

CSM Group Limited

Annual Report 2018

Contents

Contents	2
Directors' Report	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 – 25
Independent Auditor's Report	26 – 29
Shareholder Information	30
Statutory Information	31 – 33
Company Directory	34

Dear Shareholders,

CSM Group Operations

Following the decision last financial year to cease operations of CSM Group Limited's wholly owned subsidiary, China Scrap Metal Resources Pty Ltd ("CSM Pty"), the Company has continued to wind down that business and proceed to a voluntary winding up of that business.

The financial results reflect the decision to minimise costs, wind down and exit the Australian operation.

The wind down has taken the following steps:

- CSM Pty has sold all of its scrap metal inventory.
- CSM Pty has sold all of its property, plant and equipment as the operations were wound down.
- CSM Pty employees' service with CSM Pty ceased on 30 September 2017.
- CSM Pty undertook a land reinstatement programme in respect of the site in Lara, to return the site to the state it was in as at the commencement of the lease.
- The Lara site has been formally handed back to the landlord.

As cash has been realised from the sale of inventory, property, plant and equipment and local liabilities satisfied, surplus funds have been transferred to the parent company, CSM Group.

Future Options

Following the winding up of CSM Pty, CSM Group Limited ("the Company") will revert to operating as a listed shell, with cash resources and no debt. The Company has no term liabilities, and will have limited ongoing liabilities, most of which are associated with maintaining a listing on the NZAX market.

The options available for CSM Group include:

- finding a business operation to invest in;
- undertaking a reverse acquisition of a business seeking a stock exchange listing;
- the voluntary liquidation of the Company, and the distribution of the net proceeds of the liquidation to the shareholders of the Company.

No decision has yet been made as to which course of action the Company shall take in the future. At the date of this Annual Report, the Directors have not made the decision to wind up and liquidate the Company.

Results

The audited financial result of the Group for the year ended 30 June 2018 is a net loss of USD\$708,000.

Dated: 7th November 2018



Director



Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	30.6.2018 US\$'000	30.6.2017 US\$'000
Revenue		-	-
Cost of goods sold		-	-
Gross Profit		-	-
Other income		-	-
Administrative expenses	2	(430)	(422)
Operating loss		(430)	(422)
Finance income		19	14
Exchange loss		(153)	78
Loss before income tax		(564)	(330)
Income tax expense	3	-	-
Loss from continuing operations		(564)	(330)
Discontinued Operation			
Loss from discontinued operation (net of tax)	18	(144)	(858)
Net loss for the year attributable to shareholders		(708)	(1,188)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas subsidiaries		4	17
Other comprehensive income for the year, net of tax		4	17
Total comprehensive loss for the year attributable to shareholders		(704)	(1,171)
Total comprehensive loss for the year attributable to shareholders arises from:			
Continuing operations		(564)	(330)
Discontinued operation		(140)	(841)
		(704)	(1,171)
Earnings per share for loss attributable to shareholders for continuing operations:			
- Basic loss per share (cents)	4	(0.1361)	(0.0796)
- Diluted loss per share (cents)	4	(0.1361)	(0.0796)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2016	32,355	(491)	(28,207)	3,657
Net loss attributable to shareholders	-	-	(1,188)	(1,188)
Other comprehensive loss	-	17	-	17
Total comprehensive loss	-	17	(1,188)	(1,171)
Balance as at 30 June 2017	32,355	(474)	(29,395)	2,486
Net loss attributable to shareholders	-	-	(708)	(708)
Other comprehensive income	-	4	-	4
Total comprehensive income/(loss)	-	4	(708)	(704)
Balance as at 30 June 2018	32,355	(470)	(30,103)	1,782

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CSM Group Limited

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30.6.2018 US\$'000	30.6.2017 US\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,653	1,961
Trade and other receivables	10	81	97
Inventories	11	-	228
Property, plant and equipment	6	-	348
Taxation receivable	12	165	174
Total current assets		1,899	2,808
Non-Current Assets			
Intangible assets	7	-	-
Total non-current assets		-	-
TOTAL ASSETS		1,899	2,808
LIABILITIES			
Current Liability			
Trade and other payables	14	117	322
Total current liability		117	322
TOTAL LIABILITIES		117	322
EQUITY			
Share capital	5	32,355	32,355
Reserve		(470)	(474)
Accumulated losses		(30,103)	(29,395)
Total Equity		1,782	2,486
TOTAL EQUITY AND LIABILITIES		1,899	2,808

