

CML GROUP LIMITED

ABN: 88 098 952 277

AND CONTROLLED ENTITIES

FINANCIAL REPORT

For the Year ended

30 June 2017

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Annual General Meeting

The Annual General Meeting is to be held at the Kirribilli Club, 11 Harbourview Crescent, Lavender Bay NSW 2060 on Tuesday, 14th November 2017 at 3.00 pm.

Corporate Information

CML Group Limited's ("the Company's") shares are quoted on the official list of the Australian Stock Exchange Limited. The ASX code for the Company's ordinary fully paid shares is "CGR".

Directors

Greg Riley – Non-Executive Chairperson, Director
Daniel Riley – Managing Director
Sue Healy - Non-executive Director
Geoff Sam - Non-executive Director

Registered Office and Principal Place of Business

Level 4, 61 Lavender Street,
Milsons Point NSW 2061
Telephone: 1300 666 177
Facsimile: (02) 9267 4222
Internet: <http://www.CML-Group.com.au>

Company Secretary

Steve Shin - CFO

Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Telephone: 1300 787 272

Other places of business

Level 10, 410 Queen Street, Brisbane QLD 4000
68-72 York Street, South Melbourne VIC 3205
Unit 5, 510 Woolcock Street Garbutt QLD 4814

Auditors

Pitcher Partners
Level 22, MLC Centre
19 Martin Place
Sydney NSW 2000

Solicitors

HWL Ebsworth
Level 14,
264-278 George Street
Sydney NSW 2000

Bankers

NAB Bank
255 George Street,
Sydney
NSW 2000

Chairperson's Report

This has been another strong year for CML Group and one of considerable consolidation.

2016 was a year of strong growth in which two further acquisitions were completed. 2017 saw a consolidation of these acquisitions focusing on four critical components:

- Integration of systems across the finance business.
- Consolidation to a single brand.
- Launching our online marketing systems from which we expect 30% of business leads.
- Reworking of the customer base to provide overall margin improvements.

The CML team has done a stellar job with this consolidation in just twelve months.

The growth sees CML Group as now the number two player in factoring finance in Australia. Nevertheless, the market penetration in Australia is much lower than in the UK and Europe, so strong growth in the sector is expected.

The non-finance division of the business has also performed solidly during 2017.

As a result, the underlying net profit after tax has increased significantly to \$3.8m. This result has been affected by a non-cash, non-tax deductible amortisation of customer relationships from acquired businesses of \$1.4m. The reported result is therefore \$2.5m (after rounding).

The upcoming year will see increased volume in the finance business on improved margin. We will also commence our transition from existing funding facilities to lower cost institutional bank funding, which will assist earnings in FY'19.

In addition, we are expanding our service offering into equipment finance. This is a market sector with a large potential client base.

Early indications are showing strong growth from small beginnings and the division is more likely to contribute to earnings beyond 2018.

I am delighted with the performance of our employees across the business and congratulate them on producing an excellent result. As always, I thank my fellow board members, our shareholders, our financiers and especially our customers for their support and loyalty to our business.

On behalf of the Board,



Greg Riley
Chairperson
21st September 2017

Managing Director's Report

We are pleased to report a substantial uplift in earnings in FY'17 compared to last year, with EBITDA from continuing operations of \$13.1m up 147% on the prior corresponding period and NPATA from continuing operations of \$3.85m up 305% on the prior corresponding period. Reported NPAT after a non-cash expense relating to amortisation of customer relations from acquired businesses is \$2.49m.

The Company will lift the final dividend to 0.75 cents per share (FY16: 0.50cps), taking dividends for the full year to 1.25 cents per share (FY16: 1.00cps).

The strong financial performance for FY'17, which is ahead of initial (August 2016) and revised (May 2017) guidance, was a result of improving scale and margin.

Scale

CML achieved invoice turnover in excess of \$1 billion for the first time in FY'17 (FY16: \$406m). This scale has supported a dilution of service delivery costs to drive EBITDA margin in the core finance business to greater than 50% (FY16: 47%). We anticipate continued dilution of service delivery costs on increasing volume, with the incremental cost of service delivery being less than 30% of new business revenue.

Margins

CML's average margin on invoices purchased in June 2016 was 2.1%. This was below historic margin of approximately 3.0% due to an acquisition program completed in H2FY16 of invoice finance competitors operating on lower margins.

During FY'17, CML progressively completed a review and repricing of acquired clients, plus encouraged the take-up of additional service offerings, which in combination lifted average margin across FY'17 to 2.6% (H1, 2.4% H2, 2.8%). With invoice turnover of \$1 billion per annum, each 0.10% improvement in margin adds \$1m to income, with no corresponding costs.

Financials

A summary of CML's fully year result is tabled below:

\$m	Note	FY'17	FY'16	pcp Δ
Invoices Purchased	1	1,001	406	146%
Finance Revenue		26.0	11.4	128%
Other Revenue		14.0	15.7	-11%
Group Revenue		40.0	27.1	48%
Finance EBITDA	2	13.4	5.4	149%
Other EBITDA		1.3	1.6	-19%
Corporate		(1.5)	(1.6)	-6%
Group EBITDA		13.1	5.3	147%
D&A		(0.2)	(0.1)	100%
Net Interest	3	(7.8)	(3.8)	105%
Tax		(1.3)	(0.5)	
NPATA**		3.8	1.0	280%
Amortisation of customer relationships	3	(1.4)	-	
Discontinued Operations		0.0	(0.9)	
NPAT Reported		2.5	0.0	
Underlying EPS*		2.9	1.0	
EPS (cents per share)	27	1.9	1.0	
DPS (cents per share)	27	1.25	1.0	

* [Underlying EPS is based on NPATA. **NPATA is NPAT Before Amortisation of customer relationships]

Notes to Table	
1	Invoice turnover exceeded \$1 billion for the first time, reflecting a full period contribution from acquisitions completed during FY'16.
2	Finance Division EBITDA margin rose above 50% of revenue due to dilution of service delivery costs on scale
3	Net interest increased with the greater level of debt to finance the growth in the Loan Book.
4	Non-cash amortisation of identifiable intangible assets from acquisitions completed in FY'16

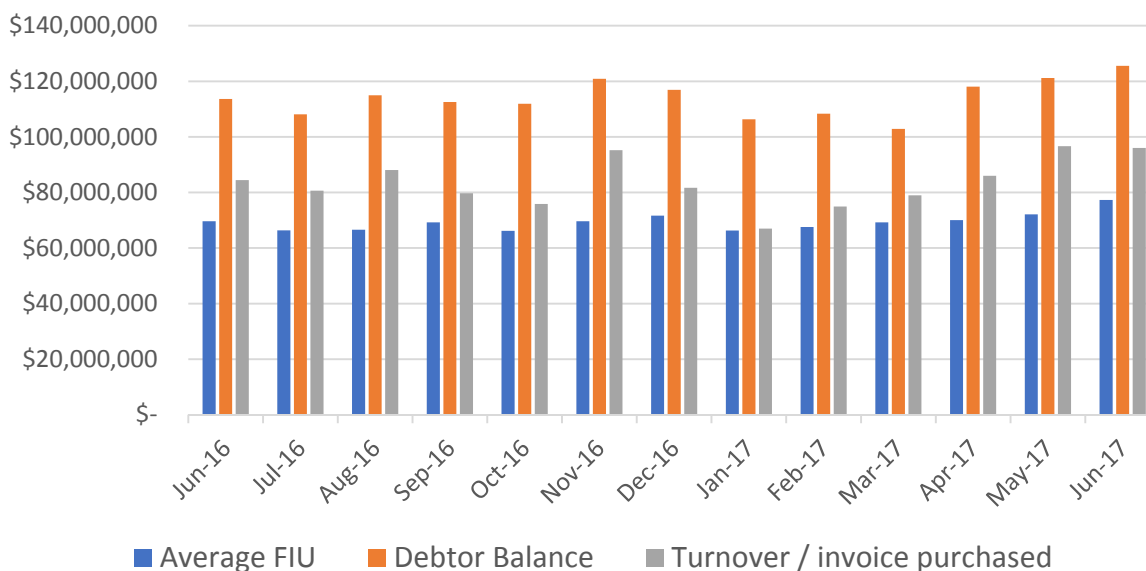
Invoices Purchased and Loan Book Growth

Invoices purchased during the period rose 146% to \$1 billion, reflecting full period contributions from the CashFlow Advantage and 180 Group acquisitions which were completed in March 2016 and May 2016 respectively. The acquisitions have been successfully integrated into the group and rebranded "Cashflow Finance" which has allowed a more effective & cohesive sales and service delivery strategy to be applied. The integration of acquired businesses involved training and development of staff that continued under CML's ownership, a transition of all clients to a preferred software platform, re-pricing and new documentation for many and the management out of some clients that did not meet CML's risk criteria.

The integration work was completed during H1'17 and resulted in a higher than normal client attrition rate. New sales compensated for this, with the loan book remaining steady, however value was added to the client portfolio through re-pricing, streamlining of service delivery and promotion of additional services.

The integration initiatives completed in H1'17 contributed to a boost in earnings in H2'17, complemented by the resumption of organic growth as client churn returned to historical levels and sales and marketing initiatives gathered momentum. The increase in volume and improved margins has provided an excellent starting position for FY'18.

The chart below illustrates a flat H1FY'17 during which integration work was completed, followed by the resumption of growth in H2.



