CML Group

25 February 2016

CML Group Limited 2016 Interim Result
Strong growth on expansion of Finance division

Key Highlights

- First half 2016 underlying EBITDA of $2.42m, up 50% on the previous corresponding period, driven by strong earnings growth in the Finance division, which was up 213%
- Significant growth in Loan Book during the first half, up to $30.4m at end of November 2015
- New acquisition of CashFlow Advantage (“CA”) will add $10m to Loan Book and, combined with organic growth in the existing Loan Book, is expected to drive growth in H2’16 & FY’17
- Dividend payments resumed with interim dividend payment of 0.5 cents per share (“cps”)

Consolidated Performance

CML Group Limited (“CML”) has reported strong earnings growth for the half year ended 31 December 2015, with reported EBITDA of $2.42m up 237% compared to the previous corresponding period (2014: $0.72m) and up 49% on an underlying basis. Net profit after tax is up 398% to $533k (2014: $107k). Reported revenue dropped 5% to $43.8m compared to the previous corresponding period (2014: $45.9m), due to reduced volume in CML’s Payroll & Other division. Earnings per share rose 375% to 0.57 cents (2014: 0.12 cents).

	Half Yearly Accounts				Annual	
$m	**H1’15**	**H2’15**	**H1’16**	*pcp Δ*	**FY’14**	**FY’15**
Invoices Purchased*	***39.1***	***57.8***	***162.0***	*314%*	***59.6***	***96.9***
Finance	1.7	1.8	4.6	*172%*	2.7	3.5
Payroll & Other	44.2	38.0	39.1	*(11%)*	77.0	82.2
Total Revenue*	**45.9**	**39.8**	**43.8**	***(5)%***	**79.7**	**85.7**
Finance	0.6	0.4	2.0	*213%*	1.6	1.0
Payroll & Other	1.5	0.9	1.2	*(21)%*	1.7	2.4
Corporate	(0.5)	(0.7)	(0.7)		(0.8)	(1.2)
Underlying EBITDA	**1.6**	**0.6**	**2.4**	***50%***	**2.4**	**2.2**
One-off Costs	(0.9)	(0.5)	-		-	(1.4)
Reported EBITDA	**0.7**	**0.1**	**2.4**	***237%***	**2.4**	**0.8**
D&A	(0.1)	(0.1)	(0.1)	*12%*	(0.1)	(0.2)
Net Interest	(0.5)	(0.9)	(1.6)	*224%*	(0.6)	(1.3)
Tax	(0.0)	0.7	(0.2)	*409%*	(0.6)	0.7
NPAT	**0.1**	**(0.1)**	**0.5**	***398%***	**1.1**	**0.0**
EPS (cps)	0.12	(0.10)	0.57	*375%*	1.55	0.02

**Note that Finance division contribution to group revenue is now reported as fees earned on invoices purchased, instead of previously reported invoices purchased.*

Key Achievements in H1'16 and Year to Date:

1. Strong organic growth in the Finance division

The Finance division underpinned Group growth, with divisional revenue up 172% to $4.6m compared to the previous corresponding period (2014: $1.7m).

In the 6 months to 31 December 2015, CML added 51 new clients to its portfolio and increased its Loan Book from $21.5m at 30 June 2015 to a peak of $30.4m at 30 November 2015. Seasonality has impacted volumes during the months of December and January, however, the Loan Book is anticipated to return to pre-December levels by March 2016.

Strong top-line growth in Invoices Purchased drove revenue growth. This growth was driven by organic growth in the Loan Book and supplemented by the acquisition of CFA. Gross (revenue) margin (fees earned on invoices purchased) declined as a result of blending the lower margin CFA loan book with the existing higher margin CML Loan Book.

Underlying EBITDA margin grew, driven by growing revenue leveraging the largely fixed cost base that was installed during FY'15. During the first half, staffing synergies were realised as part of CFA integration and will contribute to continued improvement in EBITDA margin in the second half.

