for long-service leave	18	93
	<b>18</b>	<b>93</b>

**(a) Nature and timing of provisions**

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

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**17. Current liabilities - interest bearing loans and borrowings**

	<b>Interest Rate</b>	<b>Maturity</b>	<b>2016</b>	<b>2015</b>
	<b>%</b>		<b>\$000</b>	<b>\$000</b>
Business Finance	5.32	6 July 2015	-	128
	5.31	20 July 2015	-	220
	5.16	5 July 2016	300	-
	5.15	11 July 2016	251	-
	5.15	18 July 2016	100	-
	5.05	21 July 2016	45	-
	5.16	25 July 2016	67	-
Invoice Finance	5.24	Various	-	207
			<b>763</b>	<b>555</b>

**\$4,000,000 Business finance**

This facility consists of three individual facilities, namely surrendered bills of lading, trade finance-imports and special documentary import letters of credit. The combined limit of \$4,000,000 applies across these individual facilities. As at 30 June 2016, the company has drawn down \$763,000 (2015: \$348,000) under its trade finance – imports facility. This facility is a perpetual facility and has no fixed expiry date, although individual trade finance drawdowns under the facility as at balance date mature on the dates disclosed above. The facility is secured by a general security agreement given by Cellnet Group Limited over all existing and future assets and undertakings.

**\$6,000,000 Invoice finance**

This is a facility for terms of trade. The total limit of the facility is \$6,000,000. As at 30 June 2016, no amounts were outstanding under this facility (2015: \$207,000). The facility is secured by general security agreement given by Cellnet Group Limited over all existing and future assets and undertakings, and a flawed asset agreement providing for deposits by Cellnet Group Limited in relation to a deposit account held with the financier. Amounts owing under the facility are matched to the trade terms of the underlying financed transaction up to a maximum of 60 days.

**18. Derivative Financial Instruments**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Forward foreign currency exchange contracts	143	261
	<b>143</b>	<b>261</b>

The consolidated entity fair values forward foreign currency exchange contracts held at balance date. Changes in the fair value of forward foreign currency exchange contracts that economically hedge monetary assets and liabilities in foreign currencies are recognised in profit or loss. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of materials, packaging and consumables used expenditure in the statement of comprehensive income, and are included in foreign currency gains or losses disclosed in note 7.



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### Notes to the financial statements

## 19. Contributed equity and reserves

### (a) Share Capital

	<b>2016</b>	<b>2015</b>
	No. of shares	No. of shares
Ordinary shares on issue at 1 July	55,684,090	55,684,090
Share buy-back	(4,124,800)	-
Ordinary shares on issue 30 June	<b>51,559,290</b>	<b>55,684,090</b>

Fully paid ordinary shares carry one vote per share and carry the right to receive a dividend.

	<b>2016</b>	<b>2015</b>
	\$000	\$000
Share capital at 1 July	31,699	31,699
Share buy-back	(746)	-
Share capital at 30 June	<b>30,953</b>	<b>31,699</b>

### (b) Reserves

Translation reserve	(66)	(79)
Reserve for own shares	(25)	(25)
Reserve for profit	2,840	1,649
Share based payment reserve	942	823
	<b>3,691</b>	<b>2,368</b>

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different to the presentation currency of the reporting entity.

#### Reserve for own shares

The reserve for own shares represents the cost of shares held by an equity remuneration plan that the consolidated entity is required to include in the financial report. At 30 June 2016 the consolidated entity held 107,110 of the Company's shares (2015: 107,110). This reserve will be reversed against share capital when the underlying shares are exercised under performance rights. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

#### Reserve for profit

Profits are transferred to the reserve for profits to facilitate future dividend payments in accordance with Australian taxation requirements for dividend payments to be sourced from profits.

#### Share based payment reserve

The share based payment reserve is used to recognise the value of equity-settled share based payments to KMP.