Comparison table for the month of June 2017, with pcp

	30/06/2017 \$m	30/06/2016 \$m	Growth
Invoices purchased	96.0	84.4	14%
Receivables	125.6	113.6	11%
Average FIU (loan book)	77.3	69.6	11%
LVR	62%	61%	1%

Funding & Capital Management

At balance date CML had \$14.9m of cash on Statement of Financial Position, plus \$37m headroom in its institutional bank facility to fund growth in the loan book.

The average cost of funds during FY'17 was 8.9% and due to the fixed nature of its bonds and notes compared to the daily fluctuations on funds deployed, CML at times carried funding capacity significantly greater than the Loan Book required. CML pays interest costs on these unutilised funds, which adversely impacts earnings. The interest costs on these unutilised funds were \$2.1m in FY'17.

CML expects that over the next 12 to 24 months, it will be able to transition from its current funding arrangements to majority institutional bank funding, which will have the double benefit of reducing the average cost of funds and through the draw-down nature of the facility reduce the exposure to unutilised funds.

Outlook

With over \$1 billion of invoices purchased in FY'17 and strong growth momentum moving into FY'18, CML has cemented its position as the second largest listed non-bank invoice finance provider in Australia and is quickly gaining recognition in the market for fast and reliable service delivered by a committed and experienced team.

CML is confident of continued earnings growth over the short and medium term and expects double digit EBITDA growth in FY'18 which will be driven by:

- Loan book growth – CML has an established sales team with a proven track-record of success and we will continue to develop this team. As evident in the last quarter of FY'17, organic growth has resumed under the restructured sales team and branding and this has carried on into the initial months of FY'18.
- Margin Improvement – we expected to benefit from a full 12 months contribution in FY'18 from the work completed on improving margins during FY'17.

Post FY'18, CML expects further growth to be driven by:

- Funding costs – CML expects that over the next 12 to 24 months, it will be able to transition from its current funding arrangements to majority institutional bank funding, which is just beginning to be utilised for new growth in the loan book. This will result in a lower cost of funds relative to the current blended rate of 8.9%. It is expected that during the time period provided above, CML can reduce its funding cost by circa 3%-4% plus reduce exposure to unutilised funds, which should have a positive material impact on earnings.
- New Products - during H2'17 CML has developed an Equipment Finance product that will be offered to existing and new customers. This product was launched in July 2017, with promising initial demand. We do not expect a material contribution to earnings from this new product during FY'18.

CML has simplified and improved its business over the last 2 years and with a committed and experienced team, strong sales momentum and institutional bank funding in place, we are highly confident in our ability to deliver on our clear growth plan that is focussed on scale and profitability.

Sincerely,



Daniel Riley
CEO

Directors' report

The Directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of CML Group Limited ('CGR') and the entities it controlled at the end of or during the year ended 30 June 2017 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The following Directors were in office during the whole of the year and continue in office at the date of this report unless otherwise stated:-

Greg Riley

Qualifications:

Experience:

Non-Executive Chairman

BSc, Dip ED, G Dip Ed Studies

Greg founded CML Group in 2002 as Careers MultiList, initially focusing on recruitment and labour-hire. After listing on the ASX in 2010, Greg has overseen the growth and transformation of CML to a wider services business including invoice finance in which invoice financing has become the dominant part of the business. Greg was Managing Director from 2002 until late 2010, Director until November 2014 and Chairman to the present. During his tenure as Chairman, Greg has seen the business transform from an inexperienced, new player in the invoice finance sector to a well organised, serious player, with robust systems, strong financial resources, experienced staff and strong growth.

Responsibilities:

Chairperson of the Risk Committee, Member of the Audit Committee, Nomination and Remuneration Committee.

Shares:

17,011,163 Ordinary Shares and 50,000 Convertible Notes

Daniel Riley

Qualifications:

Experience:

Managing Director

BCom, CPA

Daniel joined CML Group in 2002 when the business was in its early development as a service provider to the recruitment industry. He was appointed CEO in 2010. Daniel launched the factoring business in 2012 and transitioned CML from a recruitment services firm to a finance business and has managed an accelerated growth program which includes \$100m+ in capital raisings, the acquisition of three key factoring competitors and simplification of CML's business structure through divestment of its historic business.

Responsibilities:

Member of the Risk Committee.

Shares:

3,179,761 Ordinary Shares and 50,000 Convertible Notes

Sue Healy

Qualifications:

Experience:

Independent Non-Executive Director

Fellow RCSA, MAICD

Sue has extensive business leadership and corporate advisory experience, and holds a number of advisory and directorship roles. She was the founder and Managing Director of Staff & Exec Pty Ltd and HR Partners Pty Ltd for 20 years. (A national talent and managed services business). She has also held Executive General Manager roles for The Skilled Group Ltd and Chandler MacLeod Group Ltd (Australia's 2 largest ASX listed human capital companies). She is an advisory board member of Ccentric Group Ltd & Director of a global executive search business Witt Keiffer/Ccentric.

Responsibilities:

Chairperson of the Nomination and Remuneration Committee and Member of the Audit Committee.

Shares:

391,287 Ordinary Shares.

Directors' report (Continued)

Geoffrey Sam OAM

Qualifications:

Experience:

Independent Non-Executive Director

BCom (UNSW) MHA (UNSW) MA (Econ&SocStudies) (Manchester UK)

Geoff has held numerous successful ASX-listed independent board positions including Chairman & Independent Director of Money 3, Independent Director of Hutchison's Childcare Services and Managing Director of Nova Health. Prior to his appointments to ASX-listed companies, Geoffrey undertook numerous Chief Executive positions at Adelaide based hospitals. He is currently the Co-Founder and Director of HealtheCare Australia Pty Ltd, a privately owned health care company comprising a portfolio of 35 hospitals and a community nursing and rehabilitation business.

Responsibilities:

Shares:

Chairperson of the Audit Committee.

1,228,800 ordinary shares.

Richard Farrington

Qualifications:

Non-Executive Director (Resigned 28 February 2017)

Fellow AICD, Fellow AIM

Company Secretary

Steve Shin

Qualifications:

Experience:

Company Secretary

B Com, CA

Steve joined CML Group as Chief Financial Officer in April 2015, with more than 15 years of experience as key executive in ASX listed companies and top-ten accountancy firm. Prior to his current role, Steve was the Group Financial Controller of ASX-listed financial technology company following a career which has covered a number of senior finance positions.

Shares:

N/A

Directors' meetings

The following table sets out the number of directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year, 9 board meetings, 3 Audit committee meetings, 1 Risk committee meeting, and 2 Nomination and Remuneration Committee meetings were held.

	Board of Directors		Audit Committee		Risk Committee		Nomination and Remuneration Committee	
	No. eligible to Attend	Attended	No. eligible to Attend	Attended	No. eligible to Attend	Attended	No. eligible to Attend	Attended
G. Riley	9	9	3	3	1	1	2	2
D. Riley	9	9	-	-	1	1	-	-
G. Sam	9	9	3	3	-	-	-	-
R. Farrington *	7	7	-	-	1	1	2	2
S. Healy	9	8	3	2	-	-	2	2

* Resigned 28 February 2017

Directors' report (Continued)

	2017	2016
	\$000's	\$000's
Dividends paid or declared		
Interim fully franked dividend at the tax rate of 30%	664	470
Final fully franked dividend at the tax rate of 30%	998	650
	<u>1,662</u>	<u>1,120</u>

Dividends declared after the reporting period

Since the end of the reporting period the directors have declared a dividend at 0.75 cents per share (2016: 0.5 cents) fully franked at 30%

	998	650
	<u>998</u>	<u>650</u>

Corporate structure

CML Group Limited is a listed public company, limited by shares, incorporated and domiciled in Australia. CML Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

Corporate Governance

The Board endorses the ASX Corporate Governance Principles and Recommendations, 3rd Edition. The Group has taken the opportunity to disclose its Corporate Governance Statement in the Corporate Governance section on the CML Group website (<http://cml-group.com.au/investor-relations/publications-policies/>). As required, the Group has also lodged the Corporate Governance Statement with the ASX.

Nature of operations and principal activities

The Group's principal activity during the financial year was that of financial management and payroll services. There has been no significant change in the nature of these activities during the financial year.

Review of Operations

A review of the operations of the Group during the financial year and the results of those operations are as follows:

Revenue increased by 48% from \$27.1m to \$40.0m. Revenue for the finance division increased by 128% from \$11.4m to \$26.0m and revenue for other services divisions decreased by 11% from \$15.7m to \$14.0m. The increase in finance revenue was driven by:-

- Increase in invoice turnover in excess of \$1 billion reflecting a full period contribution from acquisitions during FY 16.
- Improvements on margins through repricing on acquired clients

Total Expenditure increased by 41% from \$25.7m to \$36.2m. The increase in total expenditure was primarily driven by:-

- Increased employee related costs, marketing costs and insurance costs to support the organic growth and growth from acquired businesses
- Increased borrowing and finance costs from full year of \$65 FIIG facility, ANZ facility and unsecured loans during the year.

Profit after tax from continuing operations increased from \$0.95m to \$2.49m and overall group profit after tax increased from \$0.04m to \$2.53m.

Directors' report (Continued)

Net assets for the Group increased by 13% from \$14.5m to \$16.4m. Key movements in statement of financial positions are:-

- Trade receivables increased by 14% from \$114.6m to \$130.2m and trade payables increased by 11% from \$50.0m to \$55.6m mainly due to organic growth in Invoice Finance division
- Intangible assets decreased by 19% from \$15.4m to \$12.5m with the sale of Lester group and amortisation of customer relations.
- Total borrowings increased by 13% from \$77.0m to \$87.3m with increased unsecured loan and new bank facility.
-

Future developments, prospects and business strategies

The Group is confident of continued earnings growth through loan book growth and margin improvements. Details of future developments, prospects and business strategies are set out in Managing Director's Report.