Finance Division	H1'15	H2'15	H1'16
Gross (Revenue) Margin	4.4%	3.2%	2.9%
Underlying EBITDA Margin	37.2%	19.8%	42.7%

CML continues to target proven sales people, recently employing a State Manager in Victoria and an additional senior sales person in NSW. Both additions to the CML team have decades of industry experience in sales roles and will assist to further boost the volume of new business.

2. Integration of Cashflow Finance Australia ("CFA")

CFA has been fully integrated into CML operations and made a full 6-month contribution to earnings. CFA has proved important to CML for several reasons:

- Loan book diversification - customer numbers have tripled, providing a greater risk spread and lower average advance; &
- Reduced staffing costs - additional senior management was not required to be employed and, effective mid-September, operations have been combined into a single location, reducing headcount across the combined business by ~25%.

CML's current focus is to improve margins generated on legacy CFA clients, reducing the dilutive effect on Finance division gross margin. Margin improvement will be achieved by introducing CML charge methodology for new CFA clients and offering additional services to existing CFA clients for a fee. These ongoing initiatives and fee structures are expected to lift margins and over the next 12 months.

3. New Acquisition

CML has entered into a Binding Heads of Agreement to purchase 100% of the shares in CashFlow Advantage Pty Ltd ("**CA**") for approximately $3m in cash, which includes Goodwill, plus loan book funding of approximately $10m. The acquisition is subject to due diligence.

CA is a receivables finance company based in Sydney and achieved a turnover exceeding $100m in invoices funded in the 12 months to 31 December 2015. CA's loan book varies with seasonality in the range of $9.0m to $11.0m and is of comparable size to that of CFA. It is expected that this will add $10m to CML's Loan Book.

The Business is being bought on an EBITDA multiple of less than 2.0x, pre-synergies. Key statistics of CA's loan book, compared to CML's existing Finance division loan book, are tabled below:

	CA	CML Finance Division	CML + CA
Book Size	$9.0 – 11.0m	$25.5m*	$35m+
Clients	65	167	232
Average Funds	$154,000	$152,500	$153,000
Max Exposure	$1.5m	$1.7m	$1.7m
LVR	~70%	~66%	~67%

** At 31 December 2015*

CA uses the same client administration and management software as CML and is expected that this will simplify the integration process. The CA identity will be maintained for the benefit of brand presence and market competition. The transaction is expeced to complete in mid-March.

4. Steady Payroll & Other Performance

Payroll Finance and Local Contractor Management operations performed steadily during the half year. Divisional results, however, were impacted by a decline in S457 visa sponsorship client headcount. To reverse this trend, the sales team in this division has recently been expanded and marketing initiatives improved with the assistance of an external firm.

Outlook

Commenting on the result and outlook, CML Group Managing Director Daniel Riley said,

"We are pleased with the result for the 6 months to 31 December 2015 and positive outlook in our core Finance business. We anticipate strong growth from the acquisition of CA, continued organic growth in the top line and improving margins to drive continued earnings growth into FY'17.

CML's investment in growth is clearly centred on Finance, and for this reason, we are undertaking a simplification program across other divisions of the business, investing time into service offerings that can integrate with Finance and offer a profit and customer benefit upside. At the same time we're reducing efforts on marginally profitable services and those that do not integrate with our core business of Finance. We anticipate completing the simplification program over the next 12 months, the result of which will be a focussed Finance business, with some integrated services that differentiate CML from its competitors and that will assist to build customer loyalty and contribute to profit."

Interim Dividend

"The Board's confidence in the H1'16 result and outlook has underpinned the decision to pay an interim dividend of 0.5 cps fully franked (2015: 0.5 cps)."

The interim dividend is payable on 13th April 2016 with a Record Date of 23rd March 2016. 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 shares during the five trading days subsequent to and inclusive of 13th April 2016.

