

# **CML GROUP LIMITED**

**ABN: 88 098 952 277**

## **AND CONTROLLED ENTITIES**

### **FINANCIAL REPORT**

**For the Year ended**

**30 June 2016**

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## Annual General Meeting

The Annual General Meeting is to be held at the Kirribilli Club, 11 Harbourview Crescent, Lavender Bay NSW 2060 on Wednesday, 2<sup>nd</sup> November 2016 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  
Richard Farrington – Non-executive Director  
Sue Healy - Non-executive Director  
Geoff Sam - Non-executive Director

### Registered Office and Principal Place of Business

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

### Company Secretary

Steve Shin - CFO

### Share Registry

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

### Other places of business

Level 3, 10 Help Street, Chatswood NSW 2067  
Level 2, 385 Sherwood Road, Brisbane Market QLD 4106

### Auditors

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

### Solicitors

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

### Bankers

NAB Bank  
255 George Street,  
Sydney  
NSW 2000

## Chairperson's Report

I am pleased to report that the strategy CML Group adopted in previous years to expand the invoice finance business has proved fruitful.

In the 12 months to 30 June 2016, CML has expanded its loan book by 225% to \$70m, with 63% of this growth from new sales and 162% through acquisition of 2 key competitors. The acquisition component of our growth was in the final months of FY'16 and while there was inadequate time to contribute materially to FY'16 earnings, the acquisitions will add scale to our earnings base for the full FY'17.

The board and management is pleased to report an EBITDA from continuing operations of \$5.3m and anticipate another significant upswing in FY'17 to \$10.6m+, based on our current run rate following the integration of our 2 recent acquisitions.

To facilitate growth in its invoice finance business, CML has raised over \$75m through the issue of Corporate Bonds and a Convertible Note. During FY'16, funds were raised in advance of requirements, in anticipation of growth, which resulted in negative carry related to excess cash. We expect less negative carry in FY'17 as the business consolidates its acquisitions and realises the considerable related synergies.

Additional funding is available to CML to draw during FY'17 as required and we are comfortable that our expanded sales and marketing team will continue the strong growth momentum achieved during FY'16.

The board's confidence in CML's strategy to focus on invoice finance as its primary growth opportunity encouraged a business simplification process completed in FY'16. This involved the sale of CML's payroll business, Lester Associates, which released approximately \$3.5m including \$1.8m in goodwill. The proceeds of the business sale will be used to grow CML's invoice finance business.

In summary, a positive year for growth, through both acquisition and organic growth. A year in which scale was achieved to deliver strong profitability now and into the future.

Once again, thank you to the staff within our business for their outstanding contribution, and thank you to our shareholders and finance providers for enabling our outstanding business growth.

On behalf of the Board,



Greg Riley  
Chairperson  
22<sup>nd</sup> September 2016

## Managing Director's Report

We are pleased to report a substantial uplift in earnings in FY'16 compared to last year, with EBITDA from continuing operations of \$5.3m up 263% on the prior corresponding period.

### **"Business improvements made during FY'15 provided a base for growth"**

CML made several business improvements during FY'15, including access to funding, staffing and software, which in combination provided a base from which to grow the business;

<b>Funding</b>	The primary objective for CML to achieve sustainable growth was to secure long-term funding. Through relationships formed in FY'15, CML now has in excess of \$75m in long-term funding, through corporate bonds and a convertible note. Additional funding is available to CML through a facility with Greensill Capital and is drawn as required.
<b>Staff</b>	During FY'15, CML employed an experienced executive team and through the first of its finance business acquisitions, retained an operations team in Qld with average industry experience exceeding 5 years. This provided CML with the experienced team required to manage operations, risk, credit and sales
<b>Process improvement and software</b>	The software platform implemented during FY'15 assists with risk identification and management, in addition to assisting efficient service delivery to our growing customer base

### **FY'16 Performance**

#### **"CML's accelerated growth program boosts FY'16 earnings"**

The above initiatives provided CML with a steady base from which to push forward with an accelerated growth program, the result of this being an increase in the size of CML's loan book of 225% from \$21.5m at 30Jun15 to \$69.9m at 30Jun16.

The accelerated growth came from 2 initiatives;

#### **Organic growth**

CML achieved approximately 63% growth in its loan book during FY'16 through sales and marketing initiatives. Over the last 12 months CML has recruited a high performance sales team of 12 staff located along the East coast from North Qld to Melbourne, with each member of the team bringing decades of industry experience and a strong network of referral partners to CML. The efforts of the sales team is supported by CML's marketing program, from which we anticipate a growing number of new clients to originate. Client attrition reduced in FY'16 from service initiatives implemented by CML and is expected to remain low. It is anticipated that the combination of sales, marketing and client retention initiatives will facilitate strong organic growth during FY'17.

## **Acquisition of key competitors**

CML achieved approximately 162% growth in its loan book during FY'16 through the acquisition of 2 key competitors;

- Cashflow Advantage ("CA") in March 2016, and
- 180 Group ("180") at the end of May 2016.

The combined annual value of invoices purchased by the acquired businesses is in excess of \$500 million and there is an opportunity to improve the margin generated on this turnover by offering additional services that are popular with existing CML clients and that the acquired clients did not have access to under the previous ownership structure. The timing of the acquisitions means that there was very little contribution to FY'16 earnings. Significantly for FY'17 though, there will be a full year of earnings from the acquired businesses including the benefit of costs synergies from changes to operating cost base made in Q4FY'16.

There were transaction costs on acquisitions and interest costs on "negative carry" of funds raised during FY'16 from new Corporate Bonds issued in preparation for anticipated growth. The impact of these costs on FY'16 profit before tax was approximately \$1.2m before tax.

## **Outlook**

### **"CML's accelerated growth program positions CML for a strong FY'17"**

The accelerated growth program from FY'16 has cemented CML's position as the second largest non-bank invoice finance specialist, behind Scottish Pacific. The growth program has provided CML with the scale required to deliver an earnings boost in FY'17 and the business plan is crystal clear, focused on scale and profit, which are linked even more so by the opportunity of cheaper funding for CML at the appropriate time.

## **Scale**

The acquisitions completed towards the end of FY'16 have provided CML with a significantly larger beginning position for FY'17 compared to last year. Simply maintaining this position will transform CML's earnings; however we anticipate that scale will continue to build through CML's sales and marketing initiatives and client retention program. In addition to the investment in its experienced sales team, CML is investing significantly in FY'17 in a marketing program from which we anticipate in excess of 20% of new clients to originate, based on recent performance data. CML anticipates building its loan book from \$70m at 30 Jun 17 to \$100m+ within 2 years, entirely from organic growth.

## **Profit**

CML's profit will benefit from a focus on the following;

### *Margin improvement*

CML has experienced strong take-up from its existing clients on additional services offered. These services will be offered to clients of acquired businesses and the anticipated take-up will help improve margins to desired levels. A small percentage increase of circa 0.5% over 12 months on the acquired invoice turnover of circa \$500 million, will contribute significantly to profit.

### *Cost synergies*

Merging the operations of acquired businesses is expected to save in excess of \$1m per annum. The required changes to achieve this cost saving have already been made.

### *Funding*

CML expects to significant reduction in funding costs when it is able to transition from current arrangements, which average cost of funds of 8.9%, to institutional bank funding. The earliest exit point for the bulk of CML's current arrangements is the end of FY'18. Every 1% decrease in funding costs will generate ~ \$0.7m in additional earnings, pre-tax. The additional earnings on a reduction in funding costs will grow proportionately with the loan book.

## Business simplification

CML commenced a business simplification program during FY'16, aimed at exiting non-core businesses to free management time and working capital for growth of its business finance brands. The simplification program resulted in the sale of CML's payroll business, which delivered to CML approximately \$3.5 million in cash, which will be utilised for growth of CML's loan book.

CML has retained a small but profitable recruitment division, which generates steady earnings and will either be retained ongoing by CML or divested if an appropriate offer is received.

## Outlook and Guidance

CML has cemented its position as the second largest listed non-bank invoice finance provider in Australia, behind Scottish Pacific. CML expects to realise continued growth and deliver a boost to earnings in FY'17, driven by three key drivers:

1. Revenue – A full year's contribution from the acquired CA and 180 businesses, combined with organic growth is expected to drive revenue higher in FY'17.
2. Margin Improvement – Clients have continued to show strong take-up for CML's additional services offered. These services are expected to boost earnings as they are rolled out to newly acquired and existing clients, which have demonstrated a high take-up rate.
3. Cost Synergies – Cost synergies as result of merging the operations of acquired businesses are expected to reduce costs by in excess of \$1.0 million per annum.

