

CML GROUP LIMITED

ABN: 88 098 952 277

AND CONTROLLED ENTITIES

FINANCIAL REPORT

For the Year ended

30 June 2019

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Annual General Meeting

The Annual General Meeting is to be held at Level 3, 60 Carrington St, Sydney on Thursday, 14th November 2019 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
Ilkka Tales – Non-executive Director

Registered Office and Principal Place of Business

Level 11, 201 Miller Street,
North Sydney NSW 2060
Telephone: 1300 666 177
Facsimile: (02) 9267 4222
Internet: <http://www.CML-Group.com.au>

Company Secretary

Steve Shin – Company Secretary

Share Registry

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
Sydney NSW 2000
Telephone: 1300 787 272

Other places of business

Level 10, 410 Queen Street, Brisbane QLD 4000
21/574 Plummer Street, Port Melbourne VIC 6207
Unit 5, 510 Woolcock Street Garbutt QLD 4814

Auditors

Pitcher Partners
Level 16, Tower 2 Darling Park
201 Sussex Street
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 excellent year for CML Group (CML).

In spite of the reduction in business activity that seems to precede a federal election, CML delivered another year of growth at all levels in the business, resulting in a 16% EBITDA improvement to \$20.4m and 46% NPATA improvement to \$9.5m, which facilitates an increase the final dividend to 1.4c – up from last year's final dividend of 0.75c. This brings the dividend for the full year to 2.4c – up from 1.5c last year.

CML is fully committed to and advancing rapidly with its strategy of accelerating growth through product diversification beyond its core Invoice Factoring offering, into Equipment Finance and Invoice Discounting. The full investment in product development has already been made and absorbed into CML's cost base, with volume growth during FY'20 and beyond expected to contribute to earnings. The Equipment Finance business is maturing and already contributing to NPAT, with Invoice Discounting at an earlier stage but progressively building customer numbers. The Invoice Discounting product targets clients with lower risk profiles and lower attrition rates than Factoring clients, with corresponding larger turnover and income opportunity. CML's scale and funding structure, combined with speed and flexibility, positions our offering favourably against the banks comparative products.

CML's continued growth is underlain by improved sales and marketing capability, new technologies to provide online access to our products and diversity in product offerings and we are confident of continued business growth well into the future.

The recently announced intention for CML to purchase Classic Funding Group (CFG) is strategic step forward in CML's diversification strategy. CFG has a 25 year history in supporting SME's, with its primary service offerings, Equipment Finance and Invoice Discounting. These will provide immediate scale and increased earnings to CML's emerging products. CFG's long established warehouse funding structures will transition to CML with the purchase - further improving CML's margins and competitiveness for new business.

The team at CML Group, management and staff, have done an exceptional job to put the Company on a successful footing and a strong growth trajectory – congratulations to all.

As always, I would like to thank our shareholders - long term shareholders who have remained loyal during the ups and downs and new shareholders who have recognised the potential of our Company.

On behalf of the Board,



Greg Riley
Chairperson
19th September 2019

Managing Director's Report

CML is pleased to report the key highlights as follows;

Financial Highlights:

- Invoices funded up 19% to \$1.6bn
- EBITDA up 16% to \$20.4m
- NPATA up 46% to \$9.5m¹
- EPS (NPATA) up 25% to 4.7 cps
- Reported NPAT of \$8.4m (FY'18: \$3.2m)²
- Final dividend of 1.4 cps, taking FY'19 dividend to 2.4cps up 60% on previous corresponding period (FY'18: 1.5cps)

Operational Highlights:

- Continued strong performance in core Factoring business, underpinning the strong FY'19 result and facilitating investment into business expansion initiatives
- Commencement of expansion into Invoice Discounting, targeting larger clients and expanding CML's addressable market
- Equipment Finance division continues to grow strongly, whilst also assisting in the winning and retention of Invoice Finance clients. FY'19 EBITDA increased to \$1.6m (FY'18: \$0.3m)
- Sales and marketing initiatives introduced in 2H'19 showing early traction and providing strong momentum into FY'20

We are pleased to deliver another year of growth throughout a period of significant investment in the future of the overall business. Invoice Finance saw volumes funded increase by 19%, which, in addition to operational efficiencies and a material reduction in funding costs, has resulted in a 46% increase in NPATA.

We have successfully diversified our product offering to now include Invoice Discounting, allowing us to service larger customers and substantially expand our total addressable market. Additionally, Equipment Finance continues to deliver growth, with this product assisting in securing new customer wins and increased customer retention.

¹Includes \$0.4m positive impact on earnings on adoption of AASB 9 during the period

²Includes \$1.1m non-cash amortisation of identifiable intangible assets from acquisitions completed in FY'18

Managing Director's Report (continued)

Financials

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

\$ million	FY18	FY19	pcp Δ
Invoices Purchased	1,328	1,579	19%
Invoice Finance	34.4	35.8	4%
Equipment Finance	1	3.4	226%
Other	11.3	8.5	-24%
Group Revenue	46.7	47.7	2%
Invoice Finance	18.1	19.4	7%
Equipment Finance	0.3	1.6	433%
Other	0.9	1	11%
Corporate	-1.6	-1.6	0%
Group EBITDA	17.7	20.4	15%
D&A	-0.2	-0.3	50%
Net Interest	-8	-7.1	-12%
Tax	-2.8	-3.6	29%
NPATA	6.7	9.5	42%
<i>Non-recurring expenses¹</i>	-3.3	-1.1	-67%
NPAT Reported	3.4	8.4	147%
Underlying EPS ²	3.8	4.7	25%
EPS (cents per share)	1.9	4.2	120%
DPS (cents per share)	1.75	3.99	128%

¹FY'18 Group EBITDA Adjusted for the \$1.7m pre-tax impact for early redemption of Bond #2

²FY'18 NPATA Adjusted for the post-tax impact of Bond #2 and early conversion to equity of Convertible Note (\$2.3m) and non-cash amortisation of identifiable intangible assets from acquisitions completed in FY'16 (\$1.0m). FY'19 adjusted to exclude \$1.1m of non-cash amortisation

³Underlying EPS is based on Underlying NPATA

Managing Director's Report (continued)

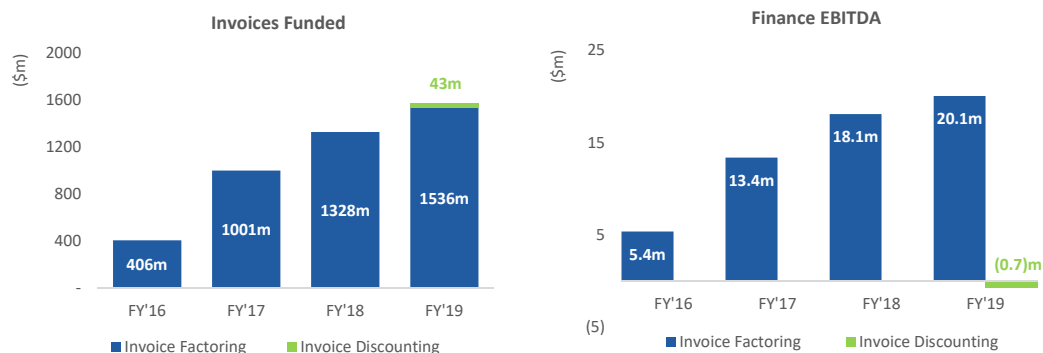
Invoice Finance

FY'19 saw investment in new product development and technology, enabling CML to expand its addressable market to service ~40% of the Invoice Finance market (4 times larger than current core factoring market) and diversify its product offering.

CML has traditionally focussed on clients requiring a facility size from \$150,000 to \$3,000,000, with 95% of clients historically falling within this range. With the expansion into Discounting the Company is now able to target clients with facilities as large as \$12,000,000.



FY'19 saw continued growth in CML's core Invoice Finance Division with a 19% increase in Invoices Funded, totalling \$1.6bn.



Invoice Factoring (Smaller Facilities)

CML expects continued growth in its mature Invoice Factoring product through increased sales and marketing capability and broadening its channels to market. A component of the growth strategy will include investment in the direct channel to SME's, aimed at improving conversion rates from CML's digital platform for loan applications and inbound call centre for loan enquiries.

Managing Director's Report (continued)

Invoice Discounting (Larger Facilities)

During 2H'19 CML on-boarded its first group of Invoice Discounting clients, making a relatively immaterial contribution to FY'19 Invoices Funded. Investment in this product reduced the total earnings of the division, however, these costs have now been absorbed and, on an underlying basis, the business has continued to foster growth. Importantly:

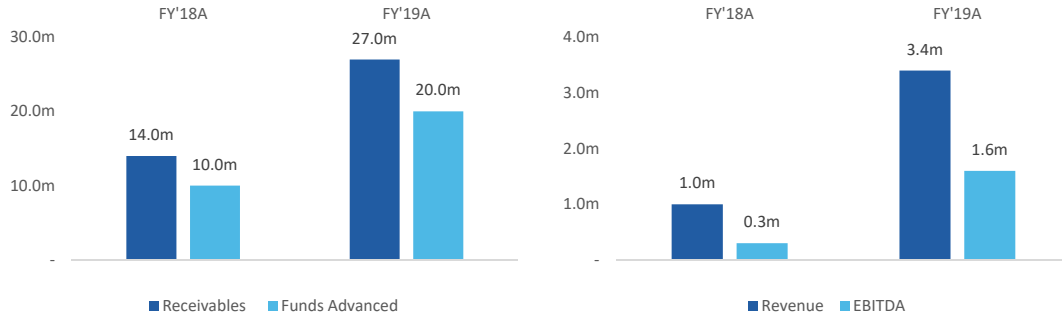
- Invoice Discounting clients deliver lower margins but on larger volumes, with clients typically lower risk and longer average tenure.
- New business leads are typically relationship driven and the Company has appointed key personnel to drive this function with deep experience in scaling Invoice Discounting focussed businesses.
- The current momentum of Invoice Discounting points to a contribution of +15% to total Invoice Finance volumes in FY'20.