Significant Changes in state of affairs

There have been no significant changes of affairs to report during the financial year.

After balance date events

The Group wishes to advise that as per clause 4.2 of the terms of the Convertible Notes that in the 20 trading days on which trades were recorded on ASX to Monday the 21st of August 2017, the VWAP of the ordinary shares was \$0.351055. Subsequently CML has right to convert all or some of the Convertible Notes to fully paid ordinary shares. CML is not under a time constraint to convert and will review its capital structure in the near term. If all the Notes were converted it would represent an increase on shares on issue from 133.1m to 174.6m and result in annualised reduction in interest of \$936,000. The Company will make a further announcement if Notes are converted.

A new property lease was signed commencing on 1 January 2018. It is a 5 year lease with rent repayable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments shall increase by 4% per annum.

The Group has declared a Final Dividend of 0.75 cents per share, fully franked. Group has a Dividend Reinvestment Plan (DRP) in place, in which eligible shareholders may participate.

Except as disclosed above, there has been no other matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the group

Environmental regulations

The Group's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnifying officers or auditor

During the financial year, the company paid a premium insuring all directors and officers against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such by an officer or auditor.

Directors' report (Continued)

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of CML Group Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Remuneration Policy

The remuneration policy of CML Group Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of CML Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board and if need be professional advice is sought from independent external consultants;
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives;
- Performance incentives are generally only paid once predetermined key performance indicators have been met;
- Incentives paid in the form of options or rights are intended to align the interests of the directors and the company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- The remuneration committee reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

Directors' report (Continued)

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel received a superannuation guarantee contribution required by the government, which was currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, chose to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the company and expensed. The Board's policy remunerates Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Non-Executive Directors receive fees and do not receive options or bonus payments.

Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs targets areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the consolidated group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value

Directors' report (Continued)

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables:-

(a) Directors' remuneration

Director	Position	Short-Term			Post-employment			Long-term	Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
2017											
Daniel Riley*	Managing Director	333,024	78,424	15,000	23,682	-	-	-	-	450,130	18
Greg Riley	Non-Executive Director	85,000	-	-	-	-	-	-	-	85,000	-
Sue Healy	Non-Executive Director	50,228	-	-	4,772	-	-	-	-	55,000	-
Richard Farrington**	Non-Executive Director	33,486	-	-	3,181	-	-	-	-	36,667	-
Geoff Sam	Non-Executive Director	50,228	-	-	4,772	-	-	-	-	55,000	-
		551,966	78,424	15,000	36,406	-	-	-	-	681,797	12

*Bonus paid to Daniel Riley for FY 2016 incentive arrangement. **Resigned 28 February 2017.

Directors' report (Continued)

(a) Directors' remuneration (Continued)

Director	Position	Short-Term			Post-employment			Long-term	Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
2016											
Daniel Riley*	Managing Director	268,505	-	-	26,850	-	-	-	-	295,355	-
Greg Riley	Non-Executive Director	65,000	-	-	-	-	-	-	-	65,000	-
Sue Healy	Non-Executive Director	36,530	-	-	3,470	-	-	-	-	40,000	-
Richard Farrington	Non-Executive Director	36,530	-	-	3,470	-	-	-	-	40,000	-
Geoff Sam	Non-Executive Director	36,530	-	-	3,470	-	-	-	-	40,000	-
		443,095	-	-	37,260	-	-	-	-	480,355	-

*There was no bonus paid to Daniel Riley for FY 2015 incentive arrangement.

Directors' report (Continued)

(b) Executives' remuneration:

Executive	Position	Short-Term			Post-employment			Long-term	Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options	\$	%
2017											
Steve Shin	CFO & Company Secretary	200,913	44,708	-	19,629	-	-	-	-	265,250	17%
Peter Toohey	Executive General Manager	200,000	213,720	-	39,303	-	-	-	-	453,023	47%
		400,913	258,428	-	58,932	-	-	-	-	718,273	36%
2016											
Steve Shin	CFO & Company Secretary	177,730	11,415	-	18,105	-	-	-	-	207,250	6%
Ralph Stonell*	COO & Company Secretary	53,029	-	-	4,588	-	-	-	-	57,617	-
Peter Toohey	Executive General Manager	200,000	13,698	-	35,901	-	-	-	-	249,599	5%
		430,759	25,113	-	58,594	-	-	-	-	514,466	5%

*Ralph Stonell resigned on 27 July 2015. Steve Shin was appointed as Company Secretary on 27 July 2015.

Directors' report (Continued)

Service Agreement

Remuneration and other terms of employment for the managing director is formalised in a service agreement. The agreement provides for performance-related cash bonuses. Other major provisions of the agreements relating to remuneration are set out below:-

Name	Term of Agreement	Base Salary Inc Super \$
Daniel Riley	Ongoing as from 1 October 2010	335,000

Mr D Riley's remuneration increased to \$335,000 from 1 July 2016.

In addition, a company car and related costs are provided to Mr D Riley. This is estimated to be \$15,000 per year. Mr D Riley's contract may be terminated early by either party with six months' notice, subject to termination payments at the discretion of the Remuneration Committee.

Performance Related Pay

The following table summarises the performance conditions for performance linked bonuses;

KMP	2017 Performance conditions
Daniel Riley - Managing Director	Fixed \$175,000 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets, establishment of a bank funding facility an improvement in employee engagement rankings. The bonus is payable in 2018 and will be reported in the 2018 Remuneration Report if paid.

Options

10,000,000 unlisted options were granted to Mr. Daniel Riley on 17th of March 2017 with an exercise price of \$0.27 and expiry date of 9th 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 9th of March 2022 or on a trigger event.

Vesting conditions are continued employment (service condition) and share price milestones (performance condition).

Director fees

All director fees are paid as salary except Mr Greg Riley whose director fees are paid to A. Riley and G.B. Riley Partnership.

Directors' report (Continued)

Equity instrument disclosures relating to key management personnel

2017				
<i>No. of shares held by Key Management Personnel</i>	Balance 1 July 2016	Received as Remuneration	Additions/ (Disposals)/ (No longer KMP)	Balance 30 June 2017
Greg Riley	22,011,163	-	(5,000,000)	17,011,163
Daniel Riley	3,179,761	-	-	3,179,761
Geoff Sam	1,228,800	-	-	1,228,800
Sue Healy	391,287	-	-	391,287
Richard Farrington*	2,532,527	-	(2,532,527)	-
	29,343,538	-	(7,532,527)	21,811,011

* Resigned 28 February 2017

2016				
<i>No. of shares held by Key Management Personnel</i>	Balance 1 July 2015	Received as Remuneration	Additions/ (Disposals)/ (No longer KMP)	Balance 30 June 2016
Greg Riley	22,514,913	-	(503,750)	22,011,163
Daniel Riley	3,129,761	-	50,000	3,179,761
Richard Farrington	670,000	-	1,862,527	2,532,527
Geoff Sam	24,000	-	1,204,800	1,228,800
Sue Healy	206,060	-	185,227	391,287
Ralph Stonell*	29,891	-	(29,891)	-
	26,574,625	-	2,768,913	29,343,538

* Resigned 27 July 2015

Convertible Notes

2017				
<i>No. of Convertible Notes held by Key Management Personnel</i>	Balance 1 July 2016	Received as Remuneration	Additions	Balance 30 June 2017
Daniel Riley	50,000	-	-	50,000
Greg Riley	50,000	-	-	50,000
Total Convertible notes	100,000	-	-	100,000

Convertible Notes

2016				
<i>No. of Convertible Notes held by Key Management Personnel</i>	Balance 1 July 2015	Received as Remuneration	Additions	Balance 30 June 2016
Daniel Riley	50,000	-	-	50,000
Greg Riley	50,000	-	-	50,000
Total Convertible notes	100,000	-	-	100,000

Directors' report (Continued)

The following table shows the performance of the Consolidated Group over the past five financial years in relation to key management personnel compensation paid:-

Financial Year	KMP Short Term Incentives (TSI) \$ 000's	NPAT \$ 000's	Basic EPS Cents	Diluted EPS Cents	Net Equity \$ 000's	NTA per share cents	Dividends \$ 000's	Share price at Year end Cents
2013	385	766	1.23	1.23	4,195	(1.68)	625	10.0
2014	29	1,112	1.55	1.55	10,267	5.44	854	24.0
2015	10	17	0.02	0.02	9,903	2.63	468	18.0
2016	25	38	0.04	0.04	14,535	(0.89)	1,121	19.0
2017	258	2,529	1.92	1.80	16,415	3.15	1,662	30.5

Loans to related parties

Geoff Sam has provided \$4M unsecured loans to CML Group at 10% interest rate during the year. These loans have now been repaid in full and outstanding loans amounted to nil at the end of the year. Interest was payable on a monthly basis. Total interest paid for the year ended 30 June 2017 amounted to \$300,274.

The Company entered into an unsecured loan agreement with Mr. Daniel Riley to provide \$250,000 for the options issued on 17th of March 2017 at 5.65%. Loan and interest is repayable at earlier of when the options are exercised or on options expiry date 9th March 2022. The loan is accounted for as a share based payment in accordance with accounting standards. The fair value of the options at grant date was nil.

This concludes the Remuneration Report, which has been audited.