In addition, CML expects that over the long term, it will be able to transition from its current funding arrangements to institutional bank funding as it maintains its growth to scale. It is anticipated that the cost of funds will be well below the current average cost of 8.9%.

Thank you for your support of CML Group and we look forward to reporting on the progress of the Company during the current FY'17 year.



.....  
Daniel Riley

Managing Director

22<sup>nd</sup> September 2016

## 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 2016 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors

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

#### **Greg Riley**

*Qualifications:*

*Experience:*

Non-Executive Chairman

BSc, Dip ED, G Dip Ed Studies

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

*Responsibilities:*

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

*Shares:*

22,011,163 Ordinary Shares and 50,000 Convertible Notes

#### **Daniel Riley**

*Qualifications:*

*Experience:*

Managing Director

BCom, CPA

Daniel joined CML Group in 2002 when the business was in its early development as a service provider to the recruitment industry. He was appointed CEO in 2010. Daniel launched the factoring business in 2012 and transitioned CML from a recruitment services firm to a finance business and has managed an accelerated growth program which includes \$100m+ in capital raisings, the acquisition of three key factoring competitors and simplification of CML's business structure through divestment of its historic business. With the expectation of continued growth of its loan book during FY'17 and beyond, the Company's strategy is clearly focused on continued development of the finance business.

*Responsibilities:*

Member of the Risk Committee.

*Shares:*

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

#### **Sue Healy**

*Qualifications:*

*Experience:*

Independent Non-Executive Director

Fellow RSCA, MAICD

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

*Responsibilities:*

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

*Shares:*

391,287 Ordinary Shares.

## **Richard Farrington**

Non-Executive Director

Qualifications:

Fellow AICD, Fellow AIM

Experience:

Richard started his career in the corporate world spending 5 years with IBM & Rank Xerox, after which he became an entrepreneur founding, directing & selling 2 successful service companies. The former, Australian Buying Advisory Service Pty Ltd, with a staff of 100+ for 7 years and the latter, IPI Information Service Pty Ltd, with a staff of 45 for 22 years. Richard is currently the Non-Executive Deputy Chairman of Baillie Asset Management Ltd (which holds an AFSL licence) and its holding company Baillie Capital Pty Ltd. He is also the Non-Executive Deputy Chairman of Mega Ltd and a Non-Executive Director of Mega Group Energy Ltd. His core skills are sales, financial forecasting & negotiations worldwide. Member of the Risk Committee, and the Nomination and Remuneration Committee.

Responsibilities:

Shares:

2,532,527 ordinary shares.

## **Geoffrey Sam OAM**

Independent Non-Executive Director

Qualifications:

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

Experience:

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 Chairman of HealtheCare Australia Pty Ltd, a privately owned health care company comprising a portfolio of 17 hospitals and a community nursing and rehabilitation business.

Responsibilities:

Shares:

Chairperson of the Audit Committee.

1,228,800 ordinary shares.

## **Company Secretary**

### **Steve Shin**

Company Secretary (Appointed 27 July 2015)

Qualifications:

B Com, CA

Experience:

Steve joined CML Group as Chief Financial Officer in April 2015, with more than 14 years of experience as key executive in ASX listed companies and top-ten accountancy firm. Prior to his current role, Steve was the Group Financial Controller of ASX-listed financial technology company following a career which has covered a number of senior finance positions.

Shares:

N/A



## Directors' meetings

The following table sets out the number of directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year, 11 board meetings, 3 Audit committee meetings, 2 Risk committee meeting, and 2 Nomination and Remuneration Committee meetings were held.

	Board of Directors		Audit Committee		Risk Committee		Nomination and Remuneration Committee	
	No. eligible to Attend	Attended	No. eligible to Attend	Attended	No. eligible to Attend	Attended	No. eligible to Attend	Attended
G. Riley	11	11	3	3	2	2	2	2
D. Riley	11	11	-	-	2	-	-	1*
G. Sam	11	8	3	3	-	-	-	-
R. Farrington	11	10	-	-	2	2	2	2
S. Healy	11	11	3	3	-	-	2	2

\* By invitation

## Dividends paid or declared

Interim fully franked dividend at the tax rate of 30%

Final fully franked dividend at the tax rate of 30%

2016 \$000's	2015 \$000's
470	468
650	-
1,120	468

## Dividends declared after the reporting period

Since the end of the reporting period the directors have declared a dividend at 0.5 cents per share (2015: nil cents) fully franked at 30%

650	-
650	-

## Corporate structure

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

## Corporate Governance

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

## Nature of operations and principal activities

The consolidated entity'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 consolidated entity during the financial year and the results of those operations are as follows:

Revenue increased by 16% from \$23.3m to \$27.1m. Revenue for the finance division increased by 226% from \$3.5m to \$11.4m and revenue for other services divisions decreased by 21% from \$19.8m to \$15.7m. The increase in finance revenue was driven by:-

- Organic growth in its loan book from sales and marketing initiatives
- Acquisitions of key competitors, Cashflow Advantage and 180 Group during the year

Total Expenditure increased by 6% from \$24.2m to \$25.7m. The increase in total expenditure was primarily driven by:-

- Increased employee related costs, sales and marketing costs and insurance costs to support the organic growth and growth from acquired businesses
- Increased borrowing and finance costs from additional \$40m FIIG facility and unsecured loans during the year.
- No one-off bad and doubtful debt provisions

Profit after tax from continuing operations increased from -\$0.73m to \$0.95m and overall group profit after tax increased from \$0.017m to \$0.038m.

Organic growth and recently acquired businesses had significant changes to FY2016 statement of financial position compared to FY2015 statement of financial position:-

- Trade Receivable increased by 190% from \$39.5m to \$114.6m
- Intangible assets including goodwill increased by 107% from \$7.4m to \$15.4m
- Trade payables increased by 151% from \$19.9m to \$50.0m
- Non-current borrowings increased by 129% from \$33.7m to \$77.0m
- Share capital increased by 46% from \$11.0m to \$16.0m

## Future developments, prospects and business strategies

Details of future developments, prospects and business strategies are set out in Managing Director's Report.

## Significant Changes in state of affairs

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

## After balance date events

CML Group Limited ("CML" or the "Company") completed the sale of its Lester Associates payroll business on 1 August 2016. CML will retain and continue to operate its employment and labour hire business.

## Environmental regulations

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

## Share Options

No options over unissued shares were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

## 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.

## Remuneration report

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

## Remuneration Policy

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

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

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

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

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

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

## **Performance-based Remuneration**

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

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

## Directors' report (Continued)

### Details of remuneration

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

#### (a) Directors' remuneration

Director	Position	Short-Term			Post-employment			Long-term	Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retire-ment benefits	Termin-ation benefits				
2016		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Daniel Riley*	Managing Director	268,505	-	-	26,850	-	-	-	-	295,355	-
Greg Riley	Non-Executive Director	65,000	-	-	-	-	-	-	-	65,000	-
Sue Healy	Non-Executive Director	36,530	-	-	3,470	-	-	-	-	40,000	-
Richard Farrington	Non-Executive Director	36,530	-	-	3,470	-	-	-	-	40,895	-
Geoff Sam	Non-Executive Director	36,530	-	-	3,470	-	-	-	-	40,257	-
		443,094	-	-	37,261	-	-	-	-	480,355	-

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

## Directors' report (Continued)

### (a) Directors' remuneration (Continued)

Director	Position	Short-Term			Post-employment			Long-term Incentive plans	Share- based payments Options	TOTAL	Total performance related %
		Salary fees \$	Cash bonus \$	Non- monetary \$	Super- annuation \$	Retire- ment benefits \$	Termin- ation benefits \$				
<b>2015</b>											
Daniel Riley*	Managing Directors	284,771	34,008	-	24,564	-	-	-	-	343,343	10
Greg Riley	Non-Executive Director	40,000	-	-	-	-	-	-	-	40,000	-
Sue Healy	Non-Executive Director	27,397	-	-	2,603	-	-	-	-	30,000	-
Richard Farrington	Non-Executive Director	19,082	-	-	1,813	-	-	-	-	20,895	-
Geoff Sam	Non-Executive Director	11,194	-	-	1,063	-	-	-	-	12,257	-
Daniel O'Neile**	Non-Executive Director	8,052	-	-	765	-	-	-	-	8,817	-
Ian Winlow#	Non-Executive Director	29,680	-	-	2,820	-	-	-	-	32,500	-
		420,176	34,008	-	33,628	-	-	-	-	487,812	7