### (c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

# Cellnet Group Limited and its consolidated entities

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### Notes to the financial statements

## 19. Contributed equity and reserves (continued)

### (c) Capital management (continued)

Management adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, or issue new shares.

Management monitors capital through the capital adequacy ratio (net assets/total assets). The target for the consolidated entity's capital adequacy ratio is between 40% and 60%. The capital adequacy ratios based on continuing operations at 30 June 2016 and 2015 were as follows:

	2016 \$000	2015 \$000
Net Assets	13,556	12,979
Total Assets	21,770	21,461
<b>Capital adequacy ratio</b>	<b>62%</b>	<b>60%</b>

## 20. Share based payments

### (a) Long term incentive plan - performance rights

On 24 October 2014 at the Company's Annual General Meeting, shareholders approved a performance share rights plan.

Under this plan, performance rights are issued to key management personnel. The rights deliver ordinary shares to key management personnel (at no cost to the executive) where the performance hurdle in relation to those performance rights is met. Following the exercise of a Right, the Company must, within such time as the Board determines, issue or allocate to or acquire on market for the person exercising the Right, the number of shares in respect of which the Right has been exercised, credited as fully paid.

No performance rights were issued under the plan during the current year.

#### Details of performance rights granted during the prior year

Rights granted	3,300,000
Grant date	3 February 2015
Consideration payable	Nil \$
Exercise price	Nil \$
Last exercise date	5pm on the date which is 30 days subsequent to market release of FY17 results
Exercise conditions	Subject to the Plan Rules, a Performance Right cannot be exercised unless the Board acting reasonably is satisfied that the following conditions have been satisfied: <ul style="list-style-type: none"> <li>The employee remains employed by the company</li> <li>There is no outstanding breach of the terms of engagement with the Company.</li> <li>No notice of termination of engagement has been either been given by the employee or received by the Company.</li> <li>All performance hurdles have been met.</li> </ul>
Performance hurdles	2,200,000 will vest upon meeting a total shareholder return(TSR) performance hurdle 1,100,000 will vest upon meeting various profit before tax (PBT) performance hurdles

# Cellnet Group Limited and its consolidated entities

## Financial Report

### Notes to the financial statements

## 20. Share based payments (continued)

### (a) Long term incentive plan - performance rights (continued)

#### Fair value of performance rights granted

The fair value of the performance rights granted during the 2015 financial year was determined by management using either a binomial pricing model (PBT hurdle) or a trinomial lattice pricing model incorporating a Monte-Carlo simulation (TSR hurdle), depending on the nature of the associated vesting conditions.

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

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

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

Tranche	Vesting Condition	Vesting Date	No. of Rights	Exercise Price \$	Expected Volatility %	Risk Free Rate %	Value per Right
Tranche 1	PBT	30/06/15	366,666	-	50	1.80	0.28
Tranche 2	PBT	30/06/16	366,667	-	50	1.80	0.28
Tranche 3	PBT	30/06/17	366,667	-	50	1.80	0.28
Tranche 4	TSR	30/06/17	2,200,000	-	50	1.80	0.13

The share price at the grant date of the performance rights was \$0.28. Total expense of \$119,173 was recognised in respect of the above performance rights during the year ended 30 June 2016 (2015: \$172,895).

#### Movements in the year

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

	2016 #	Exercise Price \$	2015 #	Exercise Price \$
Opening balance	3,300,000	-	-	-
Granted during the year	-	-	3,300,000	-
Forfeited	(266,667)	-	-	-
Exercised <sup>(i)</sup>	(363,666)	-	-	-
Outstanding as at 30 June	2,669,667	-	3,300,000	-
Vested and exercisable	-	-	-	-

(i) Shares issued on exercise of rights are escrowed until 30 June 2017

### (b) Executive share option plan

The Company may offer to provide such financial assistance to a person in relation to an invitation to participate in the plan, as the Board may determine from time to time in its discretion.