For and on behalf of the Board:



Director



Director

Dated: 7th November 2018

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

		30.6.2018	30.6.2017
	Note	US\$'000	US\$'000
OPERATING ACTIVITIES			
Receipts from customers		414	482
Interest received		21	19
Payments to suppliers and employees		(996)	(920)
Income tax paid	12	(5)	(3)
Net cash outflows from operating activities	15	(566)	(422)
INVESTING ACTIVITIES			
Disposal of property, plant and equipment	6	365	128
Purchase of property, plant and equipment	6	-	(7)
Net cash inflows from investing activities		365	121
Net decrease in cash and cash equivalents		(201)	(301)
Cash and cash equivalents at the beginning of the year		1,961	2,231
Effect of exchange rate changes		(107)	31
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	1,653	1,961

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

A General Information

CSM Group Limited (the Company or Parent) and its subsidiary, China Scrap Metal Resources Pty Limited (CSM Pty) (together, the Group) was engaged in a business operation in Australia of processing scrap metals for export sale to Chinese markets. In 2017, the Company made the decision to cease the scrap metal operations of CSM Pty. Refer to note 18 on discontinued operations of CSM Pty.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 44a Orakei Road, Remuera, Auckland 1050.

The financial statements have been approved for issue by the Board of Directors on 7th November 2018.

The Company's owners do not have the power to amend these financial statements once issued.

B Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Company is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. They comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

a) Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Entities reporting

The consolidated financial statements are for the consolidated Group, which comprise of CSM Group Limited and its subsidiary, CSM Pty.

Statutory base

CSM Group Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the New Zealand Alternative Market ("NZAX"). In accordance with the Financial Markets Conduct Act 2013, because the Group financial statements are prepared and presented for CSM Group Limited and its subsidiary, separate financial statements of CSM Group Limited are no longer required to be prepared and presented.

Measurement basis

These consolidated financial statements have been prepared under the historical cost convention, except for the assets and liabilities of CSM Pty (refer to Note 18).

Going concern

The Directors have adopted the "Going Concern" principle in presenting the 2018 consolidated financial statements.

The Directors, through FY2018, continued to wind down the activities of the subsidiary company, China Scrap Metal Resources Pty Ltd (CSM Pty). Operations ceased in October 2017 with the sale of all inventory and mobile assets and the operational site at Lara, Victoria, was then remediated and handed back to the landlord.

As cash funds were realised and became surplus at CSM Pty Ltd, they were repatriated to the Company and are held on deposit.

The Directors of CSM Pty have applied to ASIC for voluntary deregistration.

The Company will revert to a listed shell, post deregistration of CSM Pty, with cash resources and no debt. The Company has cash funds to support the continuation of the Company through the next several accounting periods at the current and expected burn rate, without recourse to shareholders or external funding.

The Company has limited obligations and these are largely costs associated with maintaining a listing on the NZX.

There are several options for the Company and these will be investigated and discussed with the shareholders at the appropriate time. These options include the business finding another operation to invest in, a reverse acquisition of a company seeking a stock exchange listing or following a special resolution of shareholders the Company, the Company could be voluntarily wound up and the net proceeds, post liquidation, returned to the shareholders. No decisions on these options or any others have been made and they will follow discussions with shareholders. At the date of this Annual Report, the Directors have not made the decision to wind up and liquidate the Company.

Having considered all the factors and the stage at which the Company is at, the Directors are of the view that the adoption of the going concern principle is appropriate.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

b) Principles of consolidation

Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred in a business is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the acquirer. It includes any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Each identifiable asset and liability is generally measured at its acquisition-date fair value except if an NZ IFRS requires another measurement basis. The excess of the consideration transferred over the Group's share of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred is less than the acquisition-date fair value of identifiable assets acquired and liabilities assumed, a gain is recognised directly in profit or loss.

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

c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

d) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the company's operations are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the Group's presentation currency.