\* Bonus for Daniel Riley relates to FY 2014 incentive arrangement \*\* Daniel O'Neile resigned 9 December 2014

# Ian Winlow resigned on 18 November 2014

## Directors' report (Continued)

### (b) Executives' remuneration:

Executive	Position	Short-Term			Post-employment				Long-term Incentive plans	Share- based payments Options	TOTAL	Total performance related %
		Salary fees \$	Cash bonus \$	Non- monetary \$	Super- annuation \$	Retire- ment benefits \$	Termin- ation benefits \$					
<b>2016</b>												
Steve Shin	CFO & Company Secretary	177,730	11,415	-	18,105	-	-	-	-	-	207,250	6%
Ralph Stonell*	COO & Company Secretary	53,029	-	-	4,588	-	-	-	-	-	57,617	-
Peter Toohey	Executive General Manager	200,000	13,698	-	35,901	-	-	-	-	-	249,599	5%
		377,730	25,113	-	54,006	-	-	-	-	-	456,849	5%
<b>2015</b>												
Ralph Stonell*	COO & Company Secretary	243,324	10,061	-	24,072	-	-	-	-	-	277,457	4%
Peter Toohey	Executive General Manager	126,336	-	-	12,002	-	-	-	-	-	138,338	-
		369,660	10,061	-	36,074	-	-	-	-	-	415,795	2%

\*Ralph Stonell resigned on 27 July 2015. Peter Toohey joined the Group on 10 September 2014. Steve Shin was appointed as Company Secretary on 27 July 2015.

## Directors' report (Continued)

### Service Agreement

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

Name	Term of Agreement	Base Salary Inc Super \$
Daniel Riley	Ongoing as from 1 October 2010	301,147

Mr D Riley's remuneration increased from \$276,147 to \$301,147 from 1 July 2015.

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

### Performance Related Pay

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

KMP	2016 Performance conditions
Daniel Riley - Managing Director	<ul style="list-style-type: none"> <li>Fixed \$110,000 on achievement of the KPIs set by the Remuneration Committee</li> <li>\$25,000 base salary increase upon achievement H1 2016 budget.</li> <li>\$25,000 for each \$250,000 of NPAT achieved above the budget.</li> </ul>



## Directors' report (Continued)

### Equity instrument disclosures relating to key management personnel

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

\* Resigned 27 July 2015

<b>2015</b> <i>Shareholdings No of shares held by Key Management Personnel</i>	<b>Balance 1 July 2014</b>	<b>Received as Remuneration</b>	<b>Additions/ (Disposals)/ (No longer KMP)</b>	<b>Balance 30 June 2015</b>
Greg Riley	22,504,913	-	10,000	22,514,913
Daniel Riley	3,129,761	-	-	3,129,761
Richard Farrington	-	-	670,000	670,000
Geoff Sam	-	-	24,000	24,000
Sue Healy	206,060	-	-	206,060
Ralph Stonell	24,891	-	5,000	29,891
Ian Winlaw#	60,908	-	(60,908)	-
	<b>25,926,533</b>	<b>-</b>	<b>648,092</b>	<b>26,574,625</b>

# Resigned on 18 November 2014

### Options

There have been no unissued shares or interests under options of any controlled entity within the Group during or since reporting date.

### Convertible Notes

<b>2016</b> <i>Convertible Notes</i>	<b>Balance 1 July 2015</b>	<b>Received as Remuneration</b>	<b>Additions</b>	<b>Balance 30 June 2016</b>
Daniel Riley	50,000	-	-	50,000
Greg Riley	50,000	-	-	50,000
Total Convertible notes	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>

## Directors' report (Continued)

### Convertible Notes

2015 Convertible Notes	Balance 1 July 2014	Received as Remuneration	Additions	Balance 30 June 2015
Daniel Riley	-	-	50,000	50,000
Greg Riley	-	-	50,000	50,000
Total Convertible notes	-	-	100,000	100,000

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

Financial Year	KMP Short Term Incentives (TSI) \$ 000's	NPAT \$ 000's	Basic EPS Cents	Diluted EPS Cents	Net Equity \$ 000's	NTA per share cents	Dividends \$ 000's	Share price at Year end Cents
2012	246	860	1.54	1.54	4,065	(1.80)	597	10.5
2013	385	766	1.23	1.23	4,195	(1.68)	625	10.0
2014	29	1,112	1.55	1.55	10,267	5.44	854	24.0
2015	10	17	0.02	0.02	9,903	2.63	468	18.0
2016	25	38	0.04	0.04	14,535	(0.89)	1,120	19.0

### Loans to related parties

Geoff Sam has provided \$4M unsecured loans to CML Group at 10% interest rate during the year. Outstanding loans amounted to \$4M at the end of the year. Interest is payable on a monthly basis. Principal amount is not repayable in the next 12 months. Total interest paid for the year ended 30 June 2016 amounted to \$21,918.

### Auditor Independence declaration

The auditor's independence declaration for the year ended 30 June 2016 as required under section 307C of the Corporations Act 2001 has been received and is provided with this report.

### Non-audit services

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

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

## Directors' report (Continued)

	2016 \$	2015 \$
<b>Amounts paid and payable to Pitcher Partners Sydney for non-audit services:</b>		
Corporate secretarial services	-	-
Taxation services	53,962	17,600
	53,962	17,600
<b>Amounts paid and payable to non-related auditors of group entities for non-audit services:</b>		
Legal services	-	-
Taxation services	-	44,000
	-	44,000
<b>Total auditors' remuneration for non-audit services</b>	<b>53,962</b>	<b>61,600</b>

### 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.

### 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, 22<sup>nd</sup> September 2016

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Pitcher Partners is an association of independent firms  
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle

**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 2016, 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.



R M SHANLEY  
Partner

PITCHER PARTNERS  
Sydney

22 September 2016



**Financial Report**  
**For the year ended 30 June 2016**

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# CML Group

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2016

		Consolidated Group	
	Note	2016 \$ 000's	2015 \$ 000's
<b>Continued operations</b>			
Revenue	2	27,092	23,296
<b>Expenditure</b>			
Agency fees		(597)	(3,047)
Employee benefit expense (direct employees)		(5,291)	(3,156)
Employee benefit expense (on-hire staff)		(12,871)	(13,453)
Depreciation and amortisation expense		(127)	(110)
Finance costs - product related		(2,548)	(820)
Finance costs - corporate		(1,378)	(421)
Rent		(405)	(314)
Bad and doubtful debts		326	(1,206)
Insurance		(764)	(143)
Other expenses		(2,001)	(1,531)
Total expenditure		(25,656)	(24,201)
<b>Profit/(Loss) before Income Tax</b>		1,436	(905)
Income tax benefit (expense)	4	(486)	171
<b>Profit/(Loss) for the year from continuing operations</b>		950	(734)
<b>Discontinued operations</b>			
<b>Profit/(Loss) for the year from discontinued operations</b>	29	(912)	751
<b>Profit attributable to members of the parent entity</b>		38	17
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		38	17
<b>Earnings/(loss) per Share:</b>			
From continuing and discontinued operations			
Basic and diluted earnings/(loss) per share (cents)	27	0.04	0.02
From continuing operations			
Basic and diluted earnings/(loss) per share (cents)	27	0.98	(0.79)

The accompanying notes to the financial statements are included on pages 26-65

## Consolidated Statement of Financial Position As at 30 June 2016

		Consolidated Group	
		2016	2015
	Note	\$ 000's	\$ 000's
<b>Current Assets</b>			
Cash and cash equivalents	5	14,738	14,142
Trade and other receivables	6	114,596	39,479
Other current assets	7	522	3,605
Assets classified as held for sale	30	9,579	-
		<u>139,435</u>	<u>57,226</u>
<b>Non-Current Assets</b>			
Plant and equipment	8	161	218
Deferred tax assets	4c	1,555	1,515
Intangible assets	9	15,370	7,428
<b>Total Non-Current Assets</b>		<u>17,086</u>	<u>9,161</u>
<b>Total Assets</b>		<u>156,521</u>	<u>66,387</u>
<b>Current Liabilities</b>			
Trade payables	10a	50,001	19,927
Other payables	10b	7,197	1,373
Other current liabilities	11	26	20
Borrowings	12	26	8
Current tax liabilities	4d	1,067	624
Short-term provisions	13	415	796
Liabilities associated with assets classified as held for sale	30	6,190	-
		<u>64,922</u>	<u>22,748</u>
<b>Non-Current Liabilities</b>			
Borrowings	12	76,973	33,657
Long-term provisions	13	71	33
Other liabilities	11	20	46
<b>Total Non-Current Liabilities</b>		<u>77,064</u>	<u>33,736</u>
<b>Total Liabilities</b>		<u>141,986</u>	<u>56,484</u>
<b>Net Assets</b>		<u>14,535</u>	<u>9,903</u>
<b>Equity</b>			
Issued capital	14	16,045	10,979
Accumulated Losses	15a	(1,949)	(1,517)
Reserves	15b	439	441
<b>Total Equity</b>		<u>14,535</u>	<u>9,903</u>