Auditor Independence declaration

The auditor's independence declaration for the year ended 30 June 2017 as required under section 307C of the Corporations Act 2001 has been received and is provided with this report.

Non-audit services

The Board of Directors, in accordance with advice received from the Audit committee, is satisfied that the provision of non-audit services in any year is compatible with the general standard of independence for auditor imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:-

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Directors' report (Continued)

	2017 \$	2016 \$
Amounts paid and payable to Pitcher Partners Sydney for non-audit services:		
Corporate secretarial services	-	-
Taxation services	-	53,962
	-	53,962
Amounts paid and payable to non-related auditors of group entities for non-audit services:		
Legal services	-	-
Taxation services	-	-
	-	-
Total auditors' remuneration for non-audit services	-	53,962

Proceedings on behalf of the Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 23 of the Corporations Act 2001, unless otherwise specified.

ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191.

The Company is an entity to which ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.



Daniel Riley
Managing Director
Sydney, 21st September 2017

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CML GROUP LIMITED
ABN 88 098 952 277**

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of CML Group Limited and the entities it controlled during the year.



ROD SHANLEY

Partner

PITCHER PARTNERS

Sydney

21 September 2017

Financial Report For the year ended 30 June 2017

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CML Group

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2017

		Consolidated Group	
	Note	2017 \$ 000's	2016 \$ 000's
Continuing operations			
Revenue	2	40,007	27,092
Expenditure			
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	8, 9	(165)	(127)
Amortisation – Customer Relationships	9	(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)
Total expenditure		(36,245)	(25,656)
Profit/(Loss) before Income Tax		3,762	1,436
Income tax benefit (expense)	4	(1,273)	(486)
Profit/(Loss) for the year from continuing operations		2,489	950
Discontinued operations			
Profit/(Loss) for the year from discontinued operations	28	40	(912)
Profit attributable to members of the parent entity		2,529	38
Other comprehensive income		-	-
Total comprehensive income for the year		2,529	38
Earnings/(loss) per Share:			
From continuing and discontinued operations			
Basic earnings/(loss) per share (cents)	27	1.92	0.04
Diluted earnings/(loss) per share (cents)	27	1.80	0.04
From continuing operations			
Basic and diluted earnings/(loss) per share (cents)	27	1.89	0.98
Diluted earnings/(loss) per share (cents)	27	1.78	0.98

The accompanying notes to the financial statements are included on pages 27-61

CML Group

Consolidated Statement of Financial Position

As at 30 June 2017

		Consolidated Group	
		2017	2016
	Note	\$ 000's	\$ 000's
Current Assets			
Cash and cash equivalents	5	14,927	14,738
Trade and other receivables	6	130,155	114,596
Other current assets	7	2,183	522
Assets classified as held for sale		-	9,579
		<u>147,265</u>	<u>139,435</u>
Non-Current Assets			
Plant and equipment	8	367	161
Deferred tax assets	4c	1,321	1,555
Intangible assets	9	12,511	15,370
Total Non-Current Assets		<u>14,199</u>	<u>17,086</u>
Total Assets		<u>161,464</u>	<u>156,521</u>
Current Liabilities			
Trade payables	10a	55,613	50,001
Other payables	10b	-	7,197
Other current liabilities	11	93	26
Borrowings	12	14,308	26
Current tax liabilities	4d	1,536	1,067
Short-term provisions	13	364	415
Liabilities associated with assets classified as held for sale		-	6,190
		<u>71,914</u>	<u>64,922</u>
Non-Current Liabilities			
Borrowings	12	72,959	76,973
Long-term provisions	13	54	71
Other liabilities	11	122	20
Total Non-Current Liabilities		<u>73,135</u>	<u>77,064</u>
Total Liabilities		<u>145,049</u>	<u>141,986</u>
Net Assets		<u>16,415</u>	<u>14,535</u>
Equity			
Issued capital	14	16,711	16,045
Accumulated Losses	15	(735)	(1,949)
Reserves	15	439	439
Total Equity		<u>16,415</u>	<u>14,535</u>

The accompanying notes to the financial statements are included on pages 27-61

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2017

		Share Capital	Reserves	Accumulated Losses	Total Equity
	Note	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Balance at 1 July 2015		10,979	441	(1,517)	9,903
Total comprehensive income for the year		-	-	38	38
Transactions with owners in their capacity as owners :-					
Contributions of equity	14	5,066	-	-	5,066
Dividends provided for or paid	16	-	-	(470)	(470)
Foreign Currency Reserve	15b	-	(2)	-	(2)
Balance at 30 June 2016		16,045	439	(1,949)	14,535
Balance at 1 July 2016		16,045	439	(1,949)	14,535
Total comprehensive income for the year		-	-	2,529	2,529
Transactions with owners in their capacity as owners :-					
Contributions of equity	14	693	-	-	693
Share issue costs		(27)	-	-	(27)
Dividends provided for or paid	16	-	-	(1,315)	(1,315)
Balance at 30 June 2017		16,711	439	(735)	16,415

The accompanying notes to the financial statements are included on pages 27-61

Consolidated Statement of Cash Flows For the Year Ended 30 June 2017

		Consolidated Group	
		2017	2016
	Note	\$ 000's	\$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,038,143	409,985
Payments to suppliers and employees		(1,041,561)	(443,222)
Interest received		169	154
Finance costs		(7,387)	(4,185)
Income tax paid		(193)	(559)
Net cash (used in) / provided by operating activities	26(b)	(10,829)	(37,827)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(308)	(79)
Payments for IT Development		(27)	-
Sale of Investment		1,800	-
Payment for subsidiary, net of cash acquired		-	(8,870)
Net cash (used in) / provided by investing activities		1,465	(8,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		693	5,425
Cost of capital raising		(27)	(359)
Proceeds from borrowings		14,282	43,316
Payments of borrowings		(4,620)	-
Dividends paid to company's shareholders		(1,315)	(470)
Net cash (used in) / provided by financing activities		9,013	47,912
Net (decrease)/ increase in cash held		(351)	1,136
Cash at the beginning of the financial year		15,278	14,142
Cash at the end of the financial year	26(a)	14,927	15,278

The accompanying notes to the financial statements are included on pages 27-61

Notes to the Financial Statements for the Year Ended 30 June 2017

NOTE 1 Significant accounting policies

These consolidated financial statements and notes represent those of CML Group Limited and controlled entities ("group"). The financial statements are presented in Australian dollars, which is the group's functional and presentation currency. CML Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The separate financial statements of the parent entity, CML Group Limited, have been disclosed within this report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 21st September 2017 by the directors of the company.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The group is a for profit entity for financial reporting purposes under Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. Except for cash-flow information the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current asset, financial assets and financial liabilities.

Going Concern

The financial report has been prepared on a going concern basis.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by CML Group Limited at the end of the reporting period. A controlled entity is any entity over which CML Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

(b) Revenue

Revenue is measured at a fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The group recognises revenue for the major business activity of payroll and franchise services to the recruitment industry when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities. The group recognises revenues for the finance revenue stream as revenue earned and generated within the financial year, irrespective of invoice date. To clarify, any requests from customers received post 30 June which relate to services performed prior to 30 June are recognised as transactions occurring within the financial year.

The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All Australian revenue is stated net of the amount of goods and services tax (GST).

(c) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

(c) Income tax (continued)

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (Note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

For finance leases the lease value, plus future interest cost is recognised as a liability on the statement of financial position, split between current and amounts due after more than one year. Repayments made for finance leases are shown on the statement of financial position as a reduction in liability. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

(e) Financial instruments

Classification

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets at fair value through profit or loss

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair values of listed investments are based on closing bid prices at the reporting date.

Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that are able to be converted to share capital at the option of the note holder, and the number of shares to be issued will not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument will be measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(f) Impairment of financial instruments

Impairment of financial assets

Financial assets are tested for impairment at least annually to establish whether there is any objective evidence for impairment.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

For available-for-sale financial assets carried at cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

For available-for-sale financial assets carried at fair value through other comprehensive income, the impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. If the asset is impaired, the cumulative loss is reclassified from equity to the profit or loss. For equity investments, the impairment loss is not reversed through profit or loss. For debt investments, the impairment loss is reversed through profit or loss if the fair value increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment losses was recognised in profit or loss.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Trademarks

Trademarks recognised by the Group have an indefinite useful life and are not amortised. The directors believe the useful life is indefinite based on the name acquired being synonymous with the business activity acquired and which is the main business of the group.

Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note (g).

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

Customer Relationships

Customer Relations is carried at fair value at the date of acquisition less accumulated amortisation. The directors believe the useful life of customer relationships acquired for Cashflow Advantage and 180 Group is 2 years.

Software in relation to IT development:

Software in relation to IT development is carried at cost less accumulated amortisation.

Software in relation to IT development is reported at cost value less GST and is amortised over its estimated useful economic life. The useful life of software varies depending on what the assets are and ranges from 18 months, being 66.67% amortisation, through to 5 years, being 20% amortisation.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired and objective evidence of an impairment loss. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in comprehensive income.

(k) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a diminishing balance or straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:-

	Depreciation rate
Motor vehicles	20-25%
Office equipment	20-40%
Leasehold Improvements	20-40%
Software	30-40%

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the period in which they are incurred.

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

(iii) Share-based payments

Share-based compensation benefits may be provided to directors and employees.

The fair value of shares or options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares/options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(o) Earnings per share

(i) Basic earnings per share.

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity, other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(r) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191. Accordingly, amounts in the financial statements and directors' report have been rounded off where appropriate to the nearest \$1,000, unless otherwise specified.