While the anticipated increase in Invoice Discounting volumes will put downward pressure on gross margins of the division in future periods, it will result in:

- An increase in customer tenure (currently 3 to 4-years); and
- An Increase of the divisions addressable market by 400%.

Equipment Finance

Launched in July 2017, the Company's Equipment Finance division continues to progress ahead of expectations. At FY'19 end the division had generated \$27m of receivables on \$20m of funds advanced, generating \$3.4m in Revenue and \$1.6m in EBITDA in the period.



The division has now settled 250+ transactions and proven to be highly complementary to the core Invoice Finance products, with consistent cross-selling opportunities generated, supporting strong ongoing client retention.

CML will continue to drive growth in Equipment Finance volumes, as the division builds history and scale, whilst maintaining its focus on developing a high quality loan book.

This growth will be facilitated by the existing Equipment Finance team and funding structure, with increased profitability delivered from increased volumes.

Managing Director's Report (continued)

Over the medium term, CML will seek to transition the current debenture funding to a lower-cost warehouse funding structure. This strategy is identical to the approach adopted in the core Invoice Finance business in May 2018, which contributed to a material improvement in earnings in FY'19.

Outlook

FY'19 represented a period of investment in the future of the overall CML business, establishing the foundations for the next leg of the Company's growth.

With confidence in its sales and marketing strategy and demonstrated month-on-month improvement in new business volumes CML will increase its investment in client acquisition in FY'20, continuing to invest in:

- Human resources, with a newly implemented Head of Client Acquisition, combined with an expanded sales team;
- Technology, via an improved web platform design and Salesforce implementation; and
- New product development and process improvements.

This will enable us to continue to increase market share by:

- Gaining critical mass in the new Invoice Discounting product, with employment of key senior executives;
- Expansion of core Invoice Factoring product, with an increased addressable market and substantially automated processes; and
- Scaling of Equipment Finance division, with cross-selling from Invoice Finance clients.

We have built a robust, mature and very profitable business in a niche section of a large market. At the same time, we have invested in business improvement and innovation to expand income streams into the broader market and we are very pleased with the pace and cost efficiency at which CML has prepared for the next wave of growth. The current momentum in the business provides us confidence in CML's strategy and we are committed to quickly building market share across the broader invoice finance market.

Sincerely,



Daniel Riley
Managing Director
Sydney, 19th September 2019

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 2019 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 and the business was listed on the ASX in 2010. Since 2010 Greg has overseen the growth and transformation of CML to a wider services business including invoice factoring, invoice discounting and equipment finance. Greg was Managing Director from 2002 until late 2010, Director until November 2014 and Chairman to the present. Outside CML Group, Greg is a councillor on the Dungog Shire Council.

Responsibilities:

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

Shares:

17,211,163 Ordinary Shares

Daniel Riley

Qualifications:

Experience:

Managing Director

BCom, CPA

Daniel is a passionate supporter of SME's and understands that businesses need reliable and flexible funding solutions to support their growth. Daniel joined CML Group in 2002 when the business was in its early development as a service provider to the recruitment industry and was appointed CEO in 2010. Operating under the name Cashflow Finance, Daniel launched the invoice finance business in 2011 and an Equipment Finance offering in 2017. During this period Daniel has managed an accelerated growth program which includes \$250m+ in debt and equity raisings, the acquisition of four key competitors and the simplification of CML's business structure through divestment of its historic business.

Shares & Options:

1,889,761 Ordinary Shares and 10,000,000 Options

Sue Healy

Qualifications:

Experience:

Independent Non-Executive Director

Fellow RCSA, MAICD

Sue is an experienced Non-Executive Director, she is Deputy Chair of Ability Options and sits on 3 sub committees for this organisation, she is a Non-Executive Director of Olympus Solutions and has held previous Non-Executive Director roles with The Recruiting and Consulting Services Association, Women and Management and The Ryde Business Forum. She also holds advisory roles with a number of private organisations. She was the founder and MD of a Talent and HR Consulting Business for 20 years. She has also held Executive Leadership roles with the two of the largest ASX listed human capital companies in Australia.

Responsibilities:

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

Shares:

571,287 Ordinary Shares

Directors' report (continued)

Geoffrey Sam OAM

Qualifications:

Experience:

Independent Non-Executive Director

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

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:

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

Shares:

1,912,600 ordinary shares

Ilkka Tales

Qualifications:

Experience:

Non-Executive Director (Appointed 18 September 2017)

BBus

Ilkka is currently Managing Director at Greensill responsible for originating and structuring innovative financial solutions for clients across the Asia Pacific region.

Prior to Greensill, Ilkka held senior global roles at MyriadGroup AG and Philips, having previously served as CEO for three Australian listed companies and growing businesses to a global scale across a number of industries. Ilkka is a recognised entrepreneur and sits on a number of private company boards as well as mentoring CEO's.

Responsibilities:

Chairperson of the Risk Committee and Member of the Audit Committee.

Shares:

Nil

Company Secretary

Steve Shin

Qualifications:

Experience:

Company Secretary

B Com, Chartered Accountant ANZ

Steve joined CML Group as Chief Financial Officer in April 2015, with more than 15 years of experience as key executive in Financial Services, IT and Media ASX listed companies.

Shares:

Nil

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, 2 Risk committee meeting, and 1 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	2	2	1	1
D. Riley	9	9	-	-	-	-	-	-
G. Sam	9	8	3	3	-	-	1	1
S. Healy	9	9	-	-	2	2	1	1
I. Tales	9	8	3	3	2	1	-	-

Directors' report (continued)

	2019 \$000's	2018 \$000's
Dividends paid or declared		
Interim fully franked dividend at the tax rate of 30%	2,013	1,507
Final fully franked dividend at the tax rate of 30%	1,508	998
	<u>3,521</u>	<u>2,505</u>

Dividends declared after the reporting period

Since the end of the reporting period the directors have declared a dividend at 1.4 cents per share (2018: 0.75 cents) fully franked at 30%

2,819	1,508
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Share options granted to directors and officers

No options over unissued ordinary shares were granted during or since the end of the financial year.

Total options granted	10,000,000
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Directors and Executives	Options granted
Daniel Riley	10,000,000

Further details regarding options granted as remuneration to key management personnel are provided in the Remuneration Report.

Share under option

Unissued ordinary shares of CML Group Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under options	Exercise price of shares	Expiry date of the options
17 March 2017	10,000,000	0.27	9 March 2022

No option holder has any right under the options to participate in any other share issue of the group.

Shares issued on exercise of options

No shares were issued during the reporting period or up to the date of this report on exercise of options.

Directors' report (continued)

Corporate structure

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

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 included in the managing director's report.

Financial Position

Net assets for the Group increased by 12% from \$40.2m to \$44.8m. Key movements in statement of financial positions were:

- Trade receivables – debtor finance decreased by 9% from \$211.7m to \$191.6m and trade payables – debtor finance increased by 2.0% from \$86.1m to \$87.8m. Client receivables decreased by 16% from \$130.3m to \$109.0m due to lower funds drawn by clients and more payments received in the last couple of days of June 19 compared to June 18.
- Finance lease receivables increased by 96% from \$9.6m to \$18.8m due to growth in equipment finance division.
- Intangible assets decreased by 6.6% from \$16.7m to \$15.6m as customer relationships acquired from 1stCash Pty Ltd were amortised.
- Total borrowings decreased by 12% from \$128.4m to \$112.9m with decreased use of bank facility.

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.

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.

Directors' report (continued)

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.

After balance date events

The Group has declared a Final Dividend of 1.4 cents per share, fully franked. The Group has a Dividend Reinvestment Plan (**DRP**) in place, in which eligible shareholders may participate.

CML Group has entered into an agreement to purchase 100% of the shares in Classic Funding Group ("CFG") for \$11m, which includes approximately \$6m in Goodwill. CML expects completion of the transaction will be facilitated by CML's existing equity on balance sheet and supported with a new \$25m facility which is conditionally approved. The CFG acquisition is expected to be completed by mid-October 2019.

Except as disclosed above, there has been no other matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2019, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2019, of the Group

Directors' report (continued)

Remuneration report (Audited)

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 Group's performance, executive performance and comparable information from industry sectors.

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 is 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.

Directors' report (continued)

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 KPI's targets areas the Board believes hold greater potential for the 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 Group being able to attract and retain the best executives to run the Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value

Rights Plan

The Group's Rights Plan was approved by the shareholders on 25 June 2019. Executive KMP are invited to participate at the Board's discretion. There were no rights issued as at 30 June 2019.