The accompanying notes to the financial statements are included on pages 26-65

## Consolidated Statement of Changes in Equity For the Year Ended 30 June 2016

	Note	Share Capital \$ 000's	Consolidated Group Reserves \$ 000's	Accumulated Losses \$ 000's	Total Equity \$ 000's
<b>Balance at 1 July 2014</b>		<b>10,350</b>	<b>441</b>	<b>(524)</b>	<b>10,267</b>
Total comprehensive income for the year		-	-	17	17
<b>Transactions with owners in their capacity as owners :-</b>					
Share issued	14	629	-	-	629
Dividends provided for or paid	16	-	-	(1,010)	(1,010)
<b>Balance at 30 June 2015</b>		<b>10,979</b>	<b>441</b>	<b>(1,517)</b>	<b>9,903</b>
<b>Balance at 1 July 2015</b>		<b>10,979</b>	<b>441</b>	<b>(1,517)</b>	<b>9,903</b>
Total comprehensive income for the year		-	-	38	38
<b>Transactions with owners in their capacity as owners :-</b>					
Shares issued	14	5,066	-	-	5,066
Dividends provided for or paid	16	-	-	(470)	(470)
Foreign Currency Reserve	15b	-	(2)	-	(2)
<b>Balance at 30 June 2016</b>		<b>16,045</b>	<b>439</b>	<b>(1,949)</b>	<b>14,535</b>

*The accompanying notes to the financial statements are included on pages 26-65*



## Consolidated Statement of Cash Flows For the Year Ended 30 June 2016

		Consolidated Group	
		2016	2015
	Note	\$ 000's	\$ 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		450,221	157,101
Payments to suppliers and employees		(483,459)	(165,864)
Interest received		154	95
Finance costs		(4,185)	(1,425)
Income tax paid		(559)	-
<b>Net cash (used in) / provided by operating activities</b>	26(b)	<b>(37,828)</b>	<b>(10,093)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(79)	(81)
Payments for IT Development		-	(53)
Payment for subsidiary, net of cash acquired		(7,057)	(2,717)
<b>Net cash (used in) / provided by investing activities</b>		<b>(7,136)</b>	<b>(2,851)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		5,425	629
Cost of capital raising		(359)	-
Proceeds from borrowings		41,503	33,648
Payments of borrowings		-	(6,685)
Dividends paid to company's shareholders		(470)	(1,010)
<b>Net cash (used in) / provided by financing activities</b>		<b>46,099</b>	<b>26,582</b>
Net (decrease)/ increase in cash held		1,135	13,638
Cash at the beginning of the financial year		14,142	504
Cash acquired on acquisition of subsidiary		-	-
<b>Cash at the end of the financial year</b>	26(a)	<b>15,278</b>	<b>14,142</b>

*The accompanying notes to the financial statements are included on pages 26-65*

## Notes to the Financial Statements for the Year Ended 30 June 2016

### **NOTE 1 Summary of significant accounting policies**

These consolidated financial statements and notes represent those of CML Group Limited and controlled entities ("group"). The separate financial statements of the parent entity, CML Group Limited, have been presented within this report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 22<sup>nd</sup> September 2016 by the directors of the company.

#### **Basis of preparation**

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

#### **Going Concern**

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

#### ***(a) Principles of consolidation***

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

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

#### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Sharebased Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

## Notes to the Financial Statements for the year ended 30 June 2016

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### **Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) The consideration transferred;
- (ii) Any non-controlling interest; and
- (iii) The acquisition date fair value of any previously held equity interest.

Over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of the pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

#### ***Goodwill (continued)***

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

#### ***(b) Revenue***

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

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

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

#### ***(c) Income tax***

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

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

#### *(c) Income tax (continued)*

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

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

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

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

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

#### *(d) Leases*

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. 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.

#### *(e) Financial instruments*

##### Classification

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

##### Financial assets at fair value through profit or loss

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

##### Held-to-maturity investments

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



## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

#### Loans and receivables

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

#### Available-for-sale

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

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

#### Financial liabilities

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

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

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

#### Compound financial instruments

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

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

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

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

#### **(f) Impairment instruments**

##### Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

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

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

#### ***(g) Impairment of assets***

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

#### ***(h) Intangibles***

##### Goodwill:

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (a) The consideration transferred;
- (b) Any non-controlling interest; and
- (c) The acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). The Group determines which method to adopt for each acquisition.

Under the full goodwill method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements. Refer to Note 9 for information on the goodwill policy adopted by the Group for acquisitions. Goodwill on acquisitions of subsidiaries is included in intangible assets.

##### Trademarks

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

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



## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (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.

#### **(i) Cash and cash equivalents**

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

#### **(j) Trade receivables**

Trade receivables are recognised initially at fair value less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

#### **(k) Plant and equipment**

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

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

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

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

#### **(l) Trade and other payables**

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

#### **(m) Borrowing costs**

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

#### **(n) Employee benefits**

##### **(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled 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 within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

##### **(iii) Share-based payments**

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

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

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

#### **(o) Earnings per share**

##### **(i) Basic earnings per share.**

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

#### *(ii) Diluted earnings per share*

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

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

#### *(p) Goods and Services Tax (GST)*

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

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

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

#### *(q) Comparative figures*

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

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

#### *(r) Rounding of Amounts*

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

#### *(s) Critical Accounting Estimates and Judgments*

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

#### Key estimates

##### *(i) Impairment – general*

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 1 Summary of significant accounting policies (continued)

#### Key judgments

##### *Provision for impairment of receivables*

Included in trade receivables at the end of the reporting period is an amount receivable from sales made to a variety of companies during the current financial year amounting to \$1,338,694 that is considered to be impaired.

#### **(t) New Accounting Standards for Application in Future Periods**

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

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

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

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

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

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

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

## Notes to the Financial Statements for the year ended 30 June 2016

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

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

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.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

# CML Group

## Notes to the Financial Statements for the year ended 30 June 2016

	Consolidated Group	
	2016	2015
	\$ 000's	\$ 000's
<b>NOTE 2 Revenue</b>		
<b>Revenue from continuing operations</b>		
<b>Services</b>		
Finance and payroll solutions including cashflow finance, migration, contract management, on-hire services and recruitment	26,949	23,219
<b>Other revenue</b>		
Interest received – other entities	143	77
<b>Total revenue</b>	<u>27,092</u>	<u>23,296</u>

### NOTE 3 Expenses

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

Depreciation and amortisation	127	110
Finance Costs Expensed	3,926	1,241
Bad and doubtful debts	(326)	1,206
Rental expenses on operating leases	405	314
Employee superannuation expense	<u>608</u>	<u>336</u>



## Notes to the Financial Statements for the year ended 30 June 2016

		Consolidated Group	
		2016	2015
		\$ 000's	\$ 000's
<b>NOTE 4 Income Tax Expense</b>			
(a)	<i>The components of tax benefit (expense) comprise:</i>		
	Current tax	(311)	863
	Deferred tax	(175)	(692)
		<u>(486)</u>	<u>171</u>
(b)	<i>The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to income tax as follows:</i>		
	Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2015: 30%)	431	(272)
	Add tax effect of:		
	Accumulated benefits from prior year acquisitions	(924)	437
	Other non-allowable items	7	6
	Income tax benefit (expense)	<u>(486)</u>	<u>171</u>
	The applicable weighted average tax rates are as follows:	30%	30%
(c)	<i>Deferred taxation</i>		
	The balance comprises temporary differences attributable to :-		
	Provision for doubtful debt	410	413
	Provision for employee entitlements	308	249
	Accrued Expenditure	2,025	1,613
	Accrued Income	(1,135)	(960)
	Other	(53)	200
	Total deferred tax assets	<u>1,555</u>	<u>1,515</u>
	Net deferred tax assets	<u>1,555</u>	<u>1,515</u>
(d)	Income Tax Payable	<u>1,067</u>	<u>624</u>

### NOTE 5 Cash and cash equivalents

Cash at bank and in hand	14,738	14,142
Cash at bank and in hand included in assets held for sale	540	-
	<u>15,278</u>	<u>14,142</u>

### Reconciliation of cash

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

Cash and cash equivalents	14,738	14,142
Bank overdraft	-	-
	<u>14,738</u>	<u>14,142</u>



## Notes to the Financial Statements for the year ended 30 June 2016

NOTE 6 Trade and other receivables	Consolidated Group	
	2016 \$ 000's	2015 \$ 000's
CURRENT:		
Trade receivables	115,598	40,855
Provision for impairment	(1,002)	(1,376)
	<u>114,596</u>	<u>39,479</u>

### Impaired trade receivables

As at 30 June 2016 current trade receivables of the group with a nominal value of \$1,002,210 (2015: \$1,376,098) was impaired.

