

APPENDIX 4D

CML Group Limited

ACN: 098 952 277

Interim Report ***For the Half Year ended 31 December 2017***

Current Reporting Period

Six months to 31 December 2017

Previous Corresponding Period

Six months to 31 December 2016

Appendix 4D

Half Year Report

Half Year ended 31 December 2017
(Previous corresponding period half year ended 31 December 2016)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A'000s

Revenue from ordinary activities	Up	31%	to	\$24,344
Profit from ordinary activities after tax attributable to members	Up	114%	to	\$1,665
Profit after tax attributable to members	Up	114%	to	\$1,665

DIVIDENDS

Consolidated Group

31 Dec 2017 31 Dec 2016
\$ 000's \$ 000's

Dividends paid or provided for during the period:

Final 2016 fully-franked ordinary dividend of 0.75 cents (2016: 0.5 cents) per share franked at the tax rate of 30% (2016: 30%)

998 650

Dividends (distributions)	Amount per security	Franked amount per security	Record date	Payment date
Final dividend 30 June 2017 (previous year)	0.75 cents	100%	15 September 2017	6 October 2017
Interim dividend 31 December 2017	0.75 cents	100%	22 March 2018	12 April 2018

The Group has a Dividend Reinvestment Plan (DRP) in place, in which eligible shareholders may participate. 281,052 shares were issued on 6 October 2017 at 32 cents per share from the DRP. There were no shares issued under the DRP in prior period.

DIRECTORS' REPORT

The directors of CML Group Limited ("CML Group" or "the company") submit herewith the financial report of the consolidated entity for the half year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors of the company during or since the end of the half year are:

Greg Riley – Non-Executive Chairman
Daniel Riley – Managing Director
Sue Healy – Non-Executive Director
Geoff Sam OAM – Non-Executive Director
Ilkka Tales – Non-Executive Director – Appointed on 20 September 2017

Steve Shin - Company Secretary

Principal activities

The consolidated entity's principal activity during the half year was that of financial services and employment solutions including labour sourcing and project management.

During the period, there were no significant changes in the nature of these operations.

Review of operations

CML Group Limited (CML) has reported strong earnings for the half year ended 31 December 2017, with reported EBITDA of \$7,822,000 up 31% compared to the previous corresponding period (2016: \$6,000,000). Net profit after tax is up 114% to \$1,665,000 (2016: \$755,000). Reported revenue increased 31% to \$24,344,000 compared to the previous corresponding period (2016: \$18,530,000).

Growth in profit is underpinned by CML's Finance division, with fee income up 29% to \$15,704,000 compared to the previous corresponding period (2016: \$12,242,000).

As at 31 December 2017, there was a surplus in net current assets of \$83,714,000 (June 2017: \$75,351,000).

Please refer to note 5 in the financial statements for more details of the consolidated entities facilities and borrowings.

Rounding of Amounts

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

Auditor's Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report.

This report is signed in accordance with a resolution of the Board of Directors.



Daniel Riley
Managing Director
22nd February 2018



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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CML GROUP LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 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 in relation to the review.

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

JOHN GAVLJAK
Partner

PITCHER PARTNERS

Sydney

22 February 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

		Consolidated Group	
		31 Dec 2017	31 Dec 2016
	Note	\$ 000's	\$ 000's
Continuing operations			
Revenue		<u>24,344</u>	<u>18,530</u>
Expenditure			
Bad and doubtful debts		(679)	(91)
Depreciation and amortisation expense		(91)	(68)
Amortisation – Customer Relationships	4	(600)	(600)
Employee benefit expense (direct employees)		(4,819)	(4,062)
Employee benefit expense (on-hire staff)		(8,036)	(5,568)
Finance costs - product related		(3,080)	(2,994)
Finance costs - corporate		(1,402)	(1,012)
Insurance		(953)	(695)
Legal expenses		(663)	(359)
Marketing		(94)	(243)
Rent		(239)	(303)
Other expenses		<u>(1,039)</u>	<u>(1,209)</u>
Total expenditure		(21,695)	(17,204)
Profit before Income Tax	2	<u>2,649</u>	<u>1,326</u>
Income tax benefit (expense)		<u>(984)</u>	<u>(571)</u>
Profit for the period from continuing operations		<u>1,665</u>	<u>755</u>
Discontinued operations			
Profit for the period from discontinued operations		<u>-</u>	<u>22</u>
Profit attributable to members of the parent entity		<u>1,665</u>	<u>777</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>1,665</u>	<u>777</u>
Earnings/(loss) per Share:			
From continuing and discontinued operations			
Basic earnings/(loss) per share (cents)		1.09	0.59
Diluted earnings/(loss) per share (cents)		1.02	0.59
From continuing operations			
Basic earnings/(loss) per share (cents)		1.09	0.58
Diluted earnings/(loss) per share (cents)		1.02	0.58

