

25 February 2015

## CML Group 2015 Interim Result Strong Underlying Growth Adversely Affected by One-off Provision

### Key Highlights

- Strong Revenue and underlying earnings growth
- Reported Earnings adversely affected by a one-off provision
- Interim dividend maintained at 0.5 cents per share
- Expansion in Queensland and the \$10.4m Convertible Note position the company for continued growth
- Guidance unchanged with forecast loan book of \$25m by December 2015

### Consolidated Performance

CML Group Limited (CML) has reported strong revenue growth up 38% to \$84.989m for the half year ended 31 December 2014 compared to the previous corresponding period (2013: \$61.63m). Underlying EBITDA is up 48% to \$1.617m (2013: \$1.096m) and underlying net profit after tax is up 31% to \$737k (2013: \$562k).

As previously advised, CML has made a one-off provision of \$900k before tax relating to a client of CML's Finance Division in the construction industry. This one-off event has impacted earnings, resulting in a reported EBITDA of \$717k and profit after tax of \$107k for the half year ended 31 December 2014.

Six months ending (\$'000 unless stated)	31 Dec 14	31 Dec 13	change
Revenue	84,989	61,634	+38%
<b>Underlying *1</b>			
EBITDA	1,617	1,096	+48%
Net profit after tax	737	562	+31%
EPS (cents per share)	0.81	0.88	
<b>Reported</b>			
EBITDA	717	1,096	-35%
Net profit after tax	107	562	-81%
EPS (cents per share)	0.12	0.88	
Interim dividend (cents per share)	0.5	0.5	

\*1 Underlying results exclude the one off provision (and associated tax effect)

### Divisional Performance

The underlying result reflects improved performance from both divisions compared with last year.

- **Finance Division** – revenue was up 73% and underlying EBITDA was up 56% for the half year ended 31 December 2014 compared to the previous corresponding half year. There are administration efficiencies that will be realised in the second half of this financial year and future years from recent changes to funding lines, detailed below, plus the completion of

migration of all finance customers onto an industry leading software platform. The Company believes this will deliver improved margins in the second half of this financial year and future years.

- **Payroll & Other Division** – revenue was up 15% and underlying EBITDA was up 38% for the half year ended 31 December 2014 compared to the previous corresponding half year. A number of factors contributed to growth, including;
  - i) A generally improving market for recruitment labour-hire firms in NSW, a key customer group for this division.
  - ii) Improving margin on existing projects through effective management.
  - iii) Contribution to profit from an outsourced payroll offering introduced during FY'14

The second half which is seasonally weaker for the Payroll & Other Division, as a result of more holidays and thus less billable hours will this year also be impacted by starting from a reduced base of existing 457 workers. The latter reflects the timing difference between the expiry of the existing Labour Agreement with Department of Immigration and Border Protections in August 2014 and receiving a new 3-year Agreement in February 2015.

Six months ending (\$'000 unless stated)	31 Dec 14	31 Dec 13	change
<b>Finance*2</b>			
Revenue	41,488	23,975	+73%
Underlying EBITDA	632	406	+56%
<b>Payroll &amp; Other *3</b>			
Revenue	43,472	37,628	+15%
Underlying EBITDA	1,476	1,069	+38%
<b>Corporate and Unallocated</b>			
Revenue	17	7	
Underlying EBITDA	(491)	(379)	

\*2 **Finance** – refers to 'factoring' or 'receivables finance' which provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume.

\*3 **Payroll & Other** – refers to 'managed employment' of contract workers for clients that do not wish to engage these workers directly, generally as they do not have the processes, systems, insurances or desire to employ directly. This division also includes labour sourcing through recruitment agency panel management, project management and a migration practice. This division also offers outsourced payroll on payment terms.