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

31-60 days	-	-
Over 60 days	1,002	1,376
	<u>1,002</u>	<u>1,376</u>

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

As at 1 July	1,376	37
Provision for impairment acquired during the year	1,935	-
Receivables written off during the year as uncollectable	(1,808)	-
Provision for impairment reversed during the year	(336)	1,339
Provision for asset classified as held for sale	(165)	-
As at 30 June	<u>1,002</u>	<u>1,376</u>

#### (b) Past due but not impaired

As at 30 June 2016, trade receivables of \$53,968,662 (2015: \$14,082,595) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Trade credit insurance is in place across all finance division receivables and parts of payroll service division, reducing the groups' exposure to risk.

Less than 30 days	32,750	7,381
31-60 days	10,632	1,691
Greater than 60 days	9,585	2,351
	<u>52,967</u>	<u>11,423</u>

#### (c) Interest Rate Risk

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

#### (d) Credit Terms

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 6 - Trade and other receivables (continued)

#### (e) Fair value and credit risk

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

	Consolidated Group	
	2016	2015
	\$ 000's	\$ 000's
<b>NOTE 7 Other Current Assets</b>		
Prepayments	225	343
Accrued Income	222	3,200
Advances	17	26
Deposits Paid	58	36
	<u>522</u>	<u>3,605</u>

### NOTE 8 Plant & Equipment

Leased motor vehicles		
At cost	63	66
Accumulated depreciation	(17)	(26)
	<u>46</u>	<u>40</u>
Software & Office equipment		
At cost	212	909
Accumulated depreciation	(104)	(754)
	<u>108</u>	<u>155</u>
Leasehold Improvements		
At cost	22	222
Accumulated depreciation	(15)	(199)
	<u>7</u>	<u>23</u>
Total Plant & Equipment	<u>161</u>	<u>218</u>

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 8 Plant & Equipment (Continued)

	Consolidated Group			
	Leased Motor Vehicle \$000s	Software & Office Equipment \$000s	Leasehold Improve- ments \$000s	Total \$000s
2016 Consolidated:-				
Balance at the beginning of the financial year	40	155	23	218
Additions	-	18	-	18
Acquired on business combination	23	39	-	62
Disposal or classified as held for sale	-	(5)	-	(5)
Depreciation	(17)	(99)	(16)	(132)
Carrying amount at the end of the financial year	46	108	7	161
2015 Consolidated:-				
Balance at the beginning of the financial year	26	112	36	174
Additions	-	81	-	81
Acquired on business combination	27	35	-	62
Disposals	(13)	(8)	-	(21)
Depreciation	-	(65)	(13)	(78)
Carrying amount at the end of the financial year	40	155	23	218

	Consolidated Group	
	2016 \$ 000's	2015 \$ 000's
<b>NOTE 9 Intangible Assets</b>		
Goodwill:-		
Opening net book balance	5,167	5,167
Acquisitions	8,835	-
Loss on remeasurement to fair value less cost to sell	(856)	-
Net book value	13,146	5,167
Trademark:-		
Opening net book balance	2,099	-
Acquisition	-	2,099
Adjustment to prior year acquisition during the measurement period	26	-
Net book value	2,125	2,099
Software Development:-		
Opening net book balance	162	191
Capitalised during the year	9	53
Amortisation	(72)	(82)
Net book value	99	162
Total	15,370	7,428

Intangible assets have been tested for impairment at 30 June 2016 resulting in no impairment loss (2015: \$nil).

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 9 Intangible assets (continued)

Intangible assets, other than goodwill and trademark, 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 trademark have an indefinite life.

The Intangible assets comprise goodwill and trademark recognised on;

- The acquisition of Lester Australia Limited on 19 September 2011 amounting to \$2,576,028 less \$856,000 for loss on re-measurement to fair value and costs to sell;
- The acquisition of Zenith Management Services Pty Ltd in Financial Year 2010 amounting to \$2,416,000;
- The acquisition of an independent contractors Agreement from Lex Brown, with goodwill of \$175,000; and
- The acquisition of Cash Flow Finance Australia Pty Ltd in Financial Year 2015 amounting to \$2,125,000.
- The acquisition of Cashflow Advantage Pty Ltd in Financial Year 2016 amounting to \$2,501,000 (preliminary accounting).
- The acquisition of 180 Group Pty Ltd in Financial Year 2016 amounting to \$6,334,000 (preliminary accounting).

#### (a) Impairment tests for goodwill and trademark

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

The growth rate used is considered reasonable based on industry trends. The value in use calculations are on the basis of budgeted results for the 2017 and actual results for the 2016 financial years.

Growth Rate		Discount Rate	
2016	2015	2016	2015
%	%	%	%
2.5	2.5	8.7	8.7

#### (b) Impairment Charge

Intangible assets have been tested for impairment at 30 June 2016 resulting in no impairment charge.

#### (c) Impact of possible changes in key assumptions

If the budgeted growth rate had been 2.5% lower than management estimates of 2.5%, 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 trademark 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 2016

### NOTE 10 Trade and Other Payables

	Consolidated Group	
	2016	2015
	\$ 000's	\$ 000's
<b>(a) Trade payables</b>		
CURRENT:		
Unsecured liabilities		
Trade payables	47,911	15,876
Sundry payables and accrued expenses	2,090	1,254
	<u>50,001</u>	<u>19,927</u>
<b>(b) Other payables</b>		
CURRENT:		
Unsecured liabilities		
Finance on payables - Greensill Capital	7,197	1,373
	<u>7,197</u>	<u>1,373</u>

CML Group has \$7.5M unsecured finance facility with Greensill Capital. The interest rate on drawn funds is 10% per annum. As at 30 June 2016 the balance outstanding with Greensill was \$7.2M. The Greensill facility is classified as other payables, there is no termination date and the facility can be cancelled with, 90 days' notice.

### NOTE 11 Other Liabilities

	Consolidated Group	
	2016	2015
	\$ 000's	\$ 000's
CURRENT:		
Unsecured liabilities		
Unearned revenue	-	-
Lease Incentive Liability	26	20
	<u>26</u>	<u>20</u>
NON-CURRENT:		
Lease Incentive Liability	20	46
	<u>20</u>	<u>46</u>

Lease Incentive Liability relates to the rental of the Lavender Street property.

## Notes to the Financial Statements for the year ended 30 June 2016

	Consolidated Group 2016 \$ 000's	2015 \$ 000's
<b>NOTE 12 Borrowings</b>		
<b>CURRENT:</b>		
Unsecured		
Finance Lease - Inclusive of unrealised Interest Charges	28	9
Finance Lease - unexpired Interest Charges	(2)	(1)
	<u>26</u>	<u>8</u>
<b>NON-CURRENT:</b>		
Unsecured		
Finance Lease - Inclusive of unrealised Interest Charges	-	9
Finance Lease - unrealised Interest Charges	-	-
	<u>-</u>	<u>9</u>
Unsecured Convertible Notes	9,759	9,624
Unsecured Loans	4,620	-
	<u>14,379</u>	<u>9,624</u>
<b>Secured</b>		
Senior Secured Corporate Bond	62,594	24,024
Total	<u>76,973</u>	<u>33,657</u>

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

On 18 May 2015, CML Group raised \$25.0m by issuing a Senior Secured Corporate Bond at a floating coupon rate of 5.4% per annum plus the 30 day Bank Bill Swap Rate, payable monthly in arrears to May 2020 then steps up to 7% plus the 30 day Bank Bill Swap Rate until May 2021 for a six-year term, maturing in May 2021.