On behalf of the Board,

Daniel Riley
Managing Director
For further information, contact Daniel Riley or Steve Shin on 1300 666 177

CML Group

APPENDIX 4D

CML Group Limited

ACN: 098 952 277

Interim Report
For the Half Year ended 31 December 2015

Current Reporting Period
Six months to 31 December 2015

Previous Corresponding Period
Six months to 31 December 2014

Appendix 4D

Half Year Report

Half Year ended 31 December 2015
(Previous corresponding period half year ended 31 December 2014)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

$A'000s

Revenue from ordinary activities	**Down**	**4.6%**	**to**	**$43,811**
Profit from ordinary activities after tax attributable to members	**Up**	**398.1%**	**to**	**$533**
Profit after tax attributable to members	**Up**	**398.1%**	**to**	**$533**

Dividends (distributions)	Amount per security	Franked amount per security	Record date	Payment date
Final dividend 30 June 2015 (previous year)	N/A	N/A		
Interim dividend 31 December 2015	0.5 cents (half a cent)	100%	23rd March 2016	13th April 2016

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 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Greg Riley – Non-executive Chairman
Daniel Riley – Managing Director
Sue Healy – Non-executive Director
Richard Farrington – Non-executive Director
Geoff Sam OAM – Non-executive Director

Steve Shin - Company Secretary

Principal activities

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

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

Review of operations

CML Group Limited (CML) has reported strong earnings for the half year ended 31 December 2015, with reported EBITDA of $2.4m up 237% compared to the previous corresponding period (2014: $0.72m) and up 49% on an underlying basis. Net profit after tax is up 398% to $533k (2014: $107k). Reported revenue dropped 5% to $43.8m compared to the previous corresponding period (2014: $45.9m), due to reduced volume in CML's Payroll & other divisions.

Growth in profit is underpinned by CML's Finance division, with fee income up 170% to $4.6m compared to the previous corresponding period (2014: $1.7m).

As at 31 December 2015, there was a surplus in net current assets of $35.1m (June 2015: $34.5m).

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

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 8 for the half year ended 31 December 2015.

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

Daniel Riley
Managing Director
25th February 2016

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AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CML Group Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2015 there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

ROD SHANLEY
Partner

PITCHER PARTNERS

Sydney

25 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Group	
		31 Dec 2015 $ 000's	31 Dec 2014 $ 000's
Revenue		43,811	45,910
Employee benefit expense (direct employees)		(2,894)	(2,108)
Employee benefit expense (on-hire staff)		(36,352)	(40,463)
Depreciation and amortisation expense		(93)	(83)
Finance costs – Product related		(1,187)	(446)
Finance costs – Corporate		(451)	(47)
Bad and doubtful debts		(298)	(1,084)
Other expenses		(1,769)	(1,526)
Profit before Income Tax		767	153
Income tax (expense)		(234)	(46)
Profit attributable to members of the parent entity		533	107
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		533	107
Earnings/(loss) per Share:		**Cents Per Share**	**Cents Per Share**
Basic and diluted earnings per share (cents)		0.57 cents	0.12 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 31 DECEMBER 2015

		Consolidated Group	
	Note	31 Dec 2015 $000's	30 June 2015 $000's
CURRENT ASSETS			
Cash and cash equivalents		11,004	14,142
Trade and other receivables		47,150	39,479
Other current assets		2,874	3,605
TOTAL CURRENT ASSETS		61,028	57,226
NON-CURRENT ASSETS			
Plant and equipment		178	218
Deferred tax assets		1,614	1,515
Intangible assets	4	7,393	7,428
TOTAL NON-CURRENT ASSETS		9,185	9,161
TOTAL ASSETS		70,213	66,387
CURRENT LIABILITIES			
Trade payables		20,752	19,927
Other payables	5	3,274	1,373
Other Current Liabilities		23	20
Borrowings	6	8	8
Current tax liabilities		853	624
Provisions		1,024	796
TOTAL CURRENT LIABILITIES		25,934	22,748
NON-CURRENT LIABILITIES			
Borrowings	6	33,763	33,657
Other Liabilities		34	46
Provisions		48	33
TOTAL NON-CURRENT LIABILITIES		33,845	33,736
TOTAL LIABILITIES		59,779	56,484
NET ASSETS		10,434	9,903
EQUITY			
Issued capital		10,979	10,979
Accumulated Losses		(984)	(1,517)
General reserve		439	441
TOTAL EQUITY		10,434	9,903