External Remuneration Consultant Advice

During the reporting period, the Nomination and Remuneration Committee approved and engaged an external remuneration consultant (ERC) to provide Directors and KMPs remuneration recommendations and advices. The consultant and the amount paid for the information and work that related to their recommendations are listed below:

External Remuneration Consultant	Information and work	Amount Paid
Godfrey Remuneration Group Pty Ltd	Market benchmarking and recommendations on Director and Senior Executive remuneration. Review and advice on the design and calibration of STI and LTI plans.	54,000

The Nomination and Remuneration Committee have researched and compared number of ERCs before deciding to proceed with Godfrey Remuneration Group Pty Ltd for remuneration advices. The Board is satisfied that the Directors and KMPs remuneration recommendations received were free from undue influence from Directors and KMPs to whom the recommendations related. The Board is satisfied that it is confident that the policy for engaging external remuneration consultants is being adhered to and is operating as intended, the Remuneration Committee has been closely involved in all dealings with the external remuneration consultant and each KMP remuneration recommendations received during the year was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the Directors and KMPs to whom the recommendations related.

Directors' report (continued)

Remuneration report (Audited) (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		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
2019											
Daniel Riley	Managing Director	375,000	200,000	-	25,000	-	-	-	-	600,000	33
Greg Riley	Non-Executive Director	85,000	-	-	-	-	-	-	-	85,000	-
Sue Healy	Non-Executive Director	50,228	-	-	4,772	-	-	-	-	55,000	-
Ilkka Tales	Non-Executive Director	50,228	-	-	4,772	-	-	-	-	55,000	-
Geoff Sam	Non-Executive Director	50,228	-	-	4,772	-	-	-	-	55,000	-
		610,684	200,000	-	39,316	-	-	-	-	850,000	24

Directors' report (continued)

Remuneration report (Audited) (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	Retire-ment benefits	Termin-ation benefits	Incentive plans	Options		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
2018											
Daniel Riley	Managing Director	348,558	200,000	-	25,000	-	-	10,002	-	583,560	34
Greg Riley	Non-Executive Director	85,000	-	-	-	-	-	-	-	85,000	-
Sue Healy	Non-Executive Director	50,228	-	-	4,772	-	-	-	-	55,000	-
Ilkka Tales*	Non-Executive Director	39,664	-	-	3,768	-	-	-	-	43,432	-
Geoff Sam	Non-Executive Director	50,228	-	-	4,772	-	-	-	-	55,000	-
		573,678	200,000	-	38,312	-	-	10,002	-	821,992	24

*Appointed 18 September 2017

Directors' report (continued)

Remuneration report (Audited) (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		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
2019											
Mark Cleaver*	Executive General Manager *	205,304	93,333	-	19,504	-	-	-	-	318,141	29
Steve Shin	CFO & Company Secretary	228,311	100,000	-	25,410	-	-	-	-	353,721	28
Peter Toohey**	Executive General Manager	184,535	106,024	-	17,191	-	-	-	-	307,750	34
		618,150	299,357	-	62,105	-	-	-	-	979,612	31
2018											
Steve Shin	CFO & Company Secretary	200,913	100,000	-	23,779	-	-	-	-	324,692	31
Peter Toohey	Executive General Manager	200,000	375,000	-	21,563	-	-	-	-	596,563	63
		400,913	475,000	-	45,342	-	-	-	-	921,255	52

*Appointed 1 November 2018, Executive General Manager

**Retired 30 March 2019

Directors' report (continued)

Remuneration report (Audited) (continued)

Service Agreements

Remuneration and other terms of employments for key management personnel are formalised in service agreements. The agreements provide for performance-related cash bonuses. Other major provisions of the agreements relating to remuneration are set out below:

Name	Term of Agreements	Base Salary Inc Super \$
Daniel Riley	Ongoing as from 1 October 2010	400,000
Mark Cleaver	Ongoing as from 1 November 2018	350,000
Steve Shin	Ongoing as from 30 March 2015	250,000

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.

Mr M Cleaver's contract may be terminated early by either party with six months' notice, subject to termination payments at the discretion of the Remuneration Committee.

Mr S Shin's contract may be terminated early by either party with three 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	2019 Performance conditions
Daniel Riley - Managing Director	Fixed \$250,000 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets
Mark Cleaver - GM of Invoice Finance	Maximum \$175,000 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets
Steve Shin - CFO & Company Secretary	Maximum \$125,000 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets

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. No options over unissued ordinary shares were granted during or since the end of the financial year.

Name	Balance 1 Jul 18	Granted during the year	Balance 30 Jun 19	Number vested
Daniel Riley	10,000,000	-	10,000,000	10,000,000

Vested options are exercisable on 9th of March 2022 or on a trigger event.

Vesting conditions are continued employment at the date of vest of the options (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)

Remuneration report (Audited) (continued)

Equity instrument disclosures relating to key management personnel

2019

<i>No. of shares held by Key Management Personnel</i>	Balance 1 July 2018	Received as Remuneration	Additions/ (Disposals)/	Balance 30 June 2019
Greg Riley	17,211,163	-	-	17,211,163
Daniel Riley	3,389,761	-	(1,500,000)	1,889,761
Geoff Sam	1,847,600	-	65,000	1,912,600
Sue Healy	391,287	-	180,000	571,287
Ilkka Tales	-	-	-	-
	22,839,811	-	(1,255,000)	21,584,811

2018

<i>No. of shares held by Key Management Personnel</i>	Balance 1 July 2017	Received as Remuneration	Additions/ (Disposals)/	Balance 30 June 2018
Greg Riley	17,011,163	-	200,000	17,211,163
Daniel Riley	3,179,761	-	210,000	3,389,761
Geoff Sam	1,228,800	-	618,800	1,847,600
Sue Healy	391,287	-	-	391,287
Ilkka Tales*	-	-	-	-
	21,811,011	-	1,028,800	22,839,811

*Appointed 18 September 2017

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

Financial Year	KMP Short Term Incentives (TSI)	NPAT	Basic EPS	Diluted EPS	Net Equity	NTA per share	Dividends	Share price at Year end
	\$ 000's	\$ 000's	Cents	Cents	\$ 000's	cents	\$ 000's	Cents
2015	10	17	0.02	0.02	9,903	2.63	1,010	18.0
2016	25	38	0.04	0.04	14,535	(0.89)	470	19.0
2017	351	2,529	1.92	1.80	16,415	2.96	1,315	30.5
2018	675	3,186	1.85	1.75	40,174	11.67	2,505	57.0
2019	499	8,400	4.19	3.99	44,799	14.52	3,521	46.0

Directors' report (continued)

Remuneration report (Audited) (continued)

Loans to related parties

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 \$5,431.

This concludes the Remuneration Report, which has been audited.

Auditor Independence declaration

The auditor's independence declaration for the year ended 30 June 2019 as required under section 307C of the Corporations Act 2001 has been received and is provided with this report.

Non-audit services

Pitcher Partners did not provide any non-audit services during the year.

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, 19th September 2019

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**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 2019, 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.



J GAVLJAK
Partner

PITCHER PARTNERS
Sydney

19 September 2019

Financial Report For the year ended 30 June 2019

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CML Group

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2019

		Consolidated Group	
	Note	2019 \$ 000's	2018 \$ 000's
Revenue	2	47,675	46,749
Expenditure			
Agency fees		(1,463)	(1,566)
Allowance for expected credit losses		(1,055)	(1,590)
Depreciation and amortisation expense	10,11	(260)	(219)
Amortisation – Customer Relationships	11	(1,100)	(1,042)
Employee benefits expense (direct employees)		(10,457)	(9,196)
Employee benefits expense (on-hire staff)		(6,964)	(11,631)
Finance costs - product related		(6,804)	(6,688)
Finance costs - corporate		(468)	(3,006)
Insurance		(1,979)	(1,951)
Legal expenses		(1,431)	(1,678)
Marketing		(293)	(235)
Rent		(726)	(610)
Other expenses		(2,713)	(2,292)
Total expenditure		(35,713)	(41,704)
Profit before Income Tax		11,962	5,045
Income tax expense	5	(3,562)	(1,859)
Profit for the year from continuing operations		8,400	3,186
Profit attributable to members of the parent entity		8,400	3,186
Other comprehensive income		-	-
Total comprehensive income for the year		8,400	3,186
Earnings per Share:			
Basic earnings per share (cents)	18	4.19	1.85
Diluted earnings per share (cents)	18	3.99	1.75

The accompanying notes to the financial statements are included on pages 28-67

CML Group

Consolidated Statement of Financial Position As at 30 June 2019

		Consolidated Group	
		2019	2018
	Note	\$ 000's	\$ 000's
Current Assets			
Cash and cash equivalents	6	21,082	15,678
Trade receivables – debtor finance	7	191,573	211,680
Trade and other receivables	7	685	2,422
Finance lease receivables	8	4,809	2,330
Other current assets	9	1,023	2,304
Total Current Assets		219,172	234,414
Non-Current Assets			
Finance lease receivables	8	14,000	7,224
Plant and equipment	10	399	443
Deferred tax assets	5	2,010	1,808
Intangible assets	11	15,567	16,717
Total Non-Current Assets		31,976	26,192
Total Assets		251,148	260,606
Current Liabilities			
Trade payables – debtor finance	12	87,772	86,057
Trade payables	12	3,067	3,535
Other current liabilities	13	49	68
Borrowings	14	68,464	84,273
Current tax liabilities	5	1,619	1,614
Short-term provision - employees	15	693	538
Total Current Liabilities		161,664	176,085
Non-Current Liabilities			
Borrowings	14	44,505	44,166
Long-term provision - employees	15	83	67
Other liabilities	13	97	114
Total Non-Current Liabilities		44,685	44,347
Total Liabilities		206,349	220,432
Net Assets		44,799	40,174
Equity			
Issued capital	16	39,954	39,787
Accumulated earnings/(Losses)	17	4,404	(54)
Reserves	17	441	441
Total Equity		44,799	40,174