On 23 March 2016, CML Group raised \$25.0m by issuing a Senior Secured Corporate Bond at a fixed coupon rate of 8% per annum, payable monthly in arrears to March 2021 then steps up to 9.5% until March 2022 for a six year term, maturing in March 2022.

On 30 May 2016, CML Group raised additional \$15.0m by issuing a Senior Secured Corporate Bond at a fixed coupon rate of 8% per annum, payable monthly in arrears to Mar 2021 then steps up to 9.5% until March 2022 for a six year term, maturing in March 2022.

### Risk exposure

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

## Notes to the Financial Statements for the year ended 30 June 2016

	Consolidated Group	
	2016	2015
	\$ 000's	\$ 000's
<b>NOTE 13 Provisions</b>		
Current		
Employee benefits	415	796
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:-		
Balance at the beginning of the financial year	796	1,120
(Decrease)/increase in provision	161	(324)
(Decrease) in provision from assets as held for sale	(542)	-
Balance at end of the financial year	415	796
Non-Current		
Employee benefits	71	33
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:-		
Balance at the beginning of the financial year	33	4
(Decrease)/increase in provision	38	29
Balance at end of the financial year	71	33

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 14 Contributed Equity

	Consolidated Group			
	2016 No.	2015 No.	2016 \$ 000's	2015 \$ 000's
Balance at beginning of financial year	93,937,825	90,302,694	10,979	10,350
Shares issued or under issue during the year:-				
Ordinary shares @ 15 cents from Share Placement	13,090,673	-	1,964	-
Ordinary shares @ 15 cents from Rights Issue	21,683,470	-	3,253	-
Less: transaction costs arising from share issues	-	-	(359)	-
120,000 Ordinary shares issued to staff for \$nil consideration	-	120,000	-	24
Share issue from Dividend Reinvestment Plan	1,388,055	3,515,131	208	605
Balance at end of financial year	130,100,023	93,937,825	16,045	10,979

### Capital risk management

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

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

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

There are no externally imposed capital requirements. This strategy is to ensure that the Group's gearing ratio remains under 90%. The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

	Consolidated Group		
	2016 \$ 000's	2016 \$ 000's	2015 \$ 000's
<b>Contributed Capital</b>			
Total borrowings	67,240	76,999	33,665
Less Cash and cash equivalents	(14,738)	(14,738)	(14,142)
Trade and other payables	57,198	57,198	21,300
Net debt	109,700	119,459	40,823
Total equity	*24,294	14,535	9,903
Total capital	133,994	133,994	50,726
Gearing ratio	81.87%	89.15%	80.50%

\*Total borrowings include Convertible Notes which will be converted into shares. The gearing ratio is reduced from 89.15% to 81.87% if the convertible notes are converted to shares.



## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 15 Reserves and Accumulated Losses

NOTE 15 Reserves and Accumulated Losses	Notes	Consolidated Group	
		2016	2015
		\$ 000's	\$ 000's
<b>Reserves and Accumulated Losses</b>			
Accumulated Losses	(a)	(1,949)	(1,517)
Reserves	(b)	439	441
		<u>(1,510)</u>	<u>(1,076)</u>
<b>(a) Accumulated Losses</b>			
Balance at the beginning of year		(1,517)	(524)
Net profit attributable to members of <i>CML Group Pty Ltd</i>		38	17
Total available for appropriation		<u>(1,479)</u>	<u>(507)</u>
Dividends paid		(470)	(1,010)
Balance at end of year		<u>(1,949)</u>	<u>(1,517)</u>
<b>(b) Reserves – General and Foreign currency translation</b>			
Balance at the beginning of year		441	441
Foreign Currency Reserve		(2)	-
Balance at end of year		<u>439</u>	<u>441</u>

### NOTE 16 Dividends

	Consolidated Group	
	2016 \$ 000's	2015 \$ 000's
Fully Franked Interim Dividend – 0.50 cents (2015: 0.50 cents)	470	468
Fully Franked Proposed Final Dividend – 0.50 cents (2015 : Nil cents)	650	-
Total	<u>1,120</u>	<u>468</u>
Franking Credits	3,914	3,635

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.

### NOTE 17 Remuneration of Auditors

	Consolidated Group	
	2016 \$	2015 \$
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	116,000	108,044
Other services:		
Taxation and corporate secretarial services	53,962	28,000
	<u>169,962</u>	<u>136,044</u>

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 18 Financial Risk Management

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

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

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

	Consolidated Group	
	2016	2015
	\$ 000's	\$ 000's
The total for each category of financial instruments, excluding assets held for sale, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:		
<i>Financial Assets</i>		
<i>Cash and cash equivalents</i>	14,738	14,142
<i>Trade and other receivables</i>	114,596	39,479
<i>Other current assets</i>	58	36
	<u>129,392</u>	<u>53,657</u>
<i>Financial liabilities</i>		
<i>Trade and other payables</i>	57,198	21,300
<i>Borrowings</i>	76,973	33,657
<i>Bank overdraft</i>	-	-
<i>Lease liability</i>	26	17
	<u>134,197</u>	<u>54,974</u>

#### (a) Cash flow and fair value interest rate risk

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

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

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

#### Sensitivity Analysis

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

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 18 Financial Risk Management (Continued)

<i>Sensitivity Analysis</i>	2016	2015
+/- 2% in interest rate		
Equity	144	152
Profit	205	217

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 from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers as outstanding receivables. 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. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, 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. Sales to customers are required to be settled in cash, mitigating credit risk.

The maximum exposure to credit risk at the reporting date 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	
		2016	2015
		\$ 000's	\$ 000's
<i>Trade receivables</i>			
Counterparties with external credit rating (Moody's)			
AAA Federal government departments and instrumentalities		5,167	2,615
Counterparties without external credit rating			
Group 1	new customers (less than 6 months)	19,464	7,066
Group 2	existing customers (more than 6 months) with no defaults	89,744	31,174
Group 3	existing customers (more than 6 months) with some defaults all fully recovered	1,223	-
Total trade receivables		115,598	40,855
<i>Cash at bank and short-term bank deposits</i>			
AA-		14,738	14,142

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 18 Financial Risk Management (Continued)

#### *(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

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.

CML Group has \$10m facility with Greensill Capital. The interest rate on drawn funds is 10% per annum. As at 30 June 2015 the balance outstanding with Greensill was \$1.373m. The Greensill facility is classified as other payables, there is no termination date and the facility can be cancelled with 90 days' notice.

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

On 18 May 2015, CML Group also raised \$25.0m by issuing a Senior Secured Corporate Bond at a floating coupon rate of 5.4% per annum plus the 30 day Bank Bill Swap Rate, payable monthly in arrears to May 2020 then steps up to 7% plus the 30 day Bank Bill Swap Rate until May 2021 for a six-year term, maturing in May 2021.

On 23 March 2016, CML Group raised \$25.0m by issuing a Senior Secured Corporate Bond at a fixed coupon rate of 8% per annum, payable monthly in arrears to March 2021 then steps up to 9.5% until March 2022 for a six year term, maturing in March 2022.

On 30 May 2016, CML Group raised additional \$15.0m by issuing a Senior Secured Corporate Bond at a fixed coupon rate of 8% per annum, payable monthly in arrears to Mar 2021 then steps up to 9.5% until March 2022 for a six year term, maturing in March 2022.

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 18 Financial Risk Management (Continued)

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

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

	0 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Total contract- ual cash flows	Carrying value
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<i>As at 30 June 2015</i>						
Trade and other payables	21,300	-	-	-	-	21,300
Finance leases	4	4	9	-	-	17
Borrowings	-	-	33,657	-	-	33,657
Total financial liabilities	21,304	4	33,666	-	-	54,974

#### *Fair value estimation*

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of 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 2016

### NOTE 19 - Segment Information

#### *Identification of reportable segments*

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

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

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

#### *Types of products and services by segment*

##### *i. Finance*

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

##### *ii. Other Services*

Refers to employment solutions including labour sourcing and project management.

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

##### *(a) Accounting policies adopted*

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

##### *(b) Inter-segment transactions*

There are no Inter-segment transactions.