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

		Consolidated Group	
	Note	31 Dec 2017 \$000's	30 June 2017 \$000's
CURRENT ASSETS			
Cash and cash equivalents	3	19,267	14,927
Trade and other receivables		136,439	130,155
Other current assets		1,482	2,183
TOTAL CURRENT ASSETS		157,188	147,265
NON-CURRENT ASSETS			
Trade and other receivables		3,968	-
Plant and equipment		315	367
Deferred tax assets		1,216	1,321
Intangible assets	4	11,896	12,511
Other non-current assets		53	-
TOTAL NON-CURRENT ASSETS		17,448	14,199
TOTAL ASSETS		174,636	161,464
CURRENT LIABILITIES			
Trade payables		60,042	55,613
Other Current Liabilities		81	93
Current tax liabilities		2,640	1,536
Borrowings	5	10,293	14,308
Provisions		418	364
TOTAL CURRENT LIABILITIES		73,474	71,914
NON-CURRENT LIABILITIES			
Borrowings	5	73,419	72,959
Other Liabilities		72	54
Provisions		110	122
TOTAL NON-CURRENT LIABILITIES		73,601	73,135
TOTAL LIABILITIES		147,075	145,049
NET ASSETS		27,561	16,415
EQUITY			
Issued capital		27,188	16,711
Accumulated Losses		(68)	(735)
General reserve		441	439
TOTAL EQUITY		27,561	16,415

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Share Capital	Reserves	Accumulated Losses	Total Equity
		\$ 000's	\$ 000's	\$ 000's	\$ 000's
Balance at 1 July 2016		16,045	439	(1,949)	14,535
Total comprehensive income		-	-	777	777
Transactions with owners in their capacity as owners: -					
Dividend paid or provided for the period		-	-	(650)	(650)
Issue of Ordinary Shares		623	-	-	623
Balance at 31 December 2016		16,668	439	(1,822)	15,285
Balance at 1 July 2017		16,711	439	(735)	16,415
Total comprehensive income		-	-	1,665	1,665
Transactions with owners in their capacity as owners: -					
Dividend paid or provided for the period		-	-	(998)	(998)
Issue of Ordinary Shares due to conversion of convertible notes		10,477	-	-	10,477
Movement in reserve		-	2	-	2
Balance at 31 December 2017		27,188	441	(68)	27,561

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated Group	
	31 Dec 2017	31 Dec 2016
	\$ 000's	\$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	596,937	524,991
Payments to suppliers and employees	(594,305)	(528,727)
Interest received	61	80
Finance costs	(3,719)	(4,006)
Income tax refund/(paid)	224	(302)
Net cash (used) in operating activities	(802)	(7,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investment	-	1,800
Purchase of plant and equipment	(11)	(259)
Payments for IT development	(10)	-
Net cash (used in)/provided by investing activities	(21)	1,541
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	650
Proceeds of borrowings	16,820	10,734
Repayment of borrowings	(10,749)	-
Dividends paid	(908)	(650)
Cost of capital raising	-	(27)
Net cash provided by financing activities	5,163	10,707
Net increase in cash held	4,340	4,283
Cash at the beginning of the half year	3 14,927	15,278
Cash at the end of the half year	19,267	19,561

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These condensed general purpose interim financial statements for the half year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of CML Group Limited and its controlled entities (referred to as the consolidated group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this interim financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half year.