The accompanying notes to the financial statements are included on pages 28-67

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2019

		Share Capital	Reserves	Accumulated earnings/ (Losses)	Total Equity
	Note	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Balance at 1 July 2017		16,711	439	(735)	16,415
Profit after income tax expense for the year		-	-	3,186	3,186
Total comprehensive income for the year		-	-	3,186	3,186
Transactions with owners in their capacity as owners:					
Contributions of equity		23,556	-	-	23,556
Share issue costs		(480)	-	-	(480)
Dividends provided for or paid		-	-	(2,505)	(2,505)
Foreign currency reserve		-	2	-	2
Balance at 30 June 2018		39,787	441	(54)	40,174
Balance at 1 July 2018		39,787	441	(54)	40,174
Adoption of AASB 9 (net of tax)		-	-	(421)	(421)
Restated balance at 1 July 2018	1b(ii)	39,787	441	(475)	39,753
Profit after income tax expense for the year		-	-	8,400	8,400
Total comprehensive income for the year		-	-	8,400	8,400
Transactions with owners in their capacity as owners:					
Contributions of equity	16	167	-	-	167
Share issue costs		-	-	-	-
Dividends provided for or paid	19	-	-	(3,521)	(3,521)
Balance at 30 June 2019		39,954	441	4,404	44,799

The accompanying notes to the financial statements are included on pages 28-67

CML Group

Consolidated Statement of Cash Flows For the Year Ended 30 June 2019

		Consolidated Group	
		2019	2018
	Note	\$ 000's	\$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		52,059	47,733
Payments to suppliers and employees		(30,837)	(31,461)
Interest received		214	135
Finance costs		(6,934)	(7,647)
Income tax paid		(3,579)	(2,268)
Net cash provided by operating activities	20(b)	10,923	6,492
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(166)	(147)
Payments for IT Development		-	(10)
Proceeds from/(payment to) client receivables		23,496	(17,990)
Payment to client receivables – 1 st Cash		-	(34,912)
Payment to equipment lease receivables		(9,685)	(9,611)
Payment for subsidiary, net of cash acquired		-	(2,750)
Net cash provided by/(used in) investing activities		13,645	(65,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		166	13,168
Cost of capital raising		-	(480)
(Payment to)/proceeds from borrowings	20(c)	(15,809)	99,496
Payments of borrowings		-	(50,000)
Dividends paid to Company's shareholders		(3,521)	(2,505)
Net cash (used in)/provided by financing activities		(19,164)	59,679
Net increase in cash held		5,404	751
Cash at the beginning of the financial year		15,678	14,927
Cash at the end of the financial year	20(a)	21,082	15,678

The accompanying notes to the financial statements are included on pages 28-67

Notes to the Financial Statements for the Year Ended 30 June 2019

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.

(a) 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.

(b) New Accounting Standards adopted by the Group

The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers with a date of initial application of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9 and AASB 15, comparative figures have not been restated. AASB 9 replaces the provisions of AASB 139. The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of AASB 9 are summarised below. The adoption of AASB 15 has not had any impact on the financial statements.

- (i) Impairment of financial assets
AASB 9 replaces the "incurred loss" model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at Fair Value through Other Comprehensive Income (FVOCI), but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.
- (ii) Transition disclosures
Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, however, comparative periods have not been restated, rather the differences in the carrying amounts of financial assets and liabilities resulting from the adoption of AASB 9 are recognised in retained earnings at 1 July 2018. Accordingly, the information presented for 30 June 2019 is not comparable to the information presented in the 30 June 2018 consolidated financial statements. The transition disclosures have been amended since interim reporting at 31 December 2018.

	\$ 000's
Retained Earnings	
Balance under AASB 139 as at 30 June 2018	40,174
Increase in allowance for expected credit losses - Note 1 (b) (i)	(602)
Related tax effect	181
Restated retained earnings balance with AASB 9 and AASB 15 as at 1 July 2018	39,753

Notes to the Financial Statements for the Year Ended 30 June 2019

NOTE 1 Significant accounting policies

(c) Going Concern

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

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Parent entity as at 30 June 2019 and the results of all subsidiaries for the year then ended. The Parent entity and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of controlled entities is contained in Note 24 to the financial statement.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) 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 2019

NOTE 1 Significant accounting policies (continued)

(f) Revenue

AASB 15 Revenue from Contracts with Customers

The new standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 Revenue. AASB 15 has been implemented.

Revenue recognition

The consolidated entity recognises revenue as follows:

Other services- Revenue from contracts with customers

Revenue from a contract to provide on-hire service is recognised over time as the on-hired employees work their hours.

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Finance and Equipment Finance

Interest revenue is calculated and charged on the average outstanding loan or lease balance and recognised on an accrual basis using the effective interest rate method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

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

(g) Income tax

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

The charge of current income tax expense is based on profit for the year adjusted for non-assessable or disallowed items. 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.

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.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(g) Income tax (continued)

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.

(h) 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 23). 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.

(i) Financial instruments

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the Group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(i) Financial instruments (continued)

Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days. Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Debentures, government bonds and loans to related parties

Debentures, government bonds and loans to related parties are debt instruments, and are classified (and measured) at amortised cost on the basis that:

- (a) they are held within a business model whose objective is achieved by the Group holding the financial asset to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(j) Impairment of financial instruments

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- (a) debt instruments measured at amortised cost;
- (b) debt instruments classified at fair value through other comprehensive income; and
- (c) receivables from contracts with customers and contract assets.

The Group applies the simplified approach under AASB 9 to determine the allowance for credit losses for trade receivables and finance lease receivables, resulting in the recognition of a lifetime expected loss allowance and credit impaired. Impairment provisions are recognised to reflect expected credit losses because of possible default events that could occur over the expected life of the financial instruments.

To measure the expected credit loss (ECL), the Group applies probability of default (PD) x exposure at default (EAD) x loss given default (LGD). Probability of Default is an estimate of the likelihood of a default. Loss Given Default is the amount that would be lost in the event of a default. Exposure at Default is expected outstanding balance of the receivables at the point of default.

The resulting impairment provision is calculated $PD \times EAD \times LGD$, overlayed to reflect current and forward-looking information affecting the trade receivables and lease receivables.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) breach of contract;
- (c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Balances are written off, either partially or in full, against related allowance when there is no reasonable expectation of recovery. For all balances, write-off takes place only at the completion of collection procedures, or where it no longer becomes economical to continue attempts to recover. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(j) Impairment of financial instruments (continued)

Adjustment made to Statement of Financial Position

	As at 30 June 2018	Impact of AASB 9	As at 1 July 2018
	\$ 000's	\$ 000's	\$ 000's
Current Assets			
Cash and cash equivalents	15,678	-	15,678
Trade receivables – debtor finance	211,680	1,181	212,861
Trade and other receivables	2,422	(1,670)	752
Finance lease receivables	2,330	(28)	2,302
Other current assets	2,304	2	2,306
	<u>234,414</u>	<u>(515)</u>	<u>233,899</u>
Non-Current Assets			
Finance lease receivables	7,224	(87)	7,137
Plant and equipment	443	-	443
Deferred tax assets	1,808	181	1,989
Intangible assets	16,717	-	16,717
Total Non-Current Assets	<u>26,192</u>	<u>94</u>	<u>26,286</u>
Total Assets	<u>260,606</u>	<u>(421)</u>	<u>260,185</u>
Current Liabilities			
Trade payables – debtor finance	86,057	-	86,057
Trade payables	3,535	-	3,535
Other current liabilities	68	-	68
Borrowings	84,273	-	84,273
Current tax liabilities	1,614	-	1,614
Short-term provision - employees	538	-	538
Total Current Liabilities	<u>176,085</u>	<u>-</u>	<u>176,085</u>
Non-Current Liabilities			
Borrowings	44,166	-	44,166
Long-term provision - employees	67	-	67
Other liabilities	114	-	114
Total Non-Current Liabilities	<u>44,347</u>	<u>-</u>	<u>44,347</u>
Total Liabilities	<u>220,432</u>	<u>-</u>	<u>220,432</u>
Net Assets	<u>40,174</u>	<u>(421)</u>	<u>39,753</u>
Equity			
Issued capital	39,787	-	39,787
Accumulated Losses	(54)	(421)	(475)
Reserves	441	-	441
Total Equity	<u>40,174</u>	<u>(421)</u>	<u>39,753</u>

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(k) Impairment of non-financial 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.

(l) 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 1 (m).

Customer Relationships

Customer relationships 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, 180 Group and 1stCash is 2 years.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(l) Intangibles (continued)

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.

(m) 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.

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses. 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. An allowance for expected credit loss is made using simplified approach further outlined in Note 7. The amount of the expected credit loss is recognised in comprehensive income within other expenses. When a trade receivable for which allowance for expected credit loss 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.