##### *(c) Segment assets*

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

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

##### *(d) Segment liabilities*

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

##### *(e) Unallocated items*

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

- Income tax expense
- Deferred tax assets and liabilities

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 19 Segment Information (continued)

#### (f) Comparative information

	Finance \$'000's	Other services \$'000's	Corporate \$'000's	Total \$'000's
<i>Year ended 30 June 2016</i>				
<i>Invoice Purchased</i>	406,491			
Total segment revenue	11,364	15,728	-	27,092
Adjusted profit/(loss) before income tax	5,377	1,603	(1,634)	5,346

	Finance \$'000's	Other services \$'000's	Corporate \$'000's	Total \$'000's
<i>Year ended 30 June 2015</i>				
<i>Invoice Purchased</i>	94,708			
Total segment revenue	3,486	19,810	-	23,296
Adjusted profit/(loss) before income tax	(109)	1,686	(1,209)	368

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

A reconciliation of adjusted profit/(loss) before income tax to operating profit before income tax is provided as follows:-

	Consolidated Group 2016 \$ 000's	2015 \$ 000's
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	5,346	368
Depreciation and amortisation	(127)	(110)
Finance costs	(3,926)	(1,240)
Interest Income	143	77
Operating Profit (Loss) before income tax from continuing operations	1,436	(905)

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 19 Segment Information (continued)

#### *Segment assets*

The nature of the business is such that assets are used across all segments therefore cannot be identified as relating to a specific segment. The net book value of assets is \$157M (2015: \$66M) 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 \$142M (2015: \$56M) 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 13.12% of external revenue (2015: 8.2%). The next most significant client accounts for 9.5% (2015: 7.9%) of external revenue. All revenue attributable to external customers was generated from Australia for the year ended 30 June 2016.

### NOTE 20 Contingent liabilities

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

### NOTE 21 Commitments

#### *(a) Lease commitments – Group as lessee*

##### *i. Non-cancellable operating leases*

The property lease for Zenith Management Services Pty Ltd expired in April 2013 and is now a month to month lease.

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

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

##### *ii. Finance leases*

The Group leases various plant and equipment with a carrying amount of \$26,397 (2015:\$ 17,417) under finance leases expiring within 1 to 3 years.



## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 21 Commitments (Continued)

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

(b) Lease commitments – Group as lessee

	2016 \$ 000's	2015 \$ 000's
Non-cancellable operating leases contracted but not capitalised in the financial statements		
- Payable not later than one year	335	209
- Longer than 1 year and not longer than 5 years	1,270	280
- Longer than 5 years	87	-
	<u>1,692</u>	<u>489</u>
Finance leases		
- Payable not later than one year	26	8
- Longer than 1 year and not longer than 5 years	-	9
	<u>26</u>	<u>17</u>
Minimum lease payments	28	18
Less future finance charges	(2)	(1)
	<u>26</u>	<u>17</u>

### NOTE 22 Subsidiaries

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

	Country of Incorporation	2016 %	2015 %
Ultimate Parent Entity			
CML Group Limited	Australia		
Controlled Entities			
CMLPayroll Pty Limited	Australia	100%	100%
Zenith Management Services Group Pty Limited	Australia	100%	100%
Lester Australia Limited	UK	100%	100%
The Lester Partnership Pty Limited	Australia	100%	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%	-
180 Group Pty Limited	Australia	100%	-
180 Capital Funding Pty Limited	Australia	100%	-

\*Acquisition of Cashflow Advantage Pty Ltd was completed on 23 March 2016 and acquisition of 180 Group Pty Ltd and 180 Capital Funding Pty Ltd were completed on 30 May 2016.

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 22 Subsidiaries (Continued)

#### *Deed of Cross Guarantee*

A deed of cross guarantee between CMLPayroll Pty Ltd and CML Group Limited was entered into during the 2015 financial year and relief was obtained from preparing financial statements for CMLPayroll Pty Ltd under ASIC Class Order 98/1418. Under the deed, CML Group Limited and CML Payroll Pty Ltd guarantee the debts of each other and are the members of the closed group. CML Payroll Pty Ltd is the only party to the deeds of cross guarantee. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the closed group is set out below:

	Closed Group
	2016
	\$000
<b>Financial information in relation to:</b>	
(i) Statement of profit or loss and other comprehensive income:	
Profit before income tax	(3,100)
Income tax expense	272
Profit after income tax	<u>(2,828)</u>
Profit attributable to members of the parent entity	<u><u>(2,828)</u></u>
(ii) Statement of financial position:	
CURRENT ASSETS	
Cash and cash equivalents	3,151
Trade and other receivables	73,209
Other current assets	403
TOTAL CURRENT ASSETS	<u>76,763</u>
NON-CURRENT ASSETS	
Property, plant and equipment	67
Intangible assets	18,229
Deferred tax assets	1,507
TOTAL NON-CURRENT ASSETS	<u>19,803</u>
TOTAL ASSETS	<u>96,566</u>
CURRENT LIABILITIES	
Trade and other payables	10,721
Tax liabilities	(245)
Borrowings	9
Other liability	26
Short-term provisions	99
TOTAL CURRENT LIABILITIES	<u>10,610</u>

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 22 Subsidiaries (Continued)

	Closed Group
	2016
	\$000
NON-CURRENT LIABILITIES	
Long-term borrowings	76,973
Long-term provisions	21
Other liabilities	20
TOTAL NON-CURRENT LIABILITIES	77,014
TOTAL LIABILITIES	87,624
NET ASSETS	8,942
EQUITY	
Issued capital	16,040
Reserves	439
Retained earnings	(7,537)
	8,942

### NOTE 23 Related Party Disclosures

- (a) *Parent entity*  
The Parent entity and ultimate parent entity is CML Group Limited.
- (b) *Controlled entities and joint venture entities*  
Controlled entities and joint venture entities are detailed in Note 22 to the financial statements
- (c) *Key management personnel*  
Details of key management personnel, their positions, remuneration and number of shares held are detailed in the Remuneration Report within the Directors' Report.
- (d) *Transaction with related parties*  
There were no transaction with related parties during the year.
- (e) *Loans to related parties*  
Geoff Sam has provided \$4M unsecured loans to CML Group at 10% interest rate during the year. Outstanding loans amounted to \$4M at the end of the year. Interest is payable on a monthly basis. Principal amount not repayable in the next 12 months after balance date. Total interest paid for the year ended 30 June 2016 amounted to \$21,918.

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 24 Parent Entity Disclosures

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

#### *Statement of Financial Position*

	Consolidated Group 2016 \$ 000's	2015 \$ 000's
Current assets	3,519	12,077
Non-current assets	91,638	31,737
Total assets	95,157	43,814
Current liabilities	9,445	2,982
Non-current liabilities	77,014	34,558
Total liabilities	86,459	37,540
<b>Net Assets</b>	<b>8,698</b>	<b>6,274</b>
Shareholders' equity		
Contributed equity	16,042	10,976
Retained losses	(7,344)	(4,704)
Total equity	8,698	6,274
Net Loss for the year after tax	(2,640)	(553)
Total Comprehensive Loss	(2,640)	(553)

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

### NOTE 25 Subsequent events

CML Group Limited ("CML" or the "Company") completed the sale of its Lester Associates payroll business on 1 August 2016. CML will retain and continue to operate its employment and labour hire business.

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 26 Cash flow information

	Consolidated Group	
	2016	2015
	\$ 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	15,278	14,142
Bank overdraft	-	-
	<u>15,278</u>	<u>14,142</u>
(b) <i>Reconciliation of profit/(loss) from ordinary activities after related income tax to net cash flows from operating activities</i>		
Profit/(loss) from ordinary activities after related income tax	38	17
Depreciation and amortisation of non-current assets	203	160
Loss on remeasurement to fair value less cost to sell	856	-
Trade receivables provision for Impairment	-	1,339
Profit/(loss) on disposal of plant and equipment	-	21
Changes in assets and liability, net of effect of purchases of subsidiaries;		
Decrease/(increase) in receivables	(80,525)	(6,305)
Increase/(decrease) in deferred tax assets	(40)	(639)
Decrease/(increase) in provisions	199	(496)
Increase/(decrease) in trade and other payables	41,544	(1,309)
Increase/(decrease) in other liabilities	(20)	(124)
Increase/(decrease) in other current assets	(544)	(2,679)
Increase/(decrease) in borrowings	18	-
Increase/(decrease) in Income tax payable	443	(78)
Net cash from operating activities	<u>(37,828)</u>	<u>(10,093)</u>
(c) <i>Non-cash financing and investing activities</i>		
Share issue as part consideration for acquisition of a business	-	-
(d) <i>Credit stand by arrangements with banks</i>		
Credit facility	-	-
Amount utilised	-	-
	<u>-</u>	<u>-</u>

## Notes to the Financial Statements for the year ended 30 June 2016

### Consolidated Group

NOTE 27 Earnings per share	2016 Cents per Share	2015 Cents per Share
Basic and diluted earnings per share		
Continuing operations	0.98	(0.79)
Discontinued operations	(0.94)	0.81
Continuing operations and discontinued operations	<u>0.04</u>	<u>0.02</u>

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

	Consolidated Group	
	2016 \$000's	2015 \$000's
Earnings (i)		
Continuing operations	950	(734)
Discontinued operations	(912)	751
Continuing and discontinued operations	<u>38</u>	<u>17</u>
	No	No
Weighted average number of ordinary shares (ii)	<u>96,748,245</u>	<u>92,474,823</u>

- (i) Earnings used in the calculation of basic earnings per share are net profit after tax.  
(ii) The Group has a total of 10,387,131 convertible notes at 30 June 2016 which have an anti-dilutive impact on the earning per share, and therefore are not included in the calculation.