CML Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors on 22nd February 2018.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Critical Accounting Estimates and Judgements

The critical estimates and judgements are consistent with those applied and disclosed in the June 2017 annual report.

Rounding of Amounts

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

2. OPERATING SEGMENTS

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 'factoring' 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) Equipment Finance

Refers to equipment finance for both new and old equipment. This includes sale-back of owned or partially owned equipment, private sales and mid-term refinancing.

(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 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 material inter-segment transactions.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the 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, expenses, assets and liabilities 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
- Intangible assets

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS – continued

Segment performance

(f) Segment information

	Finance	Equipment Finance	Other services	Unallocated/ Corporate	Total
<i>Six months ended 31 December 2016</i>	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<i>Invoice Purchased</i>	501,195				501,195
Segment revenue	11,986	-	6,464	80	18,530
Adjusted Profit/(loss) before income tax from continuing operations	6,193	-	552	(825)	5,920
	Finance	Equipment Finance	Other services	Unallocated/ Corporate	Total
<i>Six months ended 31 December 2017</i>	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<i>Invoice Purchased</i>	581,222				581,222
Segment revenue	15,468	251	8,551	74	24,344
Adjusted Profit/(loss) before income tax from continuing operations	8,335	(71)	369	(872)	7,761

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 Profit/(loss) before income tax is provided as follows:-

	Consolidated Group	
	31 Dec 2017	31 Dec 2016
	\$000's	\$000's
Adjusted profit/(loss) before income tax from continuing operations	7,761	5,920
Depreciation and amortisation	(91)	(68)
Amortisation – Customer Relationships	(600)	(600)
Interest costs	(4,482)	(4,006)
Interest Income	61	80
Profit/(loss) before income tax from continuing operations	2,649	1,326

Segment information includes only continuing operations.

NOTES TO THE FINANCIAL STATEMENTS

(g) Segment assets

The nature of the business is such that assets are used across all segments cannot be identified as relating to a specific segment. The net book value of total assets is \$174.6m (30 June 2017: \$161.5m) per the consolidated statement of financial position. All assets are based in Australia.

(h) 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 \$147.1m (30 June 2017: \$145.0m) per the consolidated statement of financial position.

3. CASH AND CASH EQUIVALENT

	As at 31 Dec 2017 \$ 000's	As at 30 June 2017 \$ 000's
Cash at bank and on hand	19,267	14,927
	<u>19,267</u>	<u>14,927</u>

4. INTANGIBLE ASSETS

	As at 31 Dec 2017 \$ 000's	As at 30 Jun 2017 \$ 000's
Goodwill		
Opening net book value	9,252	13,146
Disposal or classified as held for sale	-	(1,720)
Adjustment to prior year acquisition during the measurement period	-	(2,174)
Closing net book value	<u>9,252</u>	<u>9,252</u>
Trademark		
Opening net book value	2,125	2,125
Closing net book value	<u>2,125</u>	<u>2,125</u>
Customer Relationships:		
Opening net book value	1,042	-
Adjustment to prior year acquisition during the measurement period	-	2,400
Amortised during period	(600)	(1,358)
Closing net book value	<u>442</u>	<u>1,042</u>
Software Development:		
Opening net book value	92	99
Capitalised during the period	10	28
Disposal or classified as held for sale	-	(1)
Amortised during period	(25)	(34)
Closing net book value	<u>77</u>	<u>92</u>
Total	<u>11,896</u>	<u>12,511</u>

The comparative statement of profit or loss and other comprehensive income for the half year ended 31 December 2016 was adjusted for the amortisation of customer relationships for \$600,000. This is as a result of the subsequent identification of the intangible assets following the finalisation of the purchase price allocation for the acquisition of Cashflow Advantage Pty Ltd (CA) and 180 Group Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

5. BORROWINGS

	As at 31 Dec 2017 \$000's	As at 30 Jun 2017 \$000's
CURRENT		
Unsecured:		
Receivables Financing Facility	9,584	2,849
Unsecured Loans	709	11,459
	<u>10,293</u>	<u>14,308</u>
NON CURRENT		
Unsecured:		
Unsecured Convertible Notes	-	9,910
Debentures	10,085	-
	<u>10,085</u>	<u>9,910</u>
Secured:		
Senior Secured Corporate Bond	63,334	63,049
Total	<u>73,419</u>	<u>72,959</u>

CML Group entered into \$10M unsecured loan agreement with First Samuel Limited on 4 October 2016 on 9% p.a. interest rate. The loan was repaid on 4 October 2017.