(o) Finance lease receivables – as lessor

The Group has recognised loans secured against finance lease equipment. Equipment is owned by the customers and there is no residual or lump sum amounts at the end of the loan agreement. The Group recognises principal and interest receivable over the term of the loan at the beginning of the loan and the principal and interest is amortised according to each loan schedule as scheduled repayments are received.

(p) 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:

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(p) Plant and equipment (continued)

	Depreciation rate	Depreciation method
Motor vehicles	20-25%	Straight line
Office equipment	20-40%	Straight line
Leasehold Improvements	20-40%	Straight line
Software	30-40%	Straight line
Low-value Pool	18.75-37.5%	Diminishing value

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(m)).

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 the Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(q) 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.

(r) Finance costs

Finance costs are recognised in the period in which they are incurred.

(s) 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.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, 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.

(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.

(u) 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.

(v) 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.

(w) 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.

(x) 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 based on applying the expected credit loss model.

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 financial statements. 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 2019

NOTE 1 Significant accounting policies (continued)

(x) Critical Accounting Estimates and Judgments (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 \$5,016,000 that is considered to be impaired.

(y) Reclassification in Cashflow Statement

Payments to and from debtor finance and equipment finance clients (funds advanced to clients) have been reclassified from operating activities to investing activities within the consolidated statement of cash flows, in order to reflect a more accurate picture of the business activities of the Group.

(z) Accounting standards issued but not yet effective

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:

- (a) 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:
 - i. investment property, the lessee applies the fair value model in AASB 140: *Investment Property* to the right-of-use asset; or
 - ii. 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
- (b) 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.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset and would account for each type of lease in a manner consistent with the current approach under AASB 117.

AASB 16 mandatorily applies to annual reporting periods commencing on or after 1 January 2019 and will be first applied by the Group in the financial year commencing 1 July 2019.

As disclosed in Note 23 to the financial statements, the Group's aggregate operating lease expenditure commitment at 30 June 2019 (measured on an undiscounted basis) is \$2.0m.

When AASB 16 is applied by the Group at 1 July 2019, the present value the Group's operating lease commitment (adjusted for the impact, if any, of the revised definitions of 'lease term' and 'lease payments'), for all leases with a term of more than 12 months, but excluding leases of low value assets, will be recognised as a lease liability, using an appropriate discount rate as prescribed by the accounting standard. The Group will also recognise a corresponding right-of-use asset, which the Group can choose to initially measure at either its carrying amount as if the accounting standard had applied from the commencement date of the lease or at an amount equal to the initial lease liability. The preliminary assessment of the Group is that it will most likely elect to initially measure the right-of-use asset at its carrying amount as if the accounting standard had applied from the commencement date.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 1 Significant accounting policies (continued)

(z) Accounting standards issued but not yet effective (continued)

Based on the Group's preliminary assessment, it is anticipated that:

- the application of AASB 16 will result in the recognition of a lease liability of \$1.6m and a right-of-use asset of approximately \$1.4m; and
- the application of AASB 16 will not result in a material impact on the profit or loss of the Group, as the aggregate of the estimated interest expense on the lease liability and the estimated depreciation expense of the right-of-use asset in the first year of application is not expected to differ materially from the aggregate operating lease expense recognised by the Group for the financial year ended 30 June 2018 under the predecessor accounting standard.

NOTE 2 Revenue

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Revenue from continuing operations		
Services		
Finance	35,796	34,421
Equipment Finance	3,393	1,040
Other services- Revenue from contracts with customers	8,272	12,753
Other revenue		
Interest received – Other entities	214	135
Loss on early redemption – Corporate Bond	-	(1,600)
Total revenue	47,675	46,749

NOTE 3 Expenses

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation	260	219
Amortisation – Customer relationships	1,100	1,042
Finance costs expensed	7,272	9,694
Allowance for expected credit losses	1,055	1,590
Rental expenses on operating leases	726	610
Employee superannuation expense	739	707

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 4 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; and
- Any external regulatory requirements.

Types of products and services by segment

(i) **Finance**

Refers to 'factoring' or 'debtor 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.

(iii) **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
- Interest costs and interest income
- Depreciation and amortisation

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 4 Segment Information (continued)

(f) Comparative information

	Finance	Equipment Finance	Other services	Corporate	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<i>Year ended 30 June 2019</i>					
<i>Invoice Purchased</i>	1,578,575				
Total segment revenue	35,796	3,393	8,272	-	47,461
Adjusted profit/(loss) before income tax	19,361	1,602	1,046	(1,629)	20,380
	Finance	Equipment Finance	Other services	Corporate	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<i>Year ended 30 June 2018</i>					
<i>Invoice Purchased</i>	1,328,077				
Total segment revenue	34,421	1,040	12,888	(1,600)	46,749
Adjusted profit/(loss) before income tax	18,105	251	874	(1,636)	17,594

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

A reconciliation of adjusted profit before income tax to operating profit before income tax is provided as follows:

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Adjusted profit before income tax	20,380	17,594
Depreciation and amortisation	(260)	(219)
Amortisation – Customer Relations	(1,100)	(1,042)
Interest costs	(7,272)	(9,694)
Interest income	214	135
Loss from early redemption of bonds	-	(1,600)
Redundancy cost	-	(129)
Operating Profit before income tax from continuing operations	11,962	5,045

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 4 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 \$251M (2018: \$261M) 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 \$206M (2018: \$220M) 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 11.81% of external revenue (2018: 9.16%). The next most significant client accounts for 2.91% (2018: 8.92%) of external revenue. All revenue attributable to external customers was generated from Australia for the year ended 30 June 2019.

NOTE 5 Income Tax Expense

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
(a) <i>The components of tax expense comprise:</i>		
Current tax	(3,960)	(2,289)
Deferred tax	21	430
Prior year adjustment	377	-
Income Tax Expense	(3,562)	(1,859)
(b) <i>The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:</i>		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)	(3,535)	(1,513)
Add tax effect of:		
Other non-allowable/ (deductible) items	350	(346)
Prior year adjustment	(377)	-
Income tax benefit (expense)	(3,562)	(1,859)
The applicable weighted average tax rates are as follows:	29.8%	36.8%
(c) <i>Deferred taxation</i>		
The balance comprises temporary differences attributable to:		
Allowance for expected credit losses	1,229	858
Provision for employee entitlements	233	181
Accrued Expenditure	347	549
Accrued Income	(47)	(56)
Other	248	276
Total deferred tax assets	2,010	1,808
(d) Income Tax Payable	1,619	1,614

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 6 Cash and cash equivalents

Consolidated Group

	2019 \$ 000's	2018 \$ 000's
Cash at bank and in hand	21,082	15,678
	<u>21,082</u>	<u>15,678</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	21,082	15,678
	<u>21,082</u>	<u>15,678</u>

NOTE 7 Trade receivables

Consolidated Group

	2019 \$ 000's	2018 \$ 000's
Trade receivables – debtor finance	196,770	216,331
Less: Allowance for expected credit losses	(5,197)	(4,651)
	<u>191,573</u>	<u>211,680</u>
Trade receivables – Other	685	2,787
Less: Allowance for expected credit losses	-	(365)
	<u>685</u>	<u>2,422</u>

Client Receivables

Trade receivables – debtor finance	196,770	216,331
Less: Trade payables – debtor finance	(87,772)	(86,057)
Client Receivables	<u>108,998</u>	<u>130,274</u>
Less: Allowance for expected credit losses	(5,197)	(4,651)
Net Client Receivables	<u>103,801</u>	<u>125,623</u>

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 7 Trade receivables (continued)

Trade receivables – Debtor finance

Receivables from Debtor Finance are invoices purchased from clients. These invoices have various payment terms, but majority of the invoices have 30 days term. On average, invoices are paid within 42 days.

Trade Receivables - Other

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Invoicing of customers generally occurs on a weekly basis. Outstanding invoices are due for payment within 30 days of the invoice date.

Impairment of receivables from contracts with customers and receivables purchased

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for trade receivables. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables on the basis of the lifetime expected credit losses of the instrument and credit impaired. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses by applying probability of default (PD) x exposure at default (EAD) x loss given default (LGD) adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. Expected Credit Loss Rate is PD x LGD.

	As at 30 June 2018 \$'000	Transition adjustment under AASB 9 \$'000	As at 1 July 2018 \$'000
Loss Allowance	4,651	852	5,503

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for receivables:

	Life-time expected credit losses and not credit impaired Receivables \$'000	Life-time expected credit losses and not credit impaired Receivables - Debtor Finance \$'000	Life-time expected credit losses – credit impaired Receivables - Debtor Finance \$'000	Total \$'000
Loss allowance at 1 July 2018	-	1,052	4,451	5,503
Decrease from origination or acquisition of receivables	-	(180)	-	(180)
Transfer to Credit Impaired	-	(1,280)	1,280	-
Written off	(106)	-	(1,406)	(1,512)
Net remeasurement of allowance	106	1,280	-	1,386
Loss allowance at 30 June 2019	-	872	4,325	5,197

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 7 Trade receivables (continued)

The following table provides information about the risk profile of Trade receivables - debtor finance:

Credit risk profile of receivables from clients

		Days past Due				
	Not past due	<30	30 - 90	90>	Credit Impaired	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 19						
Exposure at Default	92,996	65,343	22,132	8,386	7,913	196,770
Expected Credit Loss Rate	-	-	-	10.4%	-	-
Expected credit loss	-	-	-	872	4,325	5,197
1 July 18						
Exposure at Default	92,886	80,732	25,671	11,958	7,118	218,365
Expected Credit Loss Rate	-	-	-	8.8%	-	-
Expected credit loss	-	-	-	1,052	4,451	5,503

For Debtor Finance division, the Group advances up to 80% of invoices purchased that are less than 90 days past the due date. If the invoices go past 90 days, the invoices are either reassigned back to the client and the funds are clawed back or clients must sell new invoices to the Group. The Group ensures that the invoice purchased from clients have good spread of debtors and if there is concentration issue, the Group ensures that there is trade credit insurance in place. Generally, the Group sees minimal or no risk in collecting invoices that are less than 90 days old from the due date.