(s) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The discounted cash flow method has been used to arrive at the recoverable amount of goodwill in the accounts. No impairment has been recognised in respect of goodwill at the end of the reporting period as the recoverable amount exceeds the carrying value.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

Key judgments

Provision for impairment of receivables

Included in trade receivables at the end of the reporting period is an amount receivable from sales made to a variety of companies during the current financial year amounting to \$1.571 million that is considered to be impaired.

(t) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 1 Significant accounting policies (continued)

AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

The Standard provides a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, the impact is yet to be assessed.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 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, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; 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 will have an impact on the Group's accounting for its operating leases, the impact is yet to be assessed.

CML Group

Notes to the Financial Statements for the year ended 30 June 2017

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
NOTE 2 Revenue		
Revenue from continuing operations		
Services		
Finance and other services including cashflow finance, on-hire services and project management	39,834	26,949
Other revenue		
Interest received – other entities	173	143
Total revenue	<u>40,007</u>	<u>27,092</u>

NOTE 3 Expenses

Profit/(Loss) before income tax from continuing operations includes the following specific expenses:-

Depreciation and amortisation	165	127
Amortisation – Customer Relationship	1,358	-
Finance Costs Expensed	7,993	3,926
Bad and doubtful debts	829	(326)
Rental expenses on operating leases	614	405
Employee superannuation expense	<u>814</u>	<u>608</u>

Notes to the Financial Statements for the year ended 30 June 2017

		Consolidated Group	
		2017	2016
		\$ 000's	\$ 000's
NOTE 4 Income Tax Expense			
(a)	The components of tax benefit (expense) comprise:		
	Current tax	(1,736)	(311)
	Deferred tax	463	(175)
		<u>(1,273)</u>	<u>(486)</u>
(b)	The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to income tax as follows:		
	Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2016: 30%)	(1,129)	431
	Add tax effect of:		
	Accumulated benefits from prior year acquisitions	382	(48)
	Sale of Lester business	(369)	-
	Other non-allowable items	(716)	(7)
	Applying carried forward tax losses	559	-
	Income tax benefit (expense)	<u>(1,273)</u>	<u>(486)</u>
	The applicable weighted average tax rates are as follows:	33.8%	33.8%
(c)	Deferred taxation		
	The balance comprises temporary differences attributable to :-		
	Provision for doubtful debt	471	410
	Provision for employee entitlements	125	308
	Accrued Expenditure	645	2,025
	Accrued Income	(55)	(1,135)
	Other	135	(53)
	Total deferred tax assets	<u>1,321</u>	<u>1,555</u>
	Net deferred tax assets	<u>1,321</u>	<u>1,555</u>
(d)	Income Tax Payable	<u>1,536</u>	<u>1,067</u>

NOTE 5 Cash and cash equivalents

Cash at bank and in hand	14,927	14,738
Cash at bank and in hand included in assets held for sale	-	540
	<u>14,927</u>	<u>15,278</u>

Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of financial position and statement of cash flow is:-

Cash and cash equivalents	14,927	14,738
Bank overdraft	-	-
	<u>14,927</u>	<u>14,738</u>

CML Group

Notes to the Financial Statements for the year ended 30 June 2017

	Consolidated Group	
	2017 \$ 000's	2016 \$ 000's
NOTE 6 Trade receivables		
CURRENT:		
Trade receivables	131,726	115,598
Provision for impairment (a)	(1,571)	(1,002)
	<u>130,155</u>	<u>114,596</u>

Impaired trade receivables

As at 30 June 2017 current trade receivables of the group of \$1,570,626 (2016: \$1,002,210) were impaired.

(a) The aging of these receivables is as follows;

31-60 days	-	-
Over 60 days	1,571	1,002
	<u>1,571</u>	<u>1,002</u>

Movements in the provision for impairment of receivables are as follows:-

As at 1 July	1,002	1,376
Provision for impairment during the year	1,483	1,935
Receivables written off during the year as uncollectable	(764)	(1,808)
Provision for impairment reversed during the year	(150)	(336)
Provision for asset classified as held for sale	-	(165)
As at 30 June	<u>1,571</u>	<u>1,002</u>

(b) Past due but not impaired

As at 30 June 2017, trade receivables of \$71,866,525 (2016: \$53,968,662) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Trade credit insurance is in place across all finance division receivables and parts of payroll service division, reducing the groups' exposure to risk.

Less than 30 days	44,887	32,750
31-60 days	11,442	10,632
Greater than 60 days	14,332	9,585
	<u>70,661</u>	<u>52,967</u>

(c) Interest Rate Risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 18.

(d) Credit Terms

Credit terms which apply to trade customers range from 7 day terms to 75 day terms. Most terms are 30 days net.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 6 - Trade and other receivables (continued)

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 18 for further information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
NOTE 7 Other Assets		
CURRENT:		
Prepayments	1,966	225
Accrued Income	183	222
Advances	16	17
Deposits Paid	18	58
Total	2,183	522
NOTE 8 Plant & Equipment		
Leased motor vehicles		
At cost	79	63
Accumulated depreciation	(37)	(17)
	42	46
Software & Office equipment		
At cost	215	212
Accumulated depreciation	(74)	(104)
	141	108
Leasehold Improvements		
At cost	286	22
Accumulated depreciation	(102)	(15)
	184	7
Total Plant & Equipment	367	161

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 8 Plant & Equipment (Continued)

	Consolidated Group			
	Leased Motor Vehicle \$000s	Computer & Office Equipment \$000s	Leasehold Improve- ments \$000s	Total \$000s
2017 Consolidated:-				
Balance at the beginning of the financial year	46	108	7	161
Additions	47	107	217	371
Disposal or classified as held for sale	(34)	-	-	(34)
Depreciation	(17)	(74)	(40)	(131)
Carrying amount at the end of the financial year	42	141	184	367
2016 Consolidated:-				
Balance at the beginning of the financial year	40	155	23	218
Additions	-	18	-	18
Acquired on business combination	23	39	-	62
Disposals	-	(5)	-	(5)
Depreciation	(17)	(99)	(16)	(132)
Carrying amount at the end of the financial year	46	108	7	161

NOTE 9 Intangible Assets

	Consolidated Group	
	2017 \$ 000's	2016 \$ 000's
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
Trademarks:-		
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 Relationships:-		
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

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 9 Intangible Assets (Continued)

Intangible assets have been tested for impairment at 30 June 2017 resulting in no impairment loss (2016: \$nil).

Intangible assets, other than goodwill and trademarks, have finite useful lives ranging from 18 months to 5 years. Amortisation is calculated according to the estimated remaining economic useful life of the asset.

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 Pty Ltd. From the PPA exercise, the Group identified that CA had \$0.7M and 180 Group had \$1.7M of Customer Relationships when the entities were acquired in FY 16. The Group also identified additional \$0.5M goodwill for Cashflow Advantage during the measurement period with the recognition of additional \$0.5M conditional provision.

The Group determined that the identified Customer Relationships will be amortised over 2 years since the date it was acquired.

Goodwill and trademarks have an indefinite life.

Goodwill, customer relationships and trademarks are comprised of;

- The acquisition of Zenith Management Services Pty Ltd in Financial Year 2010 with goodwill amounting to \$2,416,000;
- The acquisition of an independent contractors Agreement from Lex Brown, with goodwill of \$175,000;
- The acquisition of Cash Flow Finance Australia Pty Ltd in Financial Year 2015 with goodwill amounting to \$2,125,000;
- The acquisition of Cashflow Advantage Pty Ltd in Financial Year 2016 amounting to \$2,727,000 (\$2,501,000 preliminary accounting adjusted for fair value adjustment to trade receivables acquired less associated deferred tax of \$276,000) less \$700,000 customer relations identified from PPA exercise; and
- The acquisition of 180 Group Pty Ltd in Financial Year 2016 with goodwill amounting to \$6,334,000 less \$1,700,000 customer relationships identified from PPA exercise.

(a) Impairment tests for goodwill and trademark

The recoverable amount of goodwill and trademarks are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5 year period. The growth rate does not exceed the long-term average growth rate for the business in which the business operates.

The growth rate used is considered reasonable based on industry trends. The value in use calculations are on the basis of budgeted results for the 2018 and actual results for the 2017 financial years.

Growth Rate		Discount Rate	
2017	2016	2017	2016
%	%	%	%
2.5	2.5	7.8	8.7

(b) Impairment Charge

Intangible assets with indefinite useful life have been tested for impairment at 30 June 2017 resulting in no impairment charge. No indicators of impairment were identified for finite life intangible assets

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 9 Intangible Assets (Continued)

(c) Impact of possible changes in key assumptions

If there was no budgeted growth rate, the group would have not recognised an impairment of goodwill.

If the estimated cost of capital used in determining the discount rate for goodwill and trademarks had been 10% higher than managements' estimates of 8.5%, the group would not have to recognise an impairment of goodwill and trademark.

NOTE 10 Trade and Other Payables

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
(a) Trade payables		
CURRENT:		
Unsecured liabilities		
Trade payables	53,744	47,911
Sundry payables and accrued expenses	1,869	2,090
	<u>55,613</u>	<u>50,001</u>
(b) Other payables		
CURRENT:		
Unsecured liabilities		
Finance on payables - Greensill Capital	-	7,197
	<u>-</u>	<u>7,197</u>

CML Group had \$7.5M unsecured finance facility with Greensill Capital in the FY16 financial year. The interest rate on drawn funds was 10% per annum. The Greensill Capital facility was repaid in full on 21st of October 2016 and the facility was replaced with unsecured loan from First Samuel Limited.