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	Issued Capital Ordinary	General Reserve	Accumulated Losses	Total
		$ 000's	$ 000's	$ 000's	$ 000's
Balance at 1 July 2014		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
Balance at 31 December 2014		10,892	441	(959)	10,374
Balance at 1 July 2015		10,979	441	(1,517)	9,903
Dividend recognised for the period		-	-	-	-
Issue of Ordinary Shares		-	-	-	-
Foreign Currency Translation Reserve		-	(2)	-	(2)
Profit for the period		-	-	533	533
Balance at 31 December 2015		10,979	439	(984)	10,434

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated Group	
	31 Dec 2015 $ 000's	31 Dec 2014 $ 000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	202,370	86,398
Payments to suppliers and employees	(203,992)	(83,940)
Interest received	80	12
Finance costs	(1,473)	(493)
Income tax paid	(103)	-
Net cash (used) in operating activities	**(3,118)**	**1,977**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(8)	(16)
Payments for IT development	(8)	(46)
Net cash provided by/(used in) investing activities	**(16)**	**(62)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issue of shares	-	573
Proceeds of borrowings	-	-
Repayment of borrowings	(4)	-
Dividends paid	-	(542)
Cost of capital raising	-	(31)
Net cash (used in)/provided by financing activities	(4)	-
Net (decrease)/increase in cash held	(3,138)	1,915
Cash at the beginning of the half year	14,142	504
Cash at the end of the half year	**11,004**	**2,419**

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 2015 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 2015, 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 25th February 2016.

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.

Revenue

With the acquisition of Cashflow Finance Australia ("CFA"), the Group recognises that CFA reported revenue on a different basis to the Group. Historically, the Group has recognised finance revenue on invoices funded and fees earned on invoices funded as revenue (gross basis) compared to CFA which recognised fees earned on invoices funded only (net basis). To align the revenue recognition policy, the Group will adopt the net basis from 2016 financial year and customer contracts have been reviewed and updated in June 2015 to be in line with the revenue recognition policy.

The comparatives have been restated in the Statement of Profit or Loss and Other Comprehensive Income as detailed below:

	Half-year ended 31 December 2014		
	Previously Reported	Adjustment	**Restated**
	$ 000's	$ 000's	$ 000's
Revenue	84,989	(39,079)	**45,910**
Product related purchased invoices	39,584	(39,584)	**-**
Other expenses	1,021	505	**1,526**
Profit	107	-	**107**
Basic and diluted earnings per share (cents)	0.12	-	**0.12**

Critical Accounting Estimates and Judgements

The critical estimates and judgements are consistent with those applied and disclosed in the June 2015 annual report.

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.

Types of products and services by segment

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

(ii) 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 material inter-segment transactions.