Key risks that the Group is exposed to are fraud and invoice disputes. Invoice that are over 90 days are mainly from clients that have committed a fraud (including mis-banking) or have invoice disputes from end debtors.

The Group also maintains a risk register for individual clients that have issues repaying the advanced funds. The Group performs a stress test of each individual client's circumstances and the stress test amount is recognised as credit impaired in the account.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 7 Trade receivables (continued)

The following table provides information about the risk profile of Trade receivables - Other:

Credit risk profile of receivables from customers

	Days past due				Total
	< 30	30-60	60 - 90	90>	
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Exposure at Default	628	57	-	-	685
Expected Credit Loss Rate	0%	0%	-	-	-
Expected Credit Loss	-	-	-	-	-
1 July 2018					
Exposure at Default	661	44	15	32	752
Expected Credit Loss Rate	0%	0%	-	-	-
Expected Credit Loss	-	-	-	-	-

Customers in Other division consists of government or government related entities. The Group does not expect any expected credit loss from government related entities. The Group does not have any non-government related entities as at 30 June 2019.

Receivables written off during the year

The gross carrying amount of a receivable balance is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the outstanding balance. The receivable written off remains subject to enforcement action by the Group.

The contractual amount outstanding on receivables that were written off during the year is \$106,000 (2018: \$nil). The amount written off was from a non-government entity.

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 8 Finance Lease receivables

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Current:		
Finance lease receivables	8,217	4,082
Allowance for expected credit losses	(124)	(44)
Unamortised loan brokerage fees	257	109
Unamortised loan transaction fees	(280)	(120)
Unamortised interest receivable	(3,261)	(1,697)
Total Current	4,809	2,330
Non-Current:		
Finance lease receivables	18,806	9,691
Allowance for expected credit losses	(362)	(14)
Unamortised loan brokerage fees	596	255
Unamortised loan transaction fees	(572)	(285)
Unamortised interest receivable	(4,468)	(2,423)
Total Non-Current	14,000	7,224
Grand Total	18,809	9,554

Impairment of lease receivables

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for lease receivables. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables on the basis of the lifetime expected credit losses of the instrument and credit impaired. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses by applying probability of default (PD) x exposure at default (EAD) x loss given default (LGD) adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. Expected Credit Loss Rate is PD x LGD.

	As at 30 June 2018	Transition adjustment under AASB 9	As at 1 July 2018
	\$'000	\$'000	\$'000
Loss Allowance	58	115	173

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for lease receivables:

	Life-time expected credit losses and not credit impaired Lease Receivables \$'000	Life-time expected credit losses – credit impaired Lease Receivables \$'000	Total \$'000
Loss allowance at 1 July 2018	140	33	173
Net remeasurement of allowance	184	129	313
Loss allowance at 30 June 2019	324	162	486

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 8 Finance Lease receivables (continued)

The following table provides information about the risk profile of lease receivables:

Credit risk profile of receivables from customers

	Days past due					Credit Impaired	Total
	Not past due	< 30	30-60	60 - 90	90>		
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Exposure at Default	25,891	140	6	7	-	979	27,023
Expected Credit Loss Rate	1.2%	1.3%	12.5%	15.0%	22.5%	-	-
Expected Credit Loss	320	2	-	1	-	163	486
1 July 2018							
Exposure at Default	13,640	36	10	-	10	77	13,773
Expected Credit Loss Rate	1.0%	1.0%	11.3%	13.8%	21.3%	-	-
Expected Credit Loss	135	-	1	-	2	33	173

NOTE 9 Other Assets

	Consolidated Group	
	2019 \$ 000's	2018 \$ 000's
CURRENT:		
Prepayments	448	1,697
Accrued Income	157	187
Advances	16	16
Deposits Paid	402	404
Total	1,023	2,304

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 10 Plant & Equipment

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Leased motor vehicles		
At cost	49	46
Accumulated depreciation	(6)	(15)
	<u>43</u>	<u>31</u>
Software & Office equipment		
At cost	1,221	1,676
Accumulated depreciation	(1,026)	(1,449)
	<u>195</u>	<u>227</u>
Leasehold Improvements		
At cost	534	567
Accumulated depreciation	(384)	(382)
	<u>150</u>	<u>185</u>
Low-value pool		
At cost	13	-
Accumulated depreciation	(2)	-
	<u>11</u>	<u>-</u>
Total Plant & Equipment	<u>399</u>	<u>443</u>

	Consolidated Group				
	Leased Motor Vehicles	Computer & Office Equipment	Leasehold Improvements	Low-value Pool	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
2019 Consolidated:					
Balance at the beginning of the financial year	31	227	185	-	443
Additions	49	89	42	13	193
Disposal or classified as held for sale	(27)	-	-	-	(27)
Depreciation	(10)	(121)	(77)	(2)	(210)
Carrying amount at the end of the financial year	<u>43</u>	<u>195</u>	<u>150</u>	<u>11</u>	<u>399</u>
2018 Consolidated:					
Balance at the beginning of the financial year	42	141	184	-	367
Additions	-	126	21	-	147
Acquired on business combination	-	62	31	-	93
Depreciation	(11)	(102)	(51)	-	(164)
Carrying amount at the end of the financial year	<u>31</u>	<u>227</u>	<u>185</u>	<u>-</u>	<u>443</u>

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 11 Intangible Assets	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Goodwill:		
Opening net book balance	14,540	9,252
Acquisitions	-	5,288
Adjustment to prior year acquisition during the measurement period	(1,650)	-
Net book value	<u>12,890</u>	<u>14,540</u>
Trademarks:		
Opening net book balance	<u>2,125</u>	<u>2,125</u>
Net book value	<u>2,125</u>	<u>2,125</u>
Customer Relationships:		
Opening net book balance	-	1,042
Adjustment to prior year acquisition during the measurement period	1,650	-
Amortisation	(1,100)	(1,042)
Net book value	<u>550</u>	<u>-</u>
Software Development:		
Opening net book balance	52	92
Capitalised during the year	-	15
Amortisation	(50)	(55)
Net book value	<u>2</u>	<u>52</u>
Total	<u>15,567</u>	<u>16,717</u>

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 11 Intangible Assets (continued)

Intangible assets have been tested for impairment at 30 June 2019 resulting in no impairment loss (2018: \$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.

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 amounting to \$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 with goodwill amounting to \$2,727,000 less \$700,000 customer relations identified from PPA exercise;
- 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; and
- The acquisition of 1st Cash Pty Ltd in Financial Year 2018 amounted to goodwill of \$3,638,000 (\$5,288,000 less \$1,650,000 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 years 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 2018 financial years.

Growth Rate		Discount Rate	
2019	2018	2019	2018
%	%	%	%
2.5	2.5	7.8	7.8

(b) Impairment Charge

Intangible assets with indefinite useful life have been tested for impairment at 30 June 2019 resulting in no impairment charge. No indicators of impairment were identified for finite life intangible assets.

(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.

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 12 Trade and Other Payables

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Trade payables		
CURRENT:		
Unsecured liabilities		
Trade payables – Debtor finance	87,772	86,057
Total	87,772	86,057
Trade payables	1,380	1,385
Sundry payables and accrued expenses	1,687	2,150
Total	3,067	3,535
Grand Total	90,839	89,592

NOTE 13 Other Liabilities

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
CURRENT:		
Unsecured liabilities	22	52
Lease Incentive Liability	27	16
	49	68
NON-CURRENT:		
Lease Incentive Liability	97	114
	97	114

Lease Incentive Liability relates to the rental of the Miller Street, North Sydney, NSW, Plummer Street, Melbourne, VIC and Queen Street, Brisbane, QLD properties.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 14 Borrowings

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
CURRENT:		
Unsecured		
Receivables Financing Facility	68,431	82,798
Unsecured Loans	33	1,475
	<u>68,464</u>	<u>84,273</u>
NON-CURRENT:		
<i>Unsecured</i>		
Unsecured Corporate Bond	19,630	19,547
	<u>19,630</u>	<u>19,547</u>
<i>Secured</i>		
Senior Secured Corporate Bond	24,875	24,619
Total Non-Current	<u>44,505</u>	<u>44,166</u>
Total	<u>112,969</u>	<u>128,439</u>

Receivable Facility

In April 2019, CML Group entered into \$140m drawdown facility with institutional bank at an average 4.5% interest rate. The facility is reviewed annually. The used portion of the facility amounted to \$68.4m and unused portion of \$71.6m at 30 June 2019.

Unsecured Loans and Unsecured Corporate Bond

In May 2018, CML Group raised \$20m by issuing an unsecured Corporate Bond. The Unsecured Corporate Bond has fixed interest rate of 7.95% p.a. payable quarterly in arrears. The Bond has a maturity date of 30 May 2022.