NOTE 11 Other Liabilities

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
CURRENT:		
Unsecured liabilities	54	-
Lease Incentive Liability	39	26
	<u>93</u>	<u>26</u>
NON-CURRENT:		
Lease Incentive Liability	122	20
	<u>122</u>	<u>20</u>

Lease Incentive Liability relates to the rental of the Lavender Street, Milsons Point, NSW and Queen Street, Brisbane, QLD properties.

Notes to the Financial Statements for the year ended 30 June 2017

	Consolidated Group 2017 \$ 000's	2016 \$ 000's
NOTE 12 Borrowings		
CURRENT:		
Unsecured		
Finance Lease - Inclusive of unrealised Interest Charges	-	28
Finance Lease - unexpired Interest Charges	-	(2)
Receivables Financing Facility	2,849	-
Unsecured Loans	11,459	-
	<u>14,308</u>	<u>26</u>
NON-CURRENT:		
<i>Unsecured</i>		
Unsecured Convertible Notes	9,910	9,759
Unsecured Loans	-	4,620
	<u>9,910</u>	<u>14,379</u>
<i>Secured</i>		
Senior Secured Corporate Bond	63,049	62,594
Total	<u>72,959</u>	<u>76,973</u>

In January 2015, CML Group raised \$10.4m through Unsecured Convertible Notes. The Convertible Notes have a face value of \$1.00 and will convert into an equivalent value of shares at a price of \$0.25 per share, equivalent to four fully paid ordinary shares per convertible note. Convertible Notes have 5 years term from the date of issue and interest is payable at the rate of 9% per annum, payable in arrears after 30 June and 31 December of each calendar year.

On 18 May 2015, CML Group raised \$25.0m by issuing a Senior Secured Corporate Bond at a floating coupon rate of 5.4% per annum plus the 30 day Bank Bill Swap Rate, payable monthly in arrears to May 2020 then steps up to 7% plus the 30 day Bank Bill Swap Rate until May 2021 for a six-year term, maturing in May 2021. The Senior Secured Corporate Bond is secured by floating charge over revolving assets of the Group (including book debts) and fixed charge over all other collateral (all other assets of the Group).

On 23 March 2016, CML Group raised \$25.0m by issuing a Senior Secured Corporate Bond at a fixed coupon rate of 8% per annum, payable monthly in arrears to March 2021 then steps up to 9.5% until March 2022 for a six year term, maturing in March 2022. The Senior Secured Corporate Bond is secured by floating charge over revolving assets of the Group (including book debts) and fixed charge over all other collateral (all other assets of the Group).

On 30 May 2016, CML Group raised additional \$15.0m by issuing a Senior Secured Corporate Bond at a fixed coupon rate of 8% per annum, payable monthly in arrears to March 2021 then steps up to 9.5% until March 2022 for a six year term, maturing in March 2022. The Senior Secured Corporate Bond is secured by floating charge over revolving assets of the Group (including book debts) and fixed charge over all other collateral (all other assets of the Group).

On 4 October 2016, CML Group entered into \$10.0m unsecured loan agreement with First Samuel Limited at a fixed 9% per annum, payable monthly in arrears. The loan repayment date is 4 October 2017.

On 24 March 2017, CML Group entered into \$40.0m drawdown facility with ANZ at 2.7% over 30 day BBSY interest rate, 0.1% line fee and 0.65% undrawn funds fee. The facility is reviewed annually by ANZ. The used portion of the facility amounted to \$2.8m and unused portion of \$37.2m at 30 June 2017.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 12 Borrowings (Continued)

Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 18.

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
NOTE 13 Provisions		
Current		
Employee benefits	364	415
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:-		
Balance at the beginning of the financial year	415	796
(Decrease)/increase in provision	(51)	161
(Decrease) in provision from assets as held for sale	-	(542)
Balance at end of the financial year	364	415
Non-Current		
Employee benefits	54	71
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:-		
Balance at the beginning of the financial year	71	33
(Decrease)/increase in provision	(17)	38
Balance at end of the financial year	54	71

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(n)(i) and (ii) of the financial statements.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 14 Contributed Equity

	Consolidated Group			
	2017	2016	2017	2016
	No.	No.	\$ 000's	\$ 000's
Balance at beginning of financial year	130,100,023	93,937,825	16,045	10,979
Shares issued or under issue during the year:-				
Ordinary shares @ 15 cents from Share Placement	-	13,090,673	-	1,964
Ordinary shares @ 15 cents from Rights Issue	-	21,683,470	-	3,253
Share issue from Dividend Reinvestment Plan	2,952,932	1,388,055	693	208
Less: transaction costs arising from share issues	-	-	(27)	(359)
Balance at end of financial year	133,052,955	130,100,023	16,711	16,045

Capital risk management

The Group and the parent entity's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt and capital includes ordinary share capital, convertible notes, corporate bonds and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There are no externally imposed capital requirements. This strategy is to ensure that the Group's gearing ratio remains under 90%. The gearing ratios for the year ended 30 June 2017 and 30 June 2016 are as follows:

	Consolidated Group		
	2017	2017	2016
	If Convertible Notes Converted to Shares \$ 000's	Convertible Notes not Converted to Shares \$ 000's	Convertible Notes not Converted to Shares \$ 000's
Gearing Ratios			
Total borrowings	77,357	87,267	76,999
Less Cash and cash equivalents	(14,927)	(14,927)	(14,738)
Trade and other payables	55,613	55,613	57,198
Net debt	118,043	127,953	119,459
Total equity	*26,325	16,415	14,535
Total capital	144,368	144,368	133,994
Gearing ratio	81.76%	88.62%	89.15%

*Total borrowings include Convertible Notes which may be converted into shares. The gearing ratio is reduced from 88.62% to 81.76% if the convertible notes are converted to shares.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 15 Reserves and Accumulated Losses

	Consolidated Group	
	2017 \$ 000's	2016 \$ 000's
Reserves and Accumulated Losses		
Accumulated Losses	(735)	(1,949)
Reserves	439	439
	<u>296</u>	<u>(1,510)</u>
Accumulated Losses		
Balance at the beginning of year	(1,949)	(1,517)
Net profit attributable to members of <i>CML Group Pty Ltd</i>	2,529	38
Total available for appropriation	580	(1,479)
Dividends paid	(1,315)	(470)
Balance at end of year	<u>(735)</u>	<u>(1,949)</u>
Reserves – General and Foreign currency translation		
Balance at the beginning of year	439	441
Foreign Currency Reserve	-	(2)
Balance at end of year	<u>439</u>	<u>439</u>

NOTE 16 Dividends

	Consolidated Group	
	2017 \$ 000's	2016 \$ 000's
Fully Franked Interim Dividend – 0.50 cents (2016: 0.50 cents)	664	470
Fully Franked Proposed Final Dividend – 0.75 cents (2016 : 0.50 cents)	998	651
Total	<u>1,662</u>	<u>1,121</u>
Franking Credits	3,718	3,914

The above amounts represent the balance of the franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from the payment of dividends recognised as a liability at the reporting date.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 17 Remuneration of Auditors

	Consolidated Group	
	2017	2016
During the year the following fees were paid or payable for services provided by the auditors of the parent entity:-	\$	\$
Audit and review of the financial statements	118,536	116,000
Other services:		
Taxation and corporate secretarial services	-	53,962
	<u>118,536</u>	<u>169,962</u>

NOTE 18 Financial Risk Management

The Risk Committee has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The risk management committee monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financing risk and interest rate risk.

The Group's overall risk management strategy is to ensure that financial targets are met, while minimising potential adverse effects on financial performance relating to current and future cash flow requirements.

The Group's financial instruments consist mainly of deposit with banks, accounts receivable, investments, and trade and other payables and borrowings.

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
The total for each category of financial instruments, excluding assets held for sale, measured in accordance with accounting policies to these financial statements, are as follows:		
<i>Financial Assets</i>		
Cash and cash equivalents	14,927	14,738
Trade and other receivables	130,152	114,596
Other current assets	18	58
	<u>145,097</u>	<u>129,392</u>
<i>Financial liabilities</i>		
Trade and other payables	55,613	57,198
Borrowings	87,267	76,973
	<u>142,880</u>	<u>134,171</u>

(a) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk if the borrowings are carried at fair value.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Interest rate risk is managed using a mix of fixed and floating rate debt. All of Group's debts are at fixed rate except Senior Secured Corporate Bond which has a floating rate. It is the policy of the Group to keep between 50% and 100% of debt on fixed interest rates.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 18 Financial Risk Management (Continued)

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the interest rate that management considers to be reasonably possible. These sensitivities assume that the movement in interest rate is independent of other variables.

<i>Sensitivity Analysis</i>	2017	2016
<i>+/- 2% in interest rate</i>	\$000's	\$000's
Equity	+/- 181	+/- 144
Profit	+/- 258	+/- 205

For assets and liabilities the net fair value approximates their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

(b) Credit risk

Credit risk arises predominantly from receivables from customers and also from cash and cash equivalents, and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA' are accepted. If customers are independently rated, these ratings are used. If there is no independent rating for customers, the Group's risk controls assess the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. The compliance with credit limits by customers is regularly monitored by line management.

The maximum exposure to credit risk at the reporting date, excluding any amounts recoverable under the Group's credit insurance which is not able to be reliably estimated, is the carrying amount of the financial assets summarised in the following table. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparties default rates.

