

**Financial year ended:** 30 June 2017**Previous financial year ended:** 30 June 2016**Audit Status:** This report is in the process of being audited but is not likely to be the subject of dispute or qualification.**Results for announcement to the market**

				<b>\$'000s</b>
<b>Revenue from ordinary activities</b>	up	48%	to	40,007
Net profit (loss) for the year after tax attributable to members	up	6,555%	to	2,529

Dividends	Amount per security	Franked amount per security
Final dividend – payable on 6 October 2017	0.75 cents	100%
Interim dividend – paid on 13 April 2017	0.50 cents	100%
Record date for determining entitlements to the final dividend	15 September 2017	
Date for payment of the final dividend	6 October 2017	
Dividend Reinvestment Plan (“DRP”) will apply to the final dividend.		

**Brief explanation of any of the figures reported to enable the figures to be understood;****Commentary:***Please refer to FY'17 Results announcement.*

For any queries, please contact Daniel Riley on 1300 666 177

**Signed: Daniel Riley, Director****Date:** 23<sup>rd</sup> August 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**For the year ended 30 June 2017**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
		<b>\$000's</b>	<b>\$000's</b>
<b>Continuing operations</b>			
<b>Revenue</b>		40,007	27,092
Agency fees		(149)	(597)
Employee benefit expense (direct employees)		(8,360)	(5,291)
Employee benefit expense (on-hire staff)		(11,880)	(12,871)
Depreciation and amortisation expense		(165)	(127)
Amortisation – Customer Relations		(1,358)	-
Finance costs-product related		(5,867)	(2,548)
Finance costs-corporate		(2,126)	(1,378)
Rent		(614)	(405)
Bad and doubtful debts		(829)	326
Insurance		(1,833)	(764)
Other expenses		(3,064)	(2,001)
<b>Total Expenditure</b>		(36,245)	(25,656)
<b>Profit/(Loss) before Income Tax</b>		3,762	1,436
Income tax expense		(1,273)	(486)
<b>Profit/(loss) for the year from the continuing operations</b>		<b>2,489</b>	<b>950</b>
<b>Discontinued operations</b>			
<b>Profit/(loss) for the year from the discontinued operations</b>	11	40	(912)
<b>Profit/(loss) attributable to members of the parent entity</b>		<b>2,529</b>	<b>38</b>
<b>Other comprehensive income</b>			
		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>2,529</b>	<b>38</b>
<b>Earnings/(loss) per Share:</b>			
From continuing and discontinued operations			
Basic earnings/(loss) per share (cents)	4	1.92	0.04
Diluted earnings/(loss) per share (cents)		1.80	0.04
From continuing operations			
Basic earnings/(loss) per share (cents)	4	1.89	0.98
Diluted earnings/(loss) per share (cents)		1.78	0.98

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2017**

		<b>Consolidated Group</b>	
		<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>Note</b>	<b>\$000's</b>	<b>\$000's</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	14,927	14,738
Trade and other receivables		130,155	114,596
Other current assets		2,183	522
Assets classified as held for sale	12	-	9,579
<b>TOTAL CURRENT ASSETS</b>		<b>147,265</b>	<b>139,435</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		367	161
Deferred tax assets		1,321	1,555
Intangible assets	13	12,511	15,370
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14,199</b>	<b>17,086</b>
<b>TOTAL ASSETS</b>		<b>161,464</b>	<b>156,521</b>
<b>CURRENT LIABILITIES</b>			
Trade payable		55,613	50,001
Other payable		-	7,197
Other current liabilities		93	26
Borrowings		14,308	26
Current tax liabilities		1,536	1,067
Short-term provisions		364	415
Liabilities directly associated with assets classified as held for sale		-	6,190
<b>TOTAL CURRENT LIABILITIES</b>		<b>71,914</b>	<b>64,922</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		72,959	76,973
Long-term provisions		54	71
Other non-current liabilities		122	20
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>73,135</b>	<b>77,064</b>
<b>TOTAL LIABILITIES</b>		<b>145,049</b>	<b>141,986</b>
<b>NET ASSETS</b>		<b>16,415</b>	<b>14,535</b>
<b>EQUITY</b>			
Issued capital	2	16,711	16,045
Reserves		439	439
Accumulated losses		(735)	(1,949)
<b>TOTAL EQUITY</b>		<b>16,415</b>	<b>14,535</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the Financial Year Ended 30 June 2017