The rules governing the operation of the plan may be amended, waived or modified, at any time by resolution of the Board provided there is no reduction of rights to Executives in the plan. If an amendment reduces the rights of Executives in the plan, it requires written consent of three-quarters of affected Executives.

The plan may be terminated or suspended at any time by a resolution of the Board, provided the termination or suspension does not have a material adverse effect on the rights of persons holding shares issued under the plan at that time.

## Cellnet Group Limited and its consolidated entities

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#### Notes to the financial statements

### 20. Share based payments (continued)

#### (c) Non-executive director options

At the Company's AGM in October 2014, the shareholders approved the grant of 2,400,000 options to non-executive Directors of the company as part of the remuneration strategy for such directors. The details of options granted are as follows:

Grant date	24 October 2014
First exercise date	24 October 2014
Last exercise date	31 October 2017
Exercise price	\$0.25
Exercise conditions	<ul style="list-style-type: none"> <li>Each option is exercisable at any time during the period from the date of its issue until 31 October 2017.</li> </ul>
Lapse conditions	<p>The options will lapse at the earlier of:</p> <ul style="list-style-type: none"> <li>1 November 2017; and</li> <li>The date on which an option holder ceases to hold the office of Director in the company (other than due to the occurrence of death or total and permanent disablement).</li> </ul>

#### Fair value of non-executive options granted

The fair value of the non-executive options granted during the prior year was determined by management using a binomial pricing model. There were no vesting conditions attached to the options.

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:

Tranche	Vesting Date	No. of Options	Exercise Price \$	Expected Volatility %	Risk Free Rate %	Value per Option
Director Options	24/10/14	2,400,000	0.25	50	2.49	0.03

The share price at the grant date of the options was \$0.19. Total expense of \$nil was recognised in respect of the above options during the year ended 30 June 2016 (2015: \$74,280).

#### Movements in the year

The following table illustrates movements in the number of non-executive options on issue during the year.

	2016 Number of options	Exercise Price \$	2015 Number of options	Exercise Price \$
Opening balance	2,400,000	0.25	-	-
Granted during the year	-	-	2,400,000	0.25
Options lapsed	-	-	-	-
Outstanding as at 30 June	2,400,000	0.25	2,400,000	0.25
Vested and exercisable	2,400,000	0.25	2,400,000	0.25

# Cellnet Group Limited and its consolidated entities

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### Notes to the financial statements

## 21. Commitments and contingencies

### Commitments

The consolidated entity has entered into commercial leases on office and warehouse facilities. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. Lease payments generally comprise a base amount plus an incremental contingent rental which is based on movements in the Consumer Price Index.

Future minimum rentals payable under non-cancellable operating leases at 30 June 2016 are payable as follows and are inclusive of any revenue received from third parties that are sub leasing premises which the consolidated entity is lessee of the head lease of the associated facility:

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Less than one year	390	578
Between one and five years	339	135
	<b>729</b>	<b>713</b>

During the comparative year and part of the 2016 year the group subleased a portion of its office and warehouse space at its Eagle Farm premises to two external parties. Both of the sublease terms were matched to the term of the head lease, with an original expiry date of September 2016. Minimum amounts receivable under the subleases as at 30 June 2015 totalled \$578,000 within one year and \$135,000 after one year but within 5 years. The group assigned its obligations under the Eagle Farm lease to a third party during the 2016 financial year and as such had no ongoing entitlements under subleasing arrangements as at 30 June 2016.

## 22. Financial guarantees

The consolidated entity has provided financial guarantees in respect of rental leasing arrangements disclosed in Note 21. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Bank guarantees provided	37	350
	<b>37</b>	<b>350</b>

# Cellnet Group Limited and its consolidated entities

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### Notes to the financial statements

## 23. Related party disclosure

### Subsidiaries

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

Name	Country of incorporation	% Equity interest	
		2016	2015
Cellnet Group Ltd (Parent)	Australia	100	100
Cellnet Ltd	New Zealand	100	100
C&C Warehouse (Holdings) Pty Ltd	Australia	100	100
Regadget Pty Ltd	Australia	100	100
OYT Pty Ltd	Australia	100	100
Cellnet Online Pty Ltd	Australia	100	100
3SixT Limited	Hong Kong	100	100

The following table provides the total amount of transactions which have been entered into with related parties during the twelve month periods ending 30 June 2016 and 30 June 2015.