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 28 Business Combinations

On 23 March 2016, CML Group Limited acquired 100% of the ordinary shares of Cashflow Advantage Pty Ltd (CA) for the total consideration of \$11.5m which consists of \$2.5m for the business, representing just over 2x EBITDA, and \$9.0m to replace external debt financing of CA's loan book. CA is a receivables financing company and operates in the finance division of the Group. The acquired business contributed revenue of \$864,000 and profit after tax of \$477,000 for the period 23 March 2016 to 30 June 2016 to the Group.

On 30 May 2016, CML Group Limited acquired 100% of the ordinary shares of 180 Group Pty Ltd and 180 Capital Funding Pty Ltd for the total consideration of \$34.6m which consists of \$6.3m for the business and \$28.3m to replace external debt financing of 180's loan book. 180 Group is a receivables financing company and operates in the finance division of the Group. The acquired business contributed revenue of \$461,000 and profit after tax of \$548,000 for the period 30 May 2016 to 30 June 2016 to the Group.

Details of the initial accounting of the acquisitions are as follows:

	CA	180 Group
	Fair Value \$'000s	Fair Value \$'000s
Trade receivables (net funds employed)	8,418	27,908
Plant and equipment	30	4
Other assets	48	25
Equity loans (to fund trade receivables)	(9,125)	(28,279)
Net tax payable	(74)	48
Accruals	(78)	(63)
Employee liabilities	(86)	(259)
Other Liabilities	(104)	(218)
Net tangible assets assumed	(971)	(834)
Goodwill / other identifiable assets to be allocated prior to the completion of acquisition accounting	2,501	6,334
Acquisition-date fair value of the total consideration transferred	1,530	5,500
Representing:		
Cash paid to vendor	1,530	5,500
Acquisition costs expensed to profit and loss	24	6
Net cash used	1,554	5,506

## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 28 Business Combinations (Continued)

Due to the timing of the acquisitions, provisional amounts have been used in accounting for the business combinations. Provisional amounts recognised will be adjusted retrospectively during the measurement period which will end as soon as possible and not more than one year from the acquisition date, the maximum allowed under the standard.

### NOTE 29 Discontinued Operations

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from the discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2016 \$000's	2015 \$000's
Profit (loss) for the year from discontinued operations		
Revenue	58,325	64,674
Expenses	(57,905)	(64,437)
Profit before tax	420	237
Attributable income tax expense (benefit)	(131)	514
	289	751
Loss on remeasurement to fair value less costs to sell	(856)	-
Attributable income tax expense	(345)	-
Profit (loss) for the year from discontinued operations	(912)	751
Cash flows from discontinued operations		
Net cash outflows from operating activities	(913)	(268)
Net cash inflows from investing activities	-	-
Net cash inflows from financing activities	664	931
Net cash inflows (outflows)	(249)	663

The Lester payroll business has been classified and accounted for at 30 June 2016 as a disposal group held for sale (see note 30).

The disposal group is measured at fair value less costs to sell, which were reliably estimable at balance date, and therefore a gain or loss is not expected on the completion of the sale. The loss on re-measurement to fair value less costs to sell is included in the profit/(loss) from discontinued operations in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.



## Notes to the Financial Statements for the year ended 30 June 2016

### NOTE 30 Assets Classified As Held for Sale

As per note 29, the Group completed the sale of its payroll business, Lester Associates, on 1 August 2016. The major classes of assets and liabilities of the payroll business at the end of the reporting period are as follows:-

	2016 \$000's
Cash	540
Trade & Other Receivables	5,407
Other Current Assets	3,627
Property, Plant and Equipment	5
Assets of payroll business classified as held for sale	<u>9,579</u>
Trade Payable	5,648
Provisions	542
Liabilities of payroll business classified as held for sale	<u>6,190</u>
Net Assets of payroll business classified as held for sale	<u>3,389</u>

## 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 21-65 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 2016 and of the performance for the year ended on that date of the consolidated group.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.
4. The company and its wholly owned subsidiaries have entered into a Deed of Cross Guarantee under which the company and its subsidiaries guarantee the debts of each other.

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



Daniel Riley

Managing Director

Sydney 22<sup>nd</sup> September 2016

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

**Report on the Financial Report**

We have audited the accompanying financial report of CML Group Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of CML Group Limited are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

*Independence*

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

*Opinion*

In our opinion:

- a) the financial report of CML Group Limited and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2016. The directors of the company 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.

*Opinion*

In our opinion, the Remuneration Report of CML Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



R M SHANLEY  
Partner



PITCHER PARTNERS  
Sydney

22 September 2016

## Additional Information for Publicly Listed Companies

### Statement of quoted securities as at 31 August 2016

- There are 927 shareholders holding a total of 130,100,023 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 74.16% 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 2016

	Range of holding	No. of holders
	1 - 1,000	43
Ordinary fully paid shares	1,001 - 5,000	138
	5,001 - 10,000	315
There are 58 shareholders holding less than a marketable parcel.	10,001 - 100,000	337
	100,001 - and over	94
	<b>Total holders</b>	<b>927</b>

### Substantial shareholdings as at 31 August 2016

#### Ordinary shareholder

	Total relevant interest notified	% of total voting rights
CITICORP NOMINEES PTY LIMITED	25,296,447	19.44
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,495,518	17.29
G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	12,693,779	9.76

### 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 2016

Rank	Shareholder name	No of Shares	% of ordinary shares on issue
1	CITICORP NOMINEES PTY LIMITED	25,296,447	19.44
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	22,495,518	17.29
3	G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	12,693,779	9.76
4	MR GREGORY BRUCE RILEY	5,287,384	4.06
5	G & A RILEY INVESTMENTS PTY LTD <G & A RILEY SMSF A/C>	4,000,000	3.07
6	MR NOEL D'SOUZA	2,863,433	2.20
7	MALZO PTY LTD <J & M DE LORENZO SUPER A/C>	2,777,778	2.14
8	MR DANIEL JON RILEY <M & D RILEY SMSF A/C>	2,659,470	2.04
9	MRS CHRISTINE ANN D'SOUZA	2,597,914	2.00
10	VIP EXECUTIVE PTY LTD <VIP EXECUTIVE SUPER FUND A/C>	2,587,200	1.99
11	SUPER 1136 PTY LTD <IPI RETIREMENT FUND A/C>	2,000,000	1.54
12	BART SUPERANNUATION PTY LIMITED <4F INVESTMENTS SUPERFUND A/C>	1,850,000	1.42
13	MR PETER MICHAEL MATTHEWS	1,610,998	1.24
14	MR NOEL DIAGO LAWRENCE FRANCIS D'SOUZA + MRS CHRISTINE ANN D'SOUZA <MANDOVI SUPER FUND A/C>	1,574,820	1.21
15	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	1,400,000	1.08
16	MR GEOFFREY JOSEPH SAM + MS BRONWYN LEE MODRA <SAM FAMILY SUPER FUND A/C>	1,200,000	0.92
17	PEPLON NOMINEES PTY LTD	1,027,197	0.79
18	OSTRAVA EQUITIES PTY LTD	909,091	0.70
19	MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	902,500	0.69
20	STORMCLASSIC PTY LTD <SVENDSEN PENSION FUND A/C>	750,000	0.58
		<u>96,483,529</u>	<u>74.16</u>