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
<i>Trade receivables</i>		
Counterparties with external credit rating (Moody's)		
AAA Federal government departments and instrumentalities	4,263	5,167
Counterparties without external credit rating	127,463	110,431
Total trade receivables	131,726	115,598
<i>Cash at bank and short-term bank deposits</i>		
AA-	14,927	14,738

To further minimise the credit risk for outstanding receivables from customers, the Group ensures that:-

- 50% of ledger purchased from new customers are checked and validated with the end debtors.
- 20% of new invoices purchased from existing customers are checked and validated with the end debtors.
- Collections team chases for overdue invoices to make sure invoices are paid on time.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 18 Financial Risk Management (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational and financing activities;
- Ensuring that adequate capital raising activities are undertaken;
- Maintaining a reputable credit profile; and
- Investing surplus cash only with major financial institutions.

Please refer to Note 12 for more details on borrowings.

The following tables reflect undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments:

	0 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Total contract- ual cash flows	Carrying value
As at 30 June 2017	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Trade and other payables	55,613	-	-	-	-	55,613
Borrowings	13,724	583	72,959	-	-	87,267
Total financial liabilities	69,337	583	72,959	-	-	142,880

	0 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Total contract- ual cash flows	Carrying value
As at 30 June 2016	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Trade and other payables	57,198	-	-	-	-	57,198
Finance leases	7	7	12	-	-	26
Borrowings	-	-	28,803	48,170	-	76,973
Total financial liabilities	57,205	7	28,815	48,170	-	134,197

Fair value estimation

The carrying amounts of trade receivables, payables and current borrowings are assumed to approximate their fair values due to their short-term nature. The fair value of non-current borrowings approximates the carrying amount, as the impact of any discounting is not significant.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 19 Segment Information

Identification of reportable segments

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:-

- The products sold and/or services provided by the segment;
- The type or class of customer for the products or services;
- Any external regulatory requirements

Types of products and services by segment

i. Finance

Refers to 'invoice finance' or 'receivables finance' which provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume.

ii. Other Services

Refers to employment solutions including labour sourcing and project management.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief and operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

There are no Inter-segment transactions.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items

The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:-

- Income tax expense
- Deferred tax assets and liabilities

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 19 Segment Information (continued)

(f) Comparative information

	Finance \$'000's	Other services \$'000's	Corporate \$'000's	Total \$'000's
<i>Year ended 30 June 2017</i>				
<i>Invoice Purchased</i>	1,000,699			
Total segment revenue	25,999	14,008	-	40,007
Adjusted profit/(loss) before income tax	13,383	1,261	(1,539)	13,106
	Finance \$'000's	Other services \$'000's	Corporate \$'000's	Total \$'000's
<i>Year ended 30 June 2016</i>				
<i>Invoice Purchased</i>	406,491			
Total segment revenue	11,364	15,728	-	27,092
Adjusted profit/(loss) 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/(loss) before income tax to operating profit before income tax is provided as follows:-

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	13,106	5,346
Depreciation and amortisation	(1,523)	(127)
Finance costs	(7,993)	(3,926)
Interest Income	173	143
Operating Profit (Loss) before income tax from continuing operations	3,763	1,436

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 19 Segment Information (continued)

Segment assets

The nature of the business is such that assets are used across all segments therefore cannot be identified as relating to a specific segment. The net book value of assets is \$161M (2016: \$157M) per the consolidated statement of financial position. All assets are based in Australia.

Segment liabilities

The nature of the business is such that liabilities cannot be identified as relating to a specific segment. The net value of liabilities is \$145M (2016: \$142M) per the consolidated statement of financial position.

Major customers

The Group has a number of customers to which it provides both products and services. Most significant single external customer accounts for 11.3% of external revenue (2016: 13.1%). The next most significant client accounts for 10.3% (2016: 9.5%) of external revenue. All revenue attributable to external customers was generated from Australia for the year ended 30 June 2017.

NOTE 20 Contingent liabilities

There is a rental guarantee of \$21,000 relating to the property at Lavender Street. The guarantee of \$21,000 is payable if lease terms regarding the property are broken.

NOTE 21 Commitments

(a) Lease commitments – Group as lessee

i. Non-cancellable operating leases

The property lease at Brisbane Markets for Cashflow Finance Australia Pty Ltd expired on 31 October 2016. A new property lease in Brisbane CBD has been signed commencing on 1 November 2016. It is a 5 year lease with rent payable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 3.5% per annum.

The current property lease for CML expires on 28 February 2018. It is a 5 year lease that commenced on 1 March 2013, with rent payable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 4% per annum with a market review in year 4.

A new property lease was signed commencing on 1 January 2018. It is a 5 year lease with rent repayable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 4% per annum.

ii. Finance leases

The Group leases various plant and equipment with a carrying amount of \$0 (2016: \$26,397) under finance leases expiring within 1 to 3 years.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 21 Commitments (Continued)

Commitments in relation to finance leases are payable as follows:-

(b) Lease commitments – Group as lessee

Non-cancellable operating leases contracted but not capitalised in the financial statements

- Payable not later than one year
- Longer than 1 year and not longer than 5 years
- Longer than 5 years

2017	2016
\$ 000's	\$ 000's

323	335
1,625	1,270
107	87
<u>2,055</u>	<u>1,692</u>

Finance leases

- Payable not later than one year
- Longer than 1 year and not longer than 5 years

-	26
-	-
<u>-</u>	<u>26</u>

Minimum lease payments

Less future finance charges

-	28
-	(2)
<u>-</u>	<u>26</u>

NOTE 22 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b)

	Country of Incorporation	2017 %	2016 %
Ultimate Parent Entity			
CML Group Limited	Australia		
Controlled Entities			
CMLPayroll Pty Limited	Australia	100%	100%
Zenith Management Services Group Pty Limited	Australia	100%	100%
Lester Australia Limited	UK	100%	100%
The Lester Partnership Pty Limited	Australia	-	100%
Lester Payroll Services Pty Limited	Australia	100%	100%
Lester Associates Good Migration Pty Limited	Australia	100%	100%
Lester Associates Business Services Pty Limited	Australia	100%	100%
LesterPlus Pty Limited	Australia	100%	100%
Cashflow Finance Australia Pty Limited	Australia	100%	100%
Cashflow Advantage Pty Limited	Australia	100%	100%
180 Group Pty Limited	Australia	100%	100%
180 Capital Funding Pty Limited	Australia	100%	100%

*The Lester Partnership Pty Ltd was sold on 1st of August 2016.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 22 Subsidiaries (Continued)

Deed of Cross Guarantee

A deed of cross guarantee between CMLPayroll Pty Ltd and CML Group Limited was entered into during the 2016 financial year and relief was obtained from preparing financial statements for CMLPayroll Pty Ltd under ASIC Class Order 98/1418. Under the deed, CML Group Limited and CML Payroll Pty Ltd guarantee the debts of each other and are the members of the closed group. CML Payroll Pty Ltd is the only party to the deeds of cross guarantee. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the closed group is set out below:

	Closed Group	
	2017 \$000	2016 \$000
Financial information in relation to:		
(i) Statement of profit or loss and other comprehensive income:		
Profit before income tax	(2,885)	(3,100)
Income tax expense	1,490	272
Profit after income tax	(1,395)	(2,828)
Profit attributable to members of the parent entity	(1,395)	(2,828)
(ii) Statement of financial position:		
CURRENT ASSETS		
Cash and cash equivalents	2,261	3,151
Trade and other receivables	75,117	73,209
Other current assets	487	403
TOTAL CURRENT ASSETS	77,865	76,763
NON-CURRENT ASSETS		
Property, plant and equipment	42	67
Intangible assets	15,370	18,229
Deferred tax assets	1,273	1,507
TOTAL NON-CURRENT ASSETS	16,685	19,803
TOTAL ASSETS	94,550	96,566
CURRENT LIABILITIES		
Trade and other payables	2,402	10,721
Tax liabilities	(2,157)	(245)
Borrowings	14,308	9
Other liability	75	26
Short-term provisions	64	99
TOTAL CURRENT LIABILITIES	14,692	10,610

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 22 Subsidiaries (Continued)

	Closed Group	
	2017 \$000	2016 \$000
NON-CURRENT LIABILITIES		
Long-term borrowings	72,959	76,973
Long-term provisions	1	21
Other liabilities	-	20
TOTAL NON-CURRENT LIABILITIES	72,960	77,014
TOTAL LIABILITIES	87,652	87,624
NET ASSETS	6,898	8,942
EQUITY		
Issued capital	16,711	16,040
Reserves	439	439
Retained earnings	(10,252)	(7,537)
	6,898	8,942

NOTE 23 Related Party Disclosures

- (a) *Parent entity*
The Parent entity and ultimate parent entity is CML Group Limited.
- (b) *Controlled entities and joint venture entities*
Controlled entities and joint venture entities are detailed in Note 22 to the financial statements
- (c) *Key management personnel*
Details of key management personnel, their positions, remuneration and number of shares held are detailed in the Remuneration Report within the Directors' Report.
- (d) *Transaction with related parties*
There were no transaction with related parties during the year.
- (e) *Loans to related parties*
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 17th of March 2017 at 5.65%. Loan and interest is repayable at earlier of when the options are exercised or on options expiry date 9th March 2022. The loan is accounted for as a share based payment in accordance with accounting standards. The fair value of the options at grant date was nil.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 24 Parent Entity Disclosures

The individual financial statements for the parent entity show the following aggregate amounts:-

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
<i>Statement of Financial Position</i>		
Current assets	3,354	3,519
Non-current assets	91,697	91,638
Total assets	95,051	95,157
Current liabilities	14,713	9,445
Non-current liabilities	72,960	77,014
Total liabilities	87,673	86,459
Net Assets	7,378	8,698
Shareholders' equity		
Contributed equity	16,711	16,042
Retained losses	(9,333)	(7,344)
Total equity	7,378	8,698
Net Loss for the year after tax	(672)	(2,640)
Total Comprehensive Loss	(672)	(2,640)

The parent entity and CMLPayroll Pty Ltd are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

NOTE 25 Subsequent events

The Group wishes to advise that as per clause 4.2 of the terms of the Convertible Notes that in the 20 trading days on which trades were recorded on ASX to Monday the 21st of August, the VWAP of the ordinary shares was \$0.351055. Subsequently CML has right to convert all or some of the Convertible Notes to fully paid ordinary shares. CML is not under a time constraint to convert and will review its capital structure in the near term. If all the Notes were converted it would represent an increase on shares on issue from 133.1m to 174.6m and result in annualised reduction in interest of \$936,000. The Company will make a further announcement if Notes are converted.