## Key Achievements in H1'15 and Year to Date

- ✓ Established a Queensland office for the finance division
- ✓ Expansion of funding lines with \$10.4m raised through a Convertible Note issue

### Establishment of a Queensland office

A Queensland office was established in October 2014 with the appointment of experienced invoice finance executive Peter Toohey. Peter has previously successfully developed Queensland offices for industry competitors. Peter has recently been joined by an Operations Manager with 22 years invoice finance experience and an experienced Business Development Manager to assist CML to grow its Queensland business.

## Expansion of funding lines

The Board detailed in its FY14 Full Year Report that access to appropriate funding is critical to CML Group's growth aspirations in its finance division and that it was taking a 3 phase funding approach to building scale and moving to wholesale funding. The Group has completed Phase 2 following the \$10.4m Convertible Note issue completed in early February.

The objective of Phase 2 funding is to build a level of self-sufficiency into CML Group's funding, complemented by 1 or more funding lines that will not prevent CML Group from moving to Phase 3 funding at the appropriate time.

Total funds available to finance CML Group's loan book now totals \$25m, as detailed below.

Facility	Terms	Provider	Security
\$10m	9% on Total Notes	Convertible Note holders	None
\$10m	10% on Funds Utilised	Greensill Capital	None
\$5m	Capital Raising Apr'14	Shareholders	N/A
\$25m			

CML Group is focused on building volume in its loan book, with the aim of forming a wholesale funding arrangement with a major bank within the next two years, thereby significantly reducing the cost of capital deployed in its finance division. CML believes that to attract wholesale funding it will need to have a loan book of \$40m+ of funds deployed and a track record of prudent management.

## Interim Dividend & Outlook

Commenting on the result and outlook, CML Group Managing Director Daniel Riley said, "CML is pleased with the underlying result for the 6 months to 31Dec14, with strong growth across all divisions. The Convertible Note issue, which was fully subscribed to \$10.4m, will form the basis of enabling the business to continue growing its financing business which of recent times has been limited not by sales but by the ability to finance it. The Note, combined with existing facilities and equity, will provide sufficient funding to enable the business to achieve a loan book of \$25m, and although funding limitations delayed take-on of new clients in the last 2 months of H1'15, the Company holds its guidance on a loan book size of \$25m by December 2015."

"The Company anticipates continued growth in FY15 and the Board's confidence in the underlying H1'15 result and FY15 outlook has underpinned the decision to pay an interim dividend to 0.5 cps fully franked (2013: 0.5 cps)."

The interim dividend is payable on 17<sup>th</sup> April 2015 with a Record Date of 27<sup>th</sup> March 2015. A dividend reinvestment plan will be in place offering a 5% discount to the volume weighted average market price (on an ex-dividend basis) of CML Group shares during the five trading days subsequent to and inclusive of 17<sup>th</sup> April 2015.

On behalf of the Board,



**Daniel Riley**

Managing Director

For further information, contact Daniel Riley or Ralph Stonell on 1300 666 177

## **APPENDIX 4D**

**CML Group Limited**

**ACN: 098 952 277**

## **Interim Report** ***For the Half Year ended 31 December 2014***

### **Current Reporting Period**

Six months to 31 December 2014

### **Previous Corresponding Period**

Six months to 31 December 2013

## Appendix 4D

### *Half Year Report*

**Half Year ended 31 December 2014**  
**(Previous corresponding period half year ended 31 December 2013)**

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

**\$A**

Revenue from ordinary activities	<b>Up</b>	<b>37.9%</b>	<b>to</b>	<b>\$84,977,303</b>
Profit from ordinary activities after tax attributable to members	<b>Down</b>	<b>81.0%</b>	<b>to</b>	<b>\$106,531</b>
Profit after tax attributable to members	<b>Down</b>	<b>81.0%</b>	<b>to</b>	<b>\$106,531</b>

<b>Dividends (distributions)</b>	Amount per security	Franked amount per security	Record date	Payment date
Final dividend 30 June 2014 (previous year)	0.6 cents (half a cent)	100%	3 <sup>rd</sup> October 2014	30 <sup>th</sup> October 2014
Interim dividend 31 December 2014	0.5 cents (half a cent)	100%	27 <sup>th</sup> March 2015	17 <sup>th</sup> April 2015