The Group raised \$10.1M through a debenture issue during August 2017 at 8.75% p.a. interest rate and a repayment date of 31 July 2020. The Group may redeem the Debentures by repaying on first anniversary of the Issue Date or any subsequent interest payment date with 10 business days' notice. Interest payments are due 15th of January and 15th of July each year.

The Group converted 10.4M Convertible Notes into 41.5M ordinary shares on 5th of October 2017 at 25 cents per share.

NOTES TO THE FINANCIAL STATEMENTS

6. CONTRIBUTED CAPITAL

	As at 31 Dec 2017	As at 31 Dec 2016
Movements in number of shares on issue		
Beginning of half year	133,052,955	130,100,023
Shares issued 17 October 2016	-	228,946
Shares issued 7 November 2016	-	2,539,044
Shares issued 5 October 2017 at 25 cents per share due to conversion of convertible notes	41,548,524	-
Shares issued 6 October 2017 at 32 cents per share from Dividend Reinvestment Plan	281,052	-
End of the half year	174,882,531	132,868,013

7. NET TANGIBLE ASSET BACKING

	As at 31 Dec 2017	As at 30 June 2017
Net tangible asset backing per ordinary security (cents)	8.96	2.96

8. DIVIDENDS

	Consolidated Group	
	31 Dec 2017 \$ 000's	31 Dec 2016 \$ 000's
Dividends paid or provided for during the period:		
Final 2017 fully-franked ordinary dividend of 0.75 cents (2016: 0.5 cents) per share franked at the tax rate of 30% (2016: 30%)	998	651

9. EVENTS SUBSEQUENT TO REPORTING DATE

The Board declared a fully-franked interim dividend of 0.75 cents (2017: 0.5 cents) per share on 22nd February 2018.

On 22nd February 2018, CML Group Limited signed a binding Share Purchase Agreement for 100% of the issued capital in 1st Cash Pty Ltd ACN: 127 658 262, a wholly owned subsidiary of Thorn Group Limited ACN 072 507 147.

The total purchase consideration is approximately \$38.72m, of which \$2.75m is goodwill, \$35.75m is purchased loan book and the balance being made up of other asset items.

The purchase will be funded by CML Group Limited using available cash and loan facilities.

1st Cash Pty Ltd, currently trading as Thorn Debtor Finance, provides invoice and trade finance solutions to SME customers and is strongly aligned to CML's core business.

- Established operations and offices in all major Australian cities
- Strong and diversified customer portfolio across states
- Deep and long-standing relationships with quality and extensive broker referral network

There are no other circumstances that have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the CML Group, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

10. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

The Group remained unchanged during the period.

11. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The Group has no associate or joint venture entities.

12. FAIR VALUE

There are no assets or liabilities measured at fair value. The carrying amounts of cash and cash equivalents, trade and other receivables, other current assets, trade other payables and current borrowings are assumed to approximate their fair values due to their short-term nature. The carrying value of non-current borrowings approximates the fair value, as the impact of any discounting is not significant.

On behalf of the board,



Daniel Riley
Managing Director

Sydney, 22nd February 2018

DIRECTORS' DECLARATION

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

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that CML Group Limited will be able to pay its debts as and when they become due and payable.



Daniel Riley
Managing Director

Sydney, 22nd February 2018

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of CML Group Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising CML Group Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *"Review of a Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *"Interim Financial Reporting"* and the *Corporations Regulations 2001*. As the auditor of CML Group Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be

identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

- (a) giving a true and fair view of the group's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



JOHN GAVLJAK
Partner

22 February 2018



PITCHER PARTNERS
Sydney