Entity with ultimate control over the consolidated entity:			Interest paid	Services	Drawdown's	Repayment of
			on loans	from related	on loans	loans from
			from related parties	parties	from related parties	related parties
			\$000	\$000	\$000	\$000
CVC Ltd	2016	-	90	-	-	-
	2015	-	-	-	-	-
CVC Managers Pty Limited	2016	-	105	-	-	-
	2015	-	105	-	-	-

### Entity with ultimate control over the consolidated entity

CVC Ltd holds 58.87% (2015: 54.81%) of the ordinary shares in Cellnet Group Limited.

### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

### Transactions with entity with ultimate control over the group

During the 2016 year a CVC Ltd consultant was engaged on a work placement basis to provide business advice to the group.

During both the 2016 and 2015 financial years the group paid management fees to CVC Managers Pty Ltd, a wholly owned subsidiary of CVC Ltd, for director related services.

# Cellnet Group Limited and its consolidated entities

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#### 24. Key management personnel

##### (a) Key management personnel remuneration

	2016	2015
	\$	\$
Short-term employee benefits	914,017	971,641
Post-employment benefits	48,475	45,490
Long-term employee benefits	92,686	188,340
<b>Total compensation</b>	<b>1,055,178</b>	<b>1,205,471</b>

#### 25. Subsequent events

There were no matters or circumstances that have arisen since the end of the financial year 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.

#### 26. Parent entity information

	2016	2015
	\$000	\$000
Current assets	16,723	14,411
Total assets	18,938	16,400
Current liabilities	(7,427)	(7,120)
Total liabilities	(9,771)	(7,917)
<b>Net assets</b>	<b>9,167</b>	<b>8,483</b>
Issued capital	30,953	31,699
Retained earnings / (accumulated losses)	(25,028)	(25,028)
Reserve for own shares	(26)	(26)
Reserve for profits	2,326	1,015
Reserve for share based payment	942	823
<b>Total shareholder's equity</b>	<b>9,167</b>	<b>8,483</b>
Profit / (loss) of the parent entity after tax	1,868	1,015
<b>Total comprehensive income of the parent entity</b>	<b>1,868</b>	<b>1,015</b>

The parent has not issued any guarantees in relation to the debts of its subsidiaries and has no contingent liabilities or contractual obligations as at 30 June 2016 (2015: Nil).

#### 27. Auditors' remuneration

	2016	2015
	\$	\$
Amounts received or due and receivable by the auditors for:		
Audit or review of the financial report of the entity and any other entity in the consolidated entity		
Pitcher Partners	77,000	75,000
Other services in relation to the entity and any other entity in the consolidated entity		
Pitcher Partners	-	17,530
	<b>77,000</b>	<b>92,530</b>

# Cellnet Group Limited and its consolidated entities

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#### 28. Dividends franking account

##### Franking credit balance

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

	2016 \$000	2015 \$000
Franking account balance as at the end of the financial year at 30% (2015: 30%)	347	586

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

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce it by \$278,000 (2015: \$239,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated entity has also assumed the benefit of \$Nil (2015: \$Nil) franking credits from its Australian wholly-owned subsidiaries during the year.