**Consolidated Group**

	Share Capital \$000's	General Reserve \$000's	Accumulated Losses \$000's	Total Equity \$000's
<b>Balance at 1 July 2015</b>	<b>10,979</b>	<b>441</b>	<b>(1,517)</b>	<b>9,903</b>
Total comprehensive income for the year	-	-	38	38
<b>Transactions with owners in their capacity as owners</b>				
Contributions of equity	5,066	-	-	5,066
Foreign Currency Reserve	-	(2)	-	(2)
Share issue costs	-	-	-	-
Dividends provided for or paid	-	-	(470)	(470)
<b>Balance at 1 July 2016</b>	<b>16,045</b>	<b>439</b>	<b>(1,949)</b>	<b>14,535</b>
Total comprehensive income for the year	-	-	2,529	2,529
<b>Transactions with owners in their capacity as owners</b>				
Contributions of equity	693	-	-	693
Share issue costs	(27)	-	-	(27)
Dividends provided for or paid	-	-	(1,315)	(1,315)
<b>Balance at 30 June 2017</b>	<b>16,711</b>	<b>439</b>	<b>(735)</b>	<b>16,415</b>

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended 30 June 2017**

	<b>Consolidated Group</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000's</b>	<b>\$'000's</b>
<b>Note</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,038,143	450,221
Payments to suppliers and employees	(1,041,560)	(483,459)
Interest received	169	154
Finance costs	(7,387)	(4,185)
Income tax paid	(193)	(559)
<b>Net cash (used in) operating activities</b>	<b>(10,828)</b>	<b>(37,828)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Plant and Equipment	(308)	(79)
Payments for IT Development	(27)	-
Sale of Investment	1,800	-
Payment for subsidiary, net of cash acquired	-	(8,870)
<b>Net cash (used in) investing activities</b>	<b>1,465</b>	<b>(8,949)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	693	5,425
Cost of capital raising	(27)	(359)
Proceeds from borrowings	14,281	43,316
Repayment of borrowings	(4,620)	-
Dividends paid to company's shareholders	(1,315)	(470)
<b>Net cash provided by financing activities</b>	<b>9,012</b>	<b>47,912</b>
Net increase in cash held	(351)	1,135
Cash at the beginning of the financial year	15,278	14,142
<b>Cash at the end of the financial year</b>	<b>14,927</b>	<b>15,278</b>

The accompanying notes form part of these financial statements

## **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report includes the consolidated financial statements of CML Group Limited and controlled entities ('Consolidated Group' or 'Group'). Accounting policies have been applied consistently from the prior year.

## **2. CONTRIBUTED EQUITY**

	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$000's</b>	<b>\$000's</b>
Ordinary Shares fully paid	133,052,955	130,100,023	16,711	16,045

2,952,932 ordinary shares were issued in the financial year ended 30 June 2017.

## **3. SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of Incorporation	Class of Shares	Equity holding*	
			2017	2016
<b>Parent entity</b>				
CML Group Limited	Australia	Ordinary		
<b>Controlled entities</b>				
Cashflow Advantage Pty Ltd	Australia	Ordinary	100%	100%
180 Group Pty Ltd	Australia	Ordinary	100%	100%
180 Capital Funding Pty Ltd	Australia	Ordinary	100%	100%
Cashflow Finance Australia Pty Ltd	Australia	Ordinary	100%	100%
Zenith Management Services Pty Ltd	Australia	Ordinary	100%	100%
Lester Australia Ltd	UK	Ordinary	100%	100%
The Lester Partnership Pty Ltd*	Australia	Ordinary	-	100%
Lester Payroll Services Pty Ltd	Australia	Ordinary	100%	100%
Lester Associates Good Migration Pty Ltd	Australia	Ordinary	100%	100%
Lester Associates Business Services Pty Ltd	Australia	Ordinary	100%	100%
LesterPlus Pty Ltd	Australia	Ordinary	100%	100%

The proportion of ownership interest is equal to the proportion of voting power held.