Secured Corporate Bond

In 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.

Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 21.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 15 Provision for employee benefits

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
CURRENT:		
Employee benefits	693	538
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:		
Balance at the beginning of the financial year	538	364
Decrease in provision	155	174
Balance at end of the financial year	693	538
NON-CURRENT:		
Employee benefits	83	67
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:		
Balance at the beginning of the financial year	67	54
Decrease in provision	16	13
Balance at end of the financial year	83	67

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(s) of the financial statements.

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 16 Contributed Equity

	Consolidated Group			
	2019	2018	2019	2018
	No.	No.	\$ 000's	\$ 000's
Balance at beginning of financial year	201,041,948	133,052,955	39,787	16,711
Shares issued or under issue during the year:				
Ordinary shares @ 50 cents from Share Placement	-	26,000,000	-	13,000
Ordinary shares @ 25 cents from conversion of Convertible Note	-	41,548,524	-	10,387
Share issue from Dividend Reinvestment Plan	337,040	440,469	167	169
Less: Transaction costs arising from share issues	-	-	-	(480)
Balance at end of financial year	201,378,988	201,041,948	39,954	39,787

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, 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 2019 and 30 June 2018 are as follows:

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Gearing Ratios		
Total borrowings	112,969	128,439
Less: Cash and cash equivalents	(21,082)	(15,678)
Net debt	91,887	112,761
Total equity	44,799	40,174
Total capital	136,686	152,935
Gearing ratio	67.23%	73.73%

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 17 Reserves and Accumulated Earnings/ (Losses)

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Reserves and Accumulated Earnings/ (Losses)		
Accumulated earnings /(Losses)	4,404	(54)
General Reserves	441	441
	<hr/> 4,845	<hr/> 387
Accumulated Earnings/ (Losses)		
Balance at the beginning of year	(54)	(735)
Adoption of AASB 9	(421)	-
Net profit attributable to members of <i>CML Group Pty Ltd</i>	8,400	3,186
Total available for appropriation	<hr/> 7,925	<hr/> 2,451
Dividends paid	(3,521)	(2,505)
Balance at end of year	<hr/> 4,404	<hr/> (54)

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 18 Earnings per share

	Consolidated Group	
	2019 Cents per Share	2018 Cents per Share
Basic earnings per share	4.19	1.85
Diluted earnings per share	3.99	1.75

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

	Consolidated Group	
	2019 \$000's	2018 \$000's
Earnings (i)		
Continuing operations	8,400	3,186
Discontinued operations	-	-
Continuing and discontinued operations	8,400	3,186
Earnings used in calculating of dilutive EPS	8,400	3,186
	No.	No.
Weighted average number of ordinary shares	200,669,500	171,849,227
Weighted average number of dilutive options on issue	10,000,000	10,000,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	210,669,500	181,849,227

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

NOTE 19 Dividends

	Consolidated Group	
	2019 \$ 000's	2018 \$ 000's
Fully Franked Final Dividend – 0.75 cents (2018: 0.75 cents)	1,508	998
Fully Franked Interim Dividend – 1.00 cents (2018: 0.75 cents)	2,013	1,507
Total	3,521	2,505
Franking Credits	5,998	5,114

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 2019

NOTE 20 Cash flow information

		Consolidated Group	
		2019	2018
		\$ 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	21,082	15,678
		<u>21,082</u>	<u>15,678</u>
(b)	Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
	Profit from ordinary activities after related income tax	8,400	3,187
	Depreciation and amortisation of non-current assets	1,360	1,260
	Changes in assets and liability, net of effect of purchases of subsidiaries;		
	(Increase)/decrease in receivables	(116)	986
	Increase in deferred tax assets	(22)	(487)
	Increase/(decrease) in provisions	180	(69)
	Decrease in trade and other payables	(467)	(357)
	Decrease in other liabilities	(36)	(32)
	Decrease/(increase) in other current assets	1,281	(121)
	Increase in borrowings	339	2,047
	Increase in Income tax payable	4	78
	Net cash from operating activities	<u>10,923</u>	<u>6,492</u>

(c)

	Non-cash changes		
	2018	Financing cash flows	2019
	\$ 000's	\$ 000's	\$ 000's
Receivables Financing Facility	82,798	(14,367)	68,431
Unsecured Loans	1,475	(1,442)	33
Senior Secured Bond	24,619	-	24,619
Unsecured corporate Bond	19,547	-	19,547
	<u>128,439</u>	<u>(15,809)</u>	<u>112,630</u>

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 21 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	
	2019	2018
	\$ 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>		
<i>Cash and cash equivalents</i>	21,082	15,678
<i>Trade and other receivables</i>	192,258	214,102
<i>Finance lease receivables</i>	18,809	9,554
<i>Other current assets</i>	402	404
	<u>232,551</u>	<u>239,738</u>
<i>Financial liabilities</i>		
<i>Trade and other payables</i>	90,839	89,592
<i>Borrowings - variable</i>	19,663	21,023
<i>Borrowings - fixed</i>	93,306	107,416
	<u>203,808</u>	<u>218,031</u>

(a) Market risk

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.

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.

All of the Group's debts are on floating rate except Unsecured Corporate Bond which has a fixed rate. The Group's debts are primarily used for finance division and equipment finance division. Equipment Finance division has no interest rate risk as it uses Unsecured Corporate Bond for lending. Interest rate risk for the finance division can be mitigated by passing on the increase in interest rate to the customers.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 21 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>	Consolidated Group	
	2019	2018
	\$000's	\$000's
<i>Financial Assets</i>		
Cash and cash equivalents	21,082	15,678
<i>Financial liabilities</i>		
Borrowings - variable	93,306	107,416
Net	(72,224)	(91,738)
+/- 2% in interest rate		
Equity	+/- 1,011	+/- 1,284
Profit	+/- 1,444	+/- 1,835

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.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 21 Financial Risk Management (continued)

(b) Credit risk (continued)

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	
	2019	2018
	\$ 000's	\$ 000's
<i>Trade receivables</i>		
Counterparties with external credit rating (Moody's)		
AAA Federal government departments and instrumentalities	7,327	10,077
Counterparties without external credit rating	209,424	207,967
Total trade receivables	216,751	218,044
<i>Cash at bank and short-term bank deposits</i>		
AA-	21,082	15,678

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 2019

NOTE 21 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 14 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:

	Weighted average interest rate	0 to 12 Months \$ 000's	1 to 5 years \$ 000's	More than 5 years \$ 000's	Carrying value \$ 000's
<i>As at 30 June 2019</i>					
Trade and other payables		90,839	-	-	90,839
Borrowings	6.38%	68,464	44,505	-	112,969
Total financial liabilities		159,303	44,505	-	203,808
<hr/>					
		0 to 12 Months \$ 000's	1 to 5 years \$ 000's	More than 5 years \$ 000's	Carrying value \$ 000's
<i>As at 30 June 2018</i>					
Trade and other payables		89,592	-	-	89,592
Borrowings	7.70%	84,273	44,166	-	128,439
Total financial liabilities		173,865	44,166	-	218,031

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 2019

NOTE 22 Contingent liabilities

There are 3 rental guarantees of \$263,000 relating to the property at Miller Street, Queen Street and Plummer Street. The guarantee amount is payable if lease terms regarding the property are broken.

NOTE 23 Commitments

(a) Lease commitments – the Group as lessee

Non-cancellable operating leases

The property lease at Brisbane expires on 31 October 2021. 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 property lease at North Sydney expires on 31 December 2022. 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 4% per annum.

The property lease at Melbourne expires on 30 May 2021. It is a 3 year lease with rent repayable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 3.5% per annum.

(b) Lease commitments – the Group as lessee

Commitments in relation to finance leases are payable as follows:

	Consolidated Group	
	2019	2018
	\$ 000's	\$ 000's
Non-cancellable operating leases contracted but not capitalised in the financial statements		
- Payable not later than one year	657	433
- Longer than 1 year and not longer than 5 years	1,335	1,154
	<u>1,992</u>	<u>1,587</u>

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 24 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(d)

	Country of Incorpor- ation	2019 %	2018 %
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%
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%
1 st Cash Pty Limited	Australia	100%	100%

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 24 Subsidiaries (continued)

Deed of Cross Guarantee

A deed of cross guarantee between CMLPayroll Pty Ltd and CML Group Limited was entered into during the 2015 financial year. Cashflow Finance Australia Pty Limited also entered the closed group during 2019 financial year.