(c) Segment assets

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

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

(d) Segment liabilities

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

(e) Unallocated items

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS – continued

Segment performance

(f) Segment information

	Finance	Payroll and related services	Unallocated/ Corporate	Total
Six months ended 31 December 2014	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**
Invoice Purchased	*39,079*			*39,079*
Segment revenue	1,700	44,181	29	45,910
Adjusted Profit/(loss) before income tax	(268)	1,476	(491)	717

	Finance	Payroll and related services	Unallocated/ Corporate	Total
Six months ended 31 December 2015	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**
Invoice Purchased	*161,976*			*161,976*
Segment revenue	4,626	39,105	80	43,811
Adjusted Profit/(loss) before income tax	1,977	1,165	(724)	2,418

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

	Consolidated Group	
	31 Dec 2015	**31 Dec 2014**
	$000's	**$000's**
Adjusted Profit/(loss) before income tax	2,418	717
Depreciation and amortisation	(93)	(83)
Interest costs	(1,638)	(493)
Interest Income	80	12
Profit/(loss) before income tax	767	153

(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 $70.21m (31 December 2014: $33.46m) 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 $59.78m (2014: $23.08m) per the consolidated statement of financial position.

3. DIVIDENDS

	Consolidated Group	
	31 Dec 2015	**31 Dec 2014**
	$ 000's	**$ 000's**
Declared and paid during the period:		
Final 2015 fully-franked ordinary dividend of nil cents (2014: 0.6 cents) per share franked at the tax rate of 30% (2014: 30%)	Nil	542

The Board declared a fully-franked interim dividend of 0.5 cents (2015: 0.5 cents) per share. In accordance with accounting standards, the dividend has not been provided for in the 31 December 2015 financial statements

4. INTANGIBLE ASSETS

	As at 31 Dec 2015	**As at 30 Jun 2015**
	$ 000's	**$ 000's**
Goodwill		
Opening net book value	5,167	5,167
Closing net book value	**5,167**	**5,167**
Trademark	**2,099**	**2,099**
Software Development:		
Opening net book value	162	191
Capitalised during the period	8	53
Amortised during period	(43)	(82)
Closing net book value	**127**	**162**
Total	**7,393**	**7,428**

NOTES TO THE FINANCIAL STATEMENTS

5. OTHER PAYABLES

	As at 31 Dec 2015 $000's	As at 30 Jun 2015 $000's
CURRENT		
Finance Payables – Greensill	3,274	1,373
	3,274	1,373

6. BORROWINGS

	As at 31 Dec 2015 $000's	As at 30 Jun 2015 $000's
CURRENT		
Unsecured:		
Finance Lease- Inclusive of unrealised interest charges	9	9
Finance Lease- Unexpired interest	(1)	(1)
	8	8
Total	8	8
NON CURRENT		
Unsecured		
Finance Lease- Inclusive of unrealised interest charges	5	9
	5	9
Unsecured Convertible Notes	9,689	9,624
Secured:		
Senior Secured Corporate Bond	24,069	24,024
Total	33,763	33,657

7. CONTRIBUTED CAPITAL

	As at 31 Dec 2015	As at 31 Dec 2014
Movements in number of shares on issue		
Beginning of half year	93,937,825	90,302,694
Shares issued 30 October 2014	-	403,704
Share issued 18 November 2014	-	2,777,778
End of the half year	93,937,825	93,484,176

8. NET TANGIBLE ASSET BACKING

	As at 31 Dec 2015	As at 30 June 2015
Net tangible asset backing per ordinary security (cents)	3.2	2.6

9. EVENTS SUBSEQUENT TO REPORTING DATE

CML has entered into a Binding Heads of Agreement to purchase 100% of the shares in CashFlow Advantage Pty Ltd ("CA") for approximately $3m in cash, which includes Goodwill, plus loan book funding of approximately $10m. The acquisition is subject to due diligence.

10. 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.

11. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The Group has no associate or joint venture entities.

On behalf of the board,

Daniel Riley
Managing Director

Sydney, 25th February 2016

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 13 to 18 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 2015 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 2016

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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

We have reviewed the accompanying half year financial report of CML Group Limited and controlled entities, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the group 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 CML Group Limited and controlled entities are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Accounting Interpretations) 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 group’s financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CML Group Limited and controlled entities, 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.

PITCHER PARTNERS

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ROD SHANLEY
Partner

PITCHER PARTNERS
Sydney

25 February 2016