\*The Lester Partnership Pty Ltd was sold on 1<sup>st</sup> of August 2016.

#### **4. EARNINGS PER SHARE**

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>Cents per Share</b>	<b>Cents per Share</b>
<b>Basic earnings per share</b>		
Continuing operations	1.89	0.98
Discontinued operations	0.03	(0.94)
Continuing operations and discontinued operations	1.92	0.04
<b>Diluted earnings per share</b>		
Continuing operations	1.78	0.98
Discontinued operations	0.02	(0.94)
Continuing operations and discontinued operations	1.80	0.04

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:-

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Earnings (i)</b>		
Continuing operations	2,489	950
Discontinued operations	40	(912)
Continuing and discontinued operations	2,529	38
Interest on convertible notes	654	-
Earnings used in calculating of dilutive EPS	3,183	38
	<b>No</b>	<b>No</b>
Weighted average number of ordinary shares	131,934,848	96,748,245
Weighted average number of dilutive convertible notes and options on issue	44,452,634	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	176,387,482	96,748,245

(i) Earnings used in the calculation of basic earnings per share are net profit after tax.

Convertible notes had anti-dilutive impact on earnings per share, and therefore were not included in FY 16 calculations.

#### **5. NET TANGIBLE ASSET BACKING**

	<b>Cents</b>	<b>Cents</b>
Net tangible asset backing per ordinary security (per share)	3.15	(0.9)

**6. OPTIONS**

10,000,000 unlisted options were granted to Mr. Daniel Riley on 17<sup>th</sup> of March 2017 with an exercise price of \$0.27 and expiry date of 9<sup>th</sup> March 2022.

Name	Balance 1 Jul 16	Granted during the year	Net other change No.	Balance 30 Jun 17	No. vested	Options vested during the year
Daniel Riley	-	10,000,000	-	10,000,000	2,000,000	2,000,000

Vested options are exercisable on 9<sup>th</sup> of March 2022 or on a trigger event.

**7. RELATED PARTY TRANSACTIONS**

Unsecured loan from Mr. Geoff Sam has been repaid in full on 31 March 2017.

The Company entered into an unsecured loan agreement with Mr. Daniel Riley to provide \$250,000 for the options issued on 17<sup>th</sup> of March 2017 at 5.65%. Loan and interest is repayable at earlier of when the options are exercised or on options expiry date 9<sup>th</sup> March 2022. The loan is provided for the sole purpose of acquiring options in the company and the amounts receivable under the loan and increase in equity are not recognised in the consolidated financial statements until the loan is repaid in accordance with *AASB 2 Share-based Payment*.

**8. CASH AND CASH EQUIVALENT**

	<b>30 Jun 2017</b>	<b>30 Jun 2016</b>
Cash and bank balances	14,927	14,738
Cash and bank balances included in assets held for sale	-	540
	<u>14,927</u>	<u>15,278</u>

**9. EVENTS SUBSEQUENT TO REPORTING DATE**

There have been no event between 30 June 2017 and the date of financial statement which necessitate adjustments to the statements of financial position and comprehensive income of that date.



## **10. SEGMENT INFORMATION**

### **Continuing operations**

	<b>Finance \$'000's</b>	<b>Payroll and related services \$'000's</b>	<b>Corporate \$'000's</b>	<b>Total \$'000's</b>
<i>Year ended 30 Jun 2017</i>				
<i>Invoice Purchased</i>	<i>1,000,699</i>			
Total segment revenue	25,999	14,008	-	40,007
Adjusted Profit before income Tax	13,383	1,261	(1,539)	13,105
<i>Year ended 30 Jun 2016</i>				
<i>Invoice Purchased</i>	<i>406,491</i>			
Total segment revenue	11,364	15,728	-	27,092
Adjusted Profit before income Tax	5,377	1,603	(1,634)	5,346