#### **Commentary:**

*Refer to the attached announcement*

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

## DIRECTORS' REPORT

The directors of CML Group Limited ("CML Group" or "the company") submit herewith the financial report of the consolidated entity for the half year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

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

Greg Riley – Non-executive Chairman (appointed: 18 November 2014) previously Non-Executive Director

Ian Winlaw – Non-Executive Chairman (resigned: 18 November 2014)

Daniel Riley – Managing Director

Sue Healy – Non-executive Director

Richard Farrington – Non-executive Director (appointed: 22 December 2014)

Daniel O'Neile – Non-executive Director (resigned: 9 December 2014)

Ralph Stonell - Company Secretary

### Principal activities

The consolidated entity's principal activity during the half year was that of payroll and financial management services.

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

### Review of operations

The Boards reports strong revenue growth up 38% to \$84.989m for the half year ended 31 December 2014 compared to the previous corresponding period (2013: \$61.63m). Underlying EBITDA is up 48% to \$1.617m (2013: \$1.096m) and underlying net profit after tax is up 31% to \$737k (2013: \$562k).

As advised on 11 February 2015, CML has made a one-off provision of \$900k before tax relating to a client of CML's Finance Division in the construction industry. This has impacted earnings, resulting in a reported EBITDA of \$717k and profit after tax of \$107k for the half year ended 31 December 2014.

As at 31 December 2014, there was a surplus in net current assets of \$3.72m (June 2014:\$3.88m).

Please refer to note 5 and 6 in the financial statements for more details of the consolidated entities facilities and borrowings.

It should be noted that on 22 December 2014, the company announced a partially underwritten non-renounceable entitlement issue of convertible notes. Eligible shareholders were offered the opportunity to subscribe for a 5 year, 9%pa convertible note for every nine fully paid ordinary shares held in the Company at 5pm on Friday 2 January 2015 at an issue of \$1.00 per convertible note. This issue raised \$10.39m which will be used to provide the additional capital required to fund the growth in the Company's finance division and pay the costs of the Offer.

### Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

### Auditor's Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 7 for the half year ended 31 December 2014.

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



Daniel Riley  
Managing Director  
25th February 2015



**PITCHER PARTNERS**

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**CML GROUP LIMITED  
AND CONTROLLED ENTITIES**

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

In relation to the independent auditor's review for the half-year ended 31 December 2014, 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.

Deborah Cartwright

Partner

PITCHER PARTNERS

Sydney

Date: 25 February 2015

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Group 31 Dec 2014 \$ 000's	31 Dec 2013 \$ 000's
<b>Revenue</b>		84,989	61,634
Product related purchased invoices		(39,584)	(23,032)
Employee benefit expense (direct employees)		(2,108)	(1,935)
Employee benefit expense (on-hire staff)		(40,463)	(34,343)
Depreciation and amortisation expense		(83)	(51)
Finance costs – Product related		(446)	(189)
Finance costs – Corporate		(47)	(73)
Bad and doubtful debts		(1,084)	(6)
Other expenses		(1,021)	(1,200)
<b>Profit before Income Tax</b>		153	805
Income tax (expense)		(46)	(243)
<b>Profit attributable to members of the parent entity</b>		107	562
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income/(loss) for the year</b>		107	562
<b>Earnings/(loss) per Share:</b>		<b>Cents Per Share</b>	<b>Cents Per Share</b>
Basic and diluted earnings per share (cents)		0.12	0.88