A new property lease was signed commencing on 1 January 2018. It is a 5 year lease with rent repayable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 4% per annum.

Except as disclosed above, there has been no other matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the group.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 26 Cash flow information

	Consolidated Group	
	2017	2016
	\$ 000's	\$ 000's
(a) <i>Reconciliation of cash</i>		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	14,927	15,278
Bank overdraft	-	-
	<u>14,927</u>	<u>15,278</u>
(b) <i>Reconciliation of profit/(loss) from ordinary activities after related income tax to net cash flows from operating activities</i>		
Profit/(loss) from ordinary activities after related income tax	2,529	38
Depreciation and amortisation of non-current assets	1,523	203
Loss on remeasurement to fair value less cost to sell	-	856
Trade receivables provision for Impairment	-	-
Profit/(loss) on disposal of plant and equipment	-	-
Changes in assets and liability, net of effect of purchases of subsidiaries;		
Decrease/(increase) in receivables	(10,151)	(80,525)
(Increase)/ decrease in deferred tax assets	234	(40)
Decrease/(increase) in provisions	(610)	199
Increase/(decrease) in trade and other payables	(7,234)	41,544
Increase/(decrease) in other liabilities	168	(20)
Increase/(decrease) in other current assets	1,966	(544)
Increase/(decrease) in borrowings	606	18
Increase/(decrease) in Income tax payable	469	443
Remeasurement of goodwill on acquisition	(226)	-
Net cash from operating activities	<u>(10,829)</u>	<u>(37,828)</u>
(c) <i>Non-cash financing and investing activities</i>		
Share issue as part consideration for acquisition of a business	-	-
(d) <i>Credit stand by arrangements with banks</i>		
Credit facility	-	-
Amount utilised	-	-
	<u>-</u>	<u>-</u>

CML Group

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 27 Earnings per share

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

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

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

(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.

Notes to the Financial Statements for the year ended 30 June 2017

NOTE 28 Discontinued Operations

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.

	2017 \$000's	2016 \$000's
Profit (loss) for the year from discontinued operations		
Revenue	4,395	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)
Cash flows from discontinued operations		
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 disposal group is measured at fair value less costs to sell, which were reliably estimable at balance date, and therefore a gain or loss is not expected on the completion of the sale. The loss on re-measurement to fair value less costs to sell is included in the profit/(loss) from discontinued operations in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements for the year ended 30 June 2017

Directors' Declaration

In accordance with a resolution of the Directors of CML Group Limited the Directors of the company declare that:

1. The financial statements and notes as set out on pages 22-61 are in accordance with the Corporations Act 2001; and
 - a. Comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financials Reporting Standards (IFRS); and
 - b. Give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group.
2. In the Directors' opinion, 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
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.
4. The company and its wholly owned subsidiaries have entered into a Deed of Cross Guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this Declaration, there are reasonable grounds to believe that the companies which are party to this Deed of Cross Guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to be virtue of the Deed.



Daniel Riley

Managing Director

Sydney 21st September 2017

CML GROUP LIMITED
ABN 88 098 952 277

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CML GROUP LIMITED**

Report on the Audit of the Financial Report

We have audited the financial report of CML Group Limited (the "Group"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Opinion

In our opinion, the accompanying financial report of CML Group Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of Trade Receivables <i>Refer to Note 6 Trade and other receivables</i>	
<p>As at 30 June 2017 the group had a provision for impairment of trade receivables of \$1.6 million.</p> <p>The assessment to determine the provision for impairment of trade receivables involved significant judgements by management about the recent sales experience, ageing of debtors, historical collection rates and specific factors relevant to the customer including recovery options.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Documenting and evaluating the design and operating effectiveness of controls in the assessment process for determining the recoverability of trade receivables, including the application of credit policies and monitoring of the adequacy of the provision for impairment of trade receivables; • Assessing management's methodology for determining the provision for impairment of trade receivables; • Assessing the completeness of clients identified as being subject to the provision for impairment of trade receivables; • Reviewing and challenging the significant judgements used by management in determining the provisions for impairment of trade receivables.

Acquisition Accounting
Refer to Note 9 Intangible Assets

During the 2016 financial year, the Group acquired Cashflow Advantage Pty Ltd and 180 Group Pty Ltd and finalised the acquisition accounting during the 2017 financial year as permitted by Australian Accounting Standards.

The accounting for this business combination resulted in the recognition of goodwill of \$6.7 million and other identifiable intangible assets of \$2.4 million.

The final purchase price allocation includes a degree of judgement in determining growth rates, attrition rates, EBIT margin, royalty rate and discount rates.

The group utilised an external expert in finalisation of the purchase price allocation.

Our procedures included, amongst others:

- Documenting and evaluating the design and operating effectiveness of controls in respect acquisition accounting;
 - Examining the asset purchase agreements and the Group's identification of intangible assets acquired based on our understanding of the business acquired;
 - Assessing the competency of the external expert engaged by the Group to assist with the purchase price allocation;
 - Reviewing and challenging the significant judgements used by the Group's expert in the allocation of the purchase price, utilising our internal valuation specialists and based on our understanding of the acquired businesses;
 - Assessing whether differences between preliminary and final acquisition accounting resulted from new information obtained about facts and circumstances that existed at the acquisition date;
 - Considering the adequacy of the financial report disclosures in Note 9.
-

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Chairperson's Report, Managing Director's Report, Directors' Report and Additional Information for publicly listed companies which was obtained as at the date of our audit report, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group 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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of CML Group Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of CML Group Limited 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.



ROD SHANLEY

Sydney



PITCHER PARTNERS

Partner

21 September 2017

Additional Information for Publicly Listed Companies

Statement of quoted securities as at 31 August 2017

- There are 761 shareholders holding a total of 133,052,955 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 78.20% of the total issued shares on issue.
- Voting rights for ordinary shares are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.

Distribution of quoted securities as at 31 August 2017

	Range of holding	No. of holders
	1 - 1,000	51
Ordinary fully paid shares	1,001 - 5,000	101
	5,001 - 10,000	265
There are 58 shareholders holding less than a marketable parcel.	10,001 - 100,000	262
	100,001 - and over	82
	Total holders	761

Substantial shareholdings as at 31 August 2017

Ordinary shareholder

	Total relevant interest notified	% of total voting rights
J P MORGAN NOMINEES AUSTRALIA LIMITED	32,180,355	24.19
AET SFS PTY LTD <NEOC ac>	21,995,051	16.53
G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	16,693,779	12.55

On-market buy-backs

There is no on-market buy back currently in place in relation to the securities of the company.

Restricted securities

There are no restricted securities on issue by the Company.

Additional Information for Publicly Listed Companies

Top Twenty Shareholders as at 31 August 2017

Rank	Shareholder name	No of Shares	% of ordinary shares on issue
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	32,180,355	24.19
2	AET SFS PTY LTD <NEOC AC>	21,995,051	16.53
3	G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	16,693,779	12.55
4	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	4,849,867	3.65
5	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,657,493	2.75
6	VIP EXECUTIVE PTY LTD <VIP EXECUTIVE SUPER FUND A/C>	3,315,519	2.49
7	BNP PARIBAS NOMS PTY LTD <DRP>	2,957,818	2.22
8	MINNAMURRA FINANCE PTY LTD <THE RILEY FAMILY A/C>	2,659,470	2.00
9	ITOKA PTY LTD <PM SUPERANNUATION FUND A/C>	2,130,000	1.60
10	MR NOEL DIAGO LAWRENCE FRANCIS D'SOUZA + MRS CHRISTINE ANN D'SOUZA <MANDOVI SUPER FUND A/C>	1,703,403	1.28
11	AUST EXECUTOR TRUSTEES LTD <DS CAPITAL GROWTH FUND>	1,643,732	1.24
12	MRS CHRISTINE ANN D'SOUZA	1,372,126	1.03
13	CITICORP NOMINEES PTY LIMITED	1,323,102	0.99
14	AUST EXECUTOR TRUSTEES LTD <NAOS EMERGING OPP FUND>	1,217,155	0.91
15	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	1,201,860	0.90
16	MR GEOFFREY JOSEPH SAM + MS BRONWYN LEE MODRA <SAM FAMILY SUPER FUND A/C>	1,200,000	0.90
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,150,000	0.86
18	MR JAMIE PHEROUS <BLACK DUCK HOLDINGS A/C>	1,000,000	0.75
19	OSTRAVA EQUITIES PTY LTD	909,091	0.68
20	MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	902,500	0.68
		<u>104,062,321</u>	<u>78.20</u>