#### 29. Cash flow statement reconciliation

	2016 \$000	2015 \$000
Reconciliation of net profit after tax to net cash flows from operations:		
Net profit / (loss)	1,748	1,649
Adjustments for:		
Depreciation and amortisation	272	296
Movement in provision for obsolescence	169	(827)
Movement in provision for impairment	(38)	45
Interest revenue classified as investing cash flow	(8)	(18)
Share based payments expense	119	247
Gain on disposal of property, plant and equipment	(222)	-
Changes in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(409)	1,860
(Increase) / decrease in inventories	(1,060)	1,267
(Increase) / decrease in deferred tax assets	(6)	(14)
(Decrease) / increase in trade and other payables	(319)	2,270
(Decrease) / increase in provisions	117	4
Change in other financial instruments	118	(994)
<b>Net cash from operating activities</b>	<b>481</b>	<b>5,785</b>



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**30. Share buy-back**

The Company announced that it would commence an on-market share buy-back program on 9 September 2015. The share buy-back was initially for up to 10% of the issued capital of the Company. For the year ended 30 June 2016 a total of 4,124,800 share were repurchased (2015: Nil).

## Cellnet Group Limited and its consolidated entities Financial Report

### Directors' declaration

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

In the opinion of the Directors:

- a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the company's financial position as at 30 June 2016 and of their performance for the year ended on that date;
  - ii) complying with Australian Accounting Standards and Corporations Regulations 2001;
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a);
- c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2016.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'A. Beard', with a stylized, cursive script.

Alexander Beard  
Chairman  
Brisbane  
11 August 2016



PITCHER PARTNERS

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KYLIE LAMPRECHT  
NORMAN THURECHT  
BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON  
SIMON CHUN

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

### Report on the Financial Report

We have audited the accompanying financial report of Cellnet Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

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



### *Opinion*

In our opinion:

- a) the financial report of Cellnet Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

### *Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 16 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of Cellnet Group Limited for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.

PITCHER PARTNERS



J J EVANS  
Partner

Brisbane, Queensland  
11 August 2016

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**ASX Additional information**

**As at 1 August 2016**

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

**Shareholdings**

20 largest shareholders

	Ordinary shares held	% of capital held
<b>Name</b>		
CVC Ltd	30,354,904	58.44%
One Managed Invst Funds Ltd	3,702,155	7.13%
Ms Amaya Margaret Brookman	1,851,943	3.57%
Chemical Trustee Ltd	1,820,000	3.50%
Philadelphia Investments Pty Ltd	1,650,274	3.18%
TUP Pty Ltd	1,000,000	1.93%
Angueline Capital Pty Limited	1,000,000	1.93%
Mr Thien Dinh Nguyen	893,501	1.72%
Kailva Pty Ltd	500,000	0.96%
ASB Nominees Limited	234,078	0.45%
Mr Alexander Beard & Mrs Pascale Beard	222,222	0.43%
Mr Edward Dally & Mrs Selina Dally	210,000	0.40%
Mr Simon William Galbraith	209,025	0.40%
Henry Family Superannuation Fund P/L	172,900	0.33%
Mr Peter Walters & Mrs Sushila Walters	150,000	0.29%
Epic Trustees Limited	147,600	0.28%
Mr Alan Sparks	143,000	0.28%
Organisational Change Consultants Pty Ltd	140,000	0.27%
Mr Elliott Kaplan	133,779	0.26%
334 Capital Pty Ltd	125,000	0.24%
<b>Top 20 Holders</b>	<b>44,660,381</b>	<b>85.97%</b>
All other holders	7,285,596	14.03%
<b>All holders</b>	<b>51,945,977</b>	<b>100.00%</b>

**Substantial shareholders**

The number of shares held by substantial shareholders and their associates, as advised in substantial holder notices given to the Company, are set out below:

	Shares per notice
<b>Shareholder</b>	
CVC Limited	30,354,904
One Managed Invst Funds Ltd	3,702,155

**Distribution of equity security holders**

<b>Category</b>	<b>Number of holders</b>
<b>1 – 1000</b>	66
<b>1,001 – 5,000</b>	543
<b>5001 – 10,000</b>	138
<b>10,001 – 50,000</b>	124
<b>50,001 – 100,000</b>	15
<b>100,001 and over</b>	26

The number of shareholders holding less than a marketable parcel of ordinary shares is 343.