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Group 31 Dec 2014 \$000's	30 June 2014 \$000's
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,419	504
Trade and other receivables		22,900	24,321
Other current assets		1,392	916
<b>TOTAL CURRENT ASSETS</b>		<b>26,711</b>	<b>25,741</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		146	174
Deferred tax assets		1,235	876
Intangible assets	4	5,364	5,358
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,745</b>	<b>6,408</b>
<b>TOTAL ASSETS</b>		<b>33,456</b>	<b>32,149</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		12,173	10,755
Other payables	5	8,597	2,524
Other Current Liabilities		17	106
Borrowings	6	12	6,685
Current tax liabilities		1,077	671
Provisions		1,112	1,120
<b>TOTAL CURRENT LIABILITIES</b>		<b>22,988</b>	<b>21,861</b>
<b>NON-CURRENT LIABILITIES</b>			
Other Non-Current Liability		56	-
Borrowings	6	14	17
Provisions		24	4
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>94</b>	<b>21</b>
<b>TOTAL LIABILITIES</b>		<b>23,082</b>	<b>21,882</b>
<b>NET ASSETS</b>		<b>10,374</b>	<b>10,267</b>
<b>EQUITY</b>			
Issued capital		10,892	10,350
Retained Losses		(524)	(524)
General reserve		6	441
<b>TOTAL EQUITY</b>		<b>10,374</b>	<b>10,267</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	Issued Capital Ordinary	General Reserve	Retained Profits	Total
		\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>Balance at 1 July 2013</b>		4,719	-	(524)	4,195
Dividend recognised for the period	3	-	(312)	-	(312)
Issue of Ordinary Shares		750	-	-	750
Share Issue costs		(12)	-	-	(12)
Profit for the period		-	562	-	562
<b>Balance at 31 December 2013</b>		<u>5,457</u>	<u>250</u>	<u>(524)</u>	<u>5,183</u>
<b>Balance at 1 July 2014</b>		10,350	441	(524)	10,267
Dividend recognised for the period	3	-	(542)	-	(542)
Issue of Ordinary Shares		573	-	-	573
Share Issue Costs		(31)	-	-	(31)
Profit for the period		-	107	-	107
<b>Balance at 31 December 2014</b>		<u>10,892</u>	<u>6</u>	<u>(524)</u>	<u>10,374</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Consolidated Group	
	31 Dec 2014	31 Dec 2013
	\$ 000's	\$ 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	86,398	56,170
Payments to suppliers and employees	(83,940)	(55,445)
Interest received	12	22
Finance costs	(493)	(417)
Income tax paid	-	(100)
<b>Net cash (used) in operating activities</b>	<b>1,977</b>	<b>230</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(16)	(8)
Payments for IT development	(46)	(32)
<b>Net cash provided by/(used in) investing activities</b>	<b>(62)</b>	<b>(40)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of shares	573	750
Proceeds of borrowings	-	1,120
Repayment of borrowings	-	(2,005)
Dividends paid	(542)	(312)
Cost of capital raising	(31)	(12)
<b>Net cash (used in)/provided by financing activities</b>	<b>-</b>	<b>(459)</b>
Net (decrease)/increase in cash held	1,915	(269)
Cash at the beginning of the half year	504	1,042
<b>Cash at the end of the half year</b>	<b>2,419</b>	<b>773</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of CML Group Limited and its controlled entities (referred to as the consolidated group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this interim financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half year.

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

The half-year financial report was authorised for issue by the directors on 25 February 2015.

#### Accounting Policies

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

#### Critical Accounting Estimates and Judgements

The critical estimates and judgements are consistent with those applied and disclosed in the June 2014 annual report, except in relation to the following matter:

##### Provision for doubtful debts - receivables

Included in trade receivables at the end of the reporting period is an amount receivable from a client of CML's Finance Division in the construction industry. CML will attempt to minimise the exposure through negotiation with end-debtors and will pursue the Director of the client company, with whom CML has a personal guarantee for the debt. Whilst CML expects some recovery from these actions, the Board has decided to take a conservative approach and provided for all amounts that would be only be recoverable through these actions. While there is inherent uncertainty in relation to the outcome of the recovery of these debts, as there is with all doubtful debts, the provision is the directors' conservative estimate based on information available at the date of this financial report.

#### New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period

A number of new or amended accounting standards become applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

Other standards and interpretations, including AASB 15 have been issued at the reporting date but not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented. However the assessment of impact has not yet been completed.

#### Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

### 2. OPERATING SEGMENTS

#### Identification of reportable segments

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING SEGMENTS (CONTINUED)

Types of products and services by segment

i **Finance**

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

ii **Payroll and Related Services**

Refers to 'managed employment' of contract workers for clients that do not wish to engage these workers directly, generally as they do not have the processes, systems, insurances or desire to employ directly. The payroll division has the ability to sponsor and 'on-hire' foreign workers on 457 visas through a Labour Agreement negotiated with Department of Immigration and Border Protection (DIBP). This division also includes labour sourcing through recruitment agency panel management, project management and a migration practice. This division also offers outsourced payroll on payment terms.

#### Basis of accounting for purposes of reporting by operating segments

(a) **Accounting policies adopted**

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

(b) **Inter-segment transactions**

There are no Inter-segment transactions.

(c) **Segment assets**

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

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

(d) **Segment liabilities**

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

(e) **Unallocated items**

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

- Income tax expense
- Deferred tax assets and liabilities
- Intangible assets

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING SEGMENTS - continued

#### Segment performance

#### (f) Segment information

	Finance	Payroll and related services	Unallocated/Corporate	Total
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>Six months ended 31 December 2013</b>				
Segment revenue	23,975	37,628	7	61,610
Adjusted Profit before income tax	406	1,069	(379)	1,096

	Finance	Payroll and related services	Unallocated/Corporate	Total
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>Six months ended 31 December 2014</b>				
Segment revenue	41,488	43,472	17	84,977
Adjusted Profit before income tax	(268)	1,476	(491)	717

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

	<b>Consolidated Group</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$000's</b>	<b>\$000's</b>
Adjusted Profit before income tax	717	1,096
Depreciation and amortisation	(83)	(51)
Interest costs	(493)	(262)
Interest Income	<u>12</u>	<u>22</u>
Profit before income tax	<u>153</u>	<u>805</u>

#### (g) Segment assets

The nature of the business is such that assets are used across all segments cannot be identified as relating to a specific segment. The net book value of assets is \$33.46m (2013: \$22.01m) per the consolidated statement of financial position. All assets are based in Australia.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING SEGMENTS - continued

#### (h) Segment liabilities

The nature of the business is such that liabilities cannot be identified as relating to a specific segment. The net value of liabilities is \$23.08m (2013: \$16.82m) per the consolidated statement of financial position.

#### (i) Major customers

The Group has a number of customers to which it provides contractor management, outsourced payroll and migration services to. The Group supplies one single external customer operating in the traffic management sector which accounts for 10.1% of external revenue (2013: 3.2%). The next most significant client accounts for 8.5% (2013: Nil) of external revenue. All external revenue attributable to external customers was generated from Australia for the six months ended 31 December 2013 and 2014.

### 3. DIVIDENDS

	<b>Consolidated Group</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
Declared and paid during the period:		
Final 2014 fully franked ordinary dividend of 0.6 cents (2013: 0.5 cents) per share franked at the tax rate of 30% (2013: 30%)	542	312
On 24 February 2015, the Board declared a fully franked interim dividend of 0.5 cents (2013: 0.5 cents) per share. In accordance with accounting standards, the dividend has not been provided for in the 31 December 2014 financial statements		

### 4. INTANGIBLE ASSETS

#### Goodwill

	<b>As at 31 Dec 2014</b>	<b>As at 30 June 2014</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
Opening net book value	5,167	5,167
Provision for contingencies	-	-
<b>Closing net book value</b>	<b>5,167</b>	<b>5,167</b>

#### Software Development:

	<b>As at 31 Dec 2014</b>	<b>As at 30 June 2014</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
Opening net book value	191	76
Capitalised during the period	46	152
Amortised during period	(40)	(37)
<b>Closing net book value</b>	<b>197</b>	<b>191</b>
<b>Total</b>	<b>5,364</b>	<b>5,358</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 5. OTHER PAYABLES