A relief was obtained from preparing financial statements for CMLPayroll Pty Ltd and Cashflow Finance Australia Pty Limited under ASIC Class Order 2016/785. Under the deed, CML Group Limited, CML Payroll Pty Ltd and Cashflow Finance Australia Pty Limited guarantee the debts of each other and are the members of the closed group. CML Payroll Pty Ltd and Cashflow Australia Pty Limited are the only parties to the deed 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	
		2019	2018
		\$000's	\$000's
Financial information in relation to:			
(i)	Statement of profit or loss and other comprehensive income:		
	Profit/ (loss) before income tax	11,103	(6,998)
	Income tax (expense)/ credit	(3,304)	1,754
	Profit/ (loss) after income tax	7,799	(5,244)
	Profit/ (loss) attributable to members of the parent entity	7,799	(5,244)
(ii)	Statement of financial position:		
	CURRENT ASSETS		
	Cash and cash equivalents	14,930	645
	Trade and other receivables	197,800	123,027
	Other current assets	927	766
	TOTAL CURRENT ASSETS	213,657	124,438
	NON-CURRENT ASSETS		
	Property, plant and equipment	394	80
	Intangible assets	18,426	19,571
	Deferred tax assets	2,010	1,760
	TOTAL NON-CURRENT ASSETS	20,830	21,411
	TOTAL ASSETS	234,487	145,849
	CURRENT LIABILITIES		
	Trade and other payables	90,766	1,146
	Tax liabilities	1,619	(6,066)
	Borrowings	68,464	84,273
	Other liabilities	49	41
	Short-term provisions	688	41
	TOTAL CURRENT LIABILITIES	161,586	79,435

CML Group

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 24 Subsidiaries (continued)

	Closed Group	
	2019	2018
	\$'000's	\$'000's
NON-CURRENT LIABILITIES		
Long-term borrowings	44,505	44,166
Long-term provisions	83	2
Other liabilities	98	19
TOTAL NON-CURRENT LIABILITIES	44,686	44,187
TOTAL LIABILITIES	206,272	123,622
NET ASSETS	27,904	22,227
EQUITY		
Issued capital	39,952	39,783
Reserves	441	441
Retained earnings	(12,489)	(17,997)
	27,904	22,227

NOTE 25 Parent Entity Disclosures

	Consolidated Group	
	2019	2018
	\$ '000's	\$ '000's
The individual financial statements for the parent entity show the following aggregate amounts:		
<i>Statement of Financial Position</i>		
Current assets	5,872	2,137
Non-current assets	127,045	144,294
Total assets	132,917	146,431
Current liabilities	71,060	79,559
Non-current liabilities	44,544	44,187
Total liabilities	115,604	123,746
Net Assets	17,313	22,685
Shareholders' equity		
Contributed equity	39,950	39,783
Retained losses	(22,637)	(17,098)
Total equity	17,313	22,685
Net Loss for the year after tax	(5,539)	(7,765)
Total Comprehensive Loss	(5,539)	(7,765)

The Parent Entity, Cashflow Finance Pty Limited and CML Payroll Pty Ltd are parties 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.

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 26 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 24 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.

The Group 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.

NOTE 27 Remuneration of Auditors

	Consolidated Group	
	2019	2018
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	119,900	114,327
Other services:		
Taxation and corporate secretarial services	-	-
	<u>119,900</u>	<u>114,327</u>

NOTE 28 Subsequent events

The Group has declared a Final Dividend of 1.4 cents per share, fully franked. The Group has a Dividend Reinvestment Plan (DRP) in place, in which eligible shareholders may participate.

CML Group has entered into an agreement to purchase 100% of the shares in Classic Funding Group ("CFG") for \$11m, which includes approximately \$6m in Goodwill. CML expects completion of the transaction will be facilitated by CML's existing equity on balance sheet and supported with a new \$25m facility which is conditionally approved. The CFG acquisition is expected to be completed by mid-October 2019.

Notes to the Financial Statements for the year ended 30 June 2019

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 24-67 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 2019 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.

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 19th September 2019

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CML GROUP LIMITED
ABN 88 098 952 277**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CML Group Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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 2019 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 Company, 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 year. 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 matter
Accuracy and Existence of Debtor and Equipment Finance Revenue Refer to Note 1 Significant Accounting Policies and Note 2 Revenue	
<p>We focused our audit effort on the accuracy and existence of debtor and equipment finance revenue as it represents the most significant driver of the Group's profits.</p> <p>As at 30 June 2019 the Group had generated \$35.8 million of debtor revenue and \$3.4 million of equipment finance revenue.</p> <p>The Group adopted AASB 15 <i>Revenue from Contracts with Customers</i> from 1 July 2018. Revenue recognition is significant to our audit as the Group may incorrectly account for fees and interest potentially leading to incorrect revenue recognition.</p> <p>Significant judgements are required by management in assessing the recognition of revenue across the various revenue streams in accordance with the relevant accounting standards.</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 amount of revenue earned, including the application of AASB 15 <i>Revenue from Contracts with Customers</i>; • Selecting a sample of contracts for loan facilities and reviewing the contract to identify the facts and circumstances that indicate that all performance obligations have been satisfied; and • Obtaining audit evidence for the facts and circumstances identified in the contracts.

Key Audit Matter	How our audit addressed the matter
Existence and Recoverability of Trade Receivables Refer to Note 7 Trade and other receivables	
<p>We focused our audit effort on the existence and recoverability of the Group's trade receivables as it is the largest asset and represents the most significant driver of the Group's Net Assets.</p> <p>As at 30 June 2019 the Group had trade receivables of \$192.3 million, including an allowance for expected credit loss of \$5.2 million.</p> <p>The Group adopted AASB 9 <i>Financial Instruments</i> from 1 July 2018 which required the Group to change its provisioning methodology for impaired receivables by applying the expected credit loss "ECL" model.</p> <p>The assessment to determine the ECL for impairment of trade receivables involved significant judgements by management, including both qualitative and quantitative assumptions (e.g. expected future collection based on customer type and historical write offs).</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 allowance for expected credit losses; • Assessing management's methodology for determining the provision for the allowance for expected credit losses; • Assessing the completeness of clients identified as being subject to the allowance for expected credit losses; • Obtaining debtor confirmations from third parties; • Vouching year end receivable balances to subsequent receipts; and • Reviewing and challenging the significant judgements used by management in determining the allowance for expected credit losses.

Key Audit Matter	How our audit addressed the matter
Acquisition Accounting Refer to Note 11 Intangible Assets	
<p>During the 2018 financial year, the Group acquired 1st Cash Pty Ltd. The accounting for this business combination resulted in the initial recognition of goodwill of \$5.3 million.</p> <p>Initial accounting was reflected in the financial statements at 30 June 2018. The Group completed the purchase price allocation this financial year in accordance with AASB 3 Business Combinations.</p> <p>An independent valuation of the identifiable assets acquired was obtained to finalise the purchase price allocation. This exercise resulted in the recognition of a \$1.7m uplift in customer relationships and a corresponding reduction in goodwill.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Examining the asset purchase agreement to identify intangible assets acquired based on our understanding of the business acquired; • Reviewing and challenging the key assumptions used by management and an independent valuation specialist engaged by management in the allocation of the purchase price and assessing differences from the initial assessment performed and reported. These assumptions include but are not limited to discount rate, customer attrition, and weighted average cost of capital; and • Considering the adequacy of the financial report disclosures in Note 11.

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.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 14 to 21 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of CML Group Limited, for the year ended 30 June 2019, 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.



JOHN GAVLJAK
Partner



PITCHER PARTNERS
Sydney

19 September 2019

Additional Information for Publicly Listed Companies

Statement of quoted securities as at 31 August 2019

- There are 1,171 shareholders holding a total of 201,378,988 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 73.96% 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 2019

	Range of holding	No. of holders
	1 - 1,000	87
Ordinary fully paid shares	1,001 - 5,000	183
	5,001 - 10,000	293
There are 102 shareholders holding less than a marketable parcel.	10,001 - 100,000	471
	100,001 - and over	137
Total holders		<u>1,171</u>

Substantial shareholdings as at 31 August 2019

Ordinary shareholder

	Total relevant interest notified	% of total voting rights
J P MORGAN NOMINEES AUSTRALIA LIMITED	52,991,785	26.31
NATIONAL NOMINEES LIMITED	41,732,060	20.72
G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	16,893,779	8.39

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 2019

Rank	Shareholder name	No of Shares	% of ordinary shares on issue
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	52,991,785	26.31
2	NATIONAL NOMINEES LIMITED	41,732,060	20.72
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,695,825	5.81
4	G & A RILEY INVESTMENTS PTY LIMITED <GREG & ANN RILEY SMSF P A/C>	10,491,803	5.21
5	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,564,550	3.26
6	G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	6,401,976	3.18
7	VIP EXECUTIVE PTY LTD <VIP EXECUTIVE SUPER FUND A/C>	2,800,000	1.39
8	MR JAMIE PHEROUS <BLACK DUCK HOLDINGS A/C>	2,000,000	0.99
9	GUERILLA NOMINEES PTY LTD <TOOTH RETIREMENT PLAN A/C>	1,891,176	0.94
10	BNP PARIBAS NOMS PTY LTD <DRP>	1,700,120	0.84
11	ITOKA PTY LTD <PM SUPERANNUATION FUND A/C>	1,500,000	0.74
12	CITICORP NOMINEES PTY LIMITED	1,495,142	0.74
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,278,904	0.64
14	MINNAMURRA FINANCE PTY LTD <THE RILEY FAMILY A/C>	1,069,470	0.53
15	BLACKCOURT (NSW) PTY LIMITED <LAWSAM SUPER FUND A/C>	1,000,000	0.50
16	DR DAVID JOHN RITCHIE + DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	1,000,000	0.50
17	WEEWAC PTY LTD <WARRIOR SUPER FUND A/C>	927,600	0.46
18	BNP PARIBAS NOMINEES PTY LTD <IOOF INSMT MGMT LTD DRP>	865,000	0.43
19	TIGERSHARK INVESTMENTS PTY LTD <BF HATCHER HOLDINGS A/C>	800,000	0.40
20	MR DANIEL JON RILEY <M & D RILEY SMSF A/C>	740,291	0.37
		<u>148,945,702</u>	<u>73.96</u>