The Board assesses the performance of the operating segments based on a measure of adjusted profit / (loss) before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/ (losses) on financial instruments. Interest income and expenditure are also not allocated to segments. A reconciliation of adjusted Profit before Income Tax to Profit before Income Tax is provided as follows:-

	<b>Consolidated Group</b>	
	<b>30 Jun 2017</b>	<b>30 Jun 2016</b>
	<b>\$000's</b>	<b>\$000's</b>
Adjusted profit before income tax	13,105	5,346
Depreciation and amortisation	(165)	(127)
Amortisation – Customer Relations	(1,358)	-
Interest costs	(7,993)	(3,926)
Interest Income	173	143
Profit (loss) before income tax	3,762	1,436

## **11. DISCONTINUED OPERATIONS**

The Group completed the sale of its Lester Associates payroll business on 1 August 2016. The combined results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from the discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	<b>2017 \$000's</b>	<b>2016 \$000's</b>
Profit (loss) for the year from discontinued operations		
Revenue	4,451	58,325
Expenses	(4,396)	(57,905)
Profit before tax	55	420
Attributable income tax expense (benefit)	15	(131)
	40	289
Loss on remeasurement to fair value less costs to sell	-	(856)
Attributable income tax expense	-	(345)
Profit (loss) for the year from discontinued operations	40	(912)
<b><i>Cash flows from discontinued operations</i></b>		
Net cash outflows from operating activities	98	(913)
Net cash inflows from investing activities	-	-
Net cash inflows from financing activities	158	664
Net cash inflows (outflows)	256	(249)

The Lester payroll business has been classified and accounted for at 30 June 2016 as a disposal group held for sale.

The net assets of Lester Group at the date of disposal were as follows:

	<b>1 Aug 2016 \$000's</b>
Net assets disposed of (excluding goodwill)	-
Attributable goodwill	2,576
Less: re-measurement of goodwill	(856)
Net attributable goodwill	1,720
Transaction cost	80
Gain on disposal	-
Total consideration	1,800
Satisfied by cash, and net cash inflow arising from disposal	1,800

## **12. ASSETS CLASSIFIED AS HELD FOR SALE**

The Group completed the sale of its payroll business, Lester Associates on 1 August 2016. The major classes of assets and liabilities of the payroll business at the end of the reporting period are as follows:-

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
Cash	-	540
Trade & Other Receivables	-	5,407
Other Current Assets	-	3,627
Property, Plant and Equipment	-	5
Assets of payroll business classified as held for sale	-	9,579

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
Trade Payable	-	5,648
Provision	-	542
Assets of payroll business classified as held for sale	-	6,190
Net Assets of payroll business classified as held for sale	-	3,389

## **13. INTANGIBLE ASSETS**

	<b>2017</b>	<b>2016</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
Goodwill:-		
Opening net book balance	13,146	5,167
Acquisitions	-	8,835
Disposal or classified as held for sale	(1,720)	(856)
Adjustment to prior year acquisition during the measurement period	(2,174)	-
Net book value	9,252	13,146
Trademark:-		
Opening net book balance	2,125	2,099
Adjustment to prior year acquisition during the measurement period	-	26
Net book value	2,125	2,125
Customer Relations:-		
Opening net book balance	-	-
Adjustment to prior year acquisition during the measurement period	2,400	-
Amortisation	(1,358)	-
Net book value	1,042	-
Software Development:-		
Opening net book balance	99	162
Capitalised during the year	28	9
Disposals or classified as held for sale	(1)	-
Amortisation	(34)	(72)
Net book value	92	99
Total	12,511	15,370

### **13. INTANGIBLE ASSETS (Continued.)**

During FY 17, the Group had completed the purchase price allocation (PPA) exercise for the acquired entities, Cashflow Advantage Pty Ltd (CA) and 180 Group. From the PPA exercise, the Group identified that CA had \$0.7M and 180 Group had \$1.7M of Customer Relations assets when the entities were acquired. The Group determined that the identified Customer Relations will be amortised over 2 years since the date it was acquired.