	As at 31 Dec 2014 \$000's	As at 30 Jun 2014 \$000's
<b>CURRENT</b>		
Finance Payables – Greensill	8,597	2,524
	<u>8,597</u>	<u>2,524</u>

### 6. BORROWINGS

	As at 31 Dec 2014 \$000's	As at 30 Jun 2014 \$000's
<b>CURRENT</b>		
Unsecured:		
Bank Overdraft	5	-
Finance Lease- Inclusive of unrealised interest charges	8	8
Finance Lease- Unexpired interest	(1)	(1)
	<u>12</u>	<u>7</u>
Secured:		
Cashflow Finance Facility – National Australia Bank	-	6,678
	<u>-</u>	<u>6,678</u>
	<u>-</u>	<u>6,685</u>
Note: In November 2014, CML paid out in full its secured Cashflow Finance Facility with NAB.		
<b>NON CURRENT</b>		
Unsecured		
Finance Lease- Inclusive of unrealised interest charges	15	18
Finance Lease- Unexpired interest	(1)	(1)
	<u>14</u>	<u>17</u>

### 7. CONTRIBUTED CAPITAL

	As at 31 Dec 2014	As at 31 Dec 2013
<b>Movements in number of shares on issue</b>		
Beginning of half year	90,302,694	62,455,671
Shares issued 7 November 2013	-	5,000,000
Shares issued 30 October 2014	403,704	-
Share issued 18 November 2014	2,777,778	-
<b>End of the half year</b>	<u>93,484,176</u>	<u>67,455,671</u>



## 8. NET TANGIBLE ASSET BACKING

	As at 31 Dec 2014	As at 30 June 2014
Net tangible asset backing per ordinary security (cents)	5.2	5.4

## 9. CONTINGENT LIABILITIES

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

## 10. EVENTS SUBSEQUENT TO REPORTING DATE

It should be noted that on 22 December 2014, the company announced a partially underwritten non-renounceable entitlement issue of convertible notes. Eligible shareholders were offered the opportunity to subscribe for a 5 year, 9%pa convertible note for every nine fully paid ordinary shares held in the Company at 5pm on Friday 2 January 2015 at an issue of \$1.00 per convertible note. This issue raised \$10.39m which will be used to provide the additional capital required to fund the growth in the Company's finance division and pay the costs of the Offer. The Company issued the convertible note on 29 January 2015 (\$5.51m), 3 February 2015 (\$2.65m) and 13 February 2015 (\$2.23m).

The company has made a one-off provision of \$900k relating to a client of CML's Finance Division in the construction industry which has gone into administration. CML group has appointed the Administrator on 5 February 2015. At this stage the provision of \$900k is considered a conservative expectation of the loss to the Group.

## 11. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

During the financial period the Group has not gained control over any entity. The Group has not lost control over any entity during the financial period.

## 12. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The Group has no associate or joint venture entities.

## 13. RELATED PARTY DISCLOSURES

In August 2014, CML Group appointed a receiver to a customer of its finance division. The current amount due to the company is \$440k, which will be 100% recoverable through asset sales, insurance and an agreement with CML Group Directors Greg and Daniel Riley to underwrite any shortfall. Greg Riley and Minnamurra Pty Limited, an entity controlled by Daniel Riley, have provided undertakings to cover any shortfall. In addition Greg Riley has provided a guarantee to CML Group to cover the obligations of Minnamurra Pty Limited pursuant to the undertaking.

On behalf of the board,



Daniel Riley  
Managing Director

Sydney, 25th February 2015

## 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 8 to 17 are in accordance with the *Corporations Act 2001*, including:

- a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
- b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date.

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.



Daniel Riley  
Managing Director

Sydney, 25th February 2015



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**CML GROUP LIMITED  
AND CONTROLLED ENTITIES**

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

We have reviewed the accompanying half-year financial report of CML Group Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CML Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



Deborah Cartwright  
Partner



PITCHER PARTNERS  
Sydney

25 February 2015