Change in functional currency

The operations of CSM Pty at Lara were ceased in October 2017 and following the sale of inventory, mobile assets and plant, the land was handed back to the landlord at the end of March 2018. As a result of this, the only remaining entity is the Parent entity which only transacts in NZD, and therefore the functional currency of the Company has changed from USD to NZD from 1 April 2018.

Given that the CSM Pty has just been wound down during the year, the Directors believe that retaining the presentation currency as USD, which is consistent with last year, is most beneficial to the reader of these consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement section of the consolidated statement of comprehensive income.

Foreign operations

The results and financial position of foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at average exchange rates; and
- resulting differences are recognised in other comprehensive income.

e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised as follows:

Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods have been determined, the price is fixed and generally title has passed.

f) Finance Income

Finance income comprises interest income on funds invested. Interest revenue is recognised as it accrues, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

g) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement section of the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity respectively.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the comprehensive liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

h) Goods and Services Tax (GST)

The consolidated statement of comprehensive income and the consolidated statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the consolidated statement of financial position are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

i) Leases

The Group is the Lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement section of the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

j) Statement of Cash Flows

The following is the definition of the terms used in the consolidated statement of cash flows:

- Operating activities are the principal revenue-producing activities of the group. Also included in this category are other activities that are not investing or financing activities.
- Investing activities are those relating to the acquisition and disposal of long-term assets.
- Financing activities are those activities which result in changes in the size and composition of the contributed equity and borrowings of the group.

k) Cash and Cash Equivalents

Cash and cash equivalents include 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 change in value, and bank overdrafts. Bank overdrafts are shown separately in current liabilities on the consolidated statement of financial position.

l) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence (such as age of debt, financial difficulty of the counterparty) that the Group will not be able to collect all amounts due according to the original terms of those receivables.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the actual cost of inventory purchased. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

n) Financial Assets

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period; these are classified as non-current assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call and monthly deposit with banks.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the date that they are originated. The Group recognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group classifies non-derivative financial liabilities into 'trade and other payables' in the consolidated statement of financial position.

o) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated 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. All other repairs and maintenance are charged to the income statement section of the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on other assets is calculated using diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvements 15 years
- Plant & equipment 5 – 8 years
- Motor vehicles 5 years
- Office furniture & equipment 2-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

p) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through sale transactions rather than continuing use and the sale transactions are highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss. CSM Pty's property, plant and equipment are classified as a current asset as these were recovered through sale transactions.

q) Intangible Assets

Permits

Permits that have a finite useful life are carried at cost less accumulated amortisation. Amortisation of the permits is calculated on a straight-line basis over their estimated useful life of five years.

r) Impairment of Non-Current Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. 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 flows (cash generating units).

s) Trade and Other Payables

Trade and other payables represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

t) Employee Benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

u) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

v) Dividends

Provision is made for the amount of any dividend declared on or before balance date but not distributed at balance date.

w) Pension Fund Contributions

The group pays contributions defined contribution plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

x) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share

Diluted earnings per share is determined by adjusting the profit for loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

y) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can clearly be distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view for resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been classified as discontinued from the start of the comparative year. CSM Pty Limited is a discontinued operation (refer to Note 18).

C Critical Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with generally accepted accounting practice requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosures of contingent assets and liabilities as at the date of the financial statements, and the profit and loss amounts during the year. The actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the judgements applied are discussed below.

Basis of Preparation

At the date of this Annual Report, the Directors have not made a decision to liquidate the Company and have realistic alternatives as described in Note B above. The Company has adequate resources for the continuation of the Company through the next 12 months and in several accounting periods. Having considered all the factors for the Company, the Directors have adopted the going concern basis in preparing its consolidated financial statements.

Income Taxes

Judgement is exercised in determining the timing and extent of recognition of the benefit of tax losses. The benefit of tax losses can be recognised as an asset if its recovery is 'probable' (more likely than not). In the absence of any track record of profitability, convincing evidence is needed of how the losses will be recovered in the future, before any deferred tax asset is recognised. As detailed in note 12, the Group has not recognised any benefit at 30 June 2018 in respect of the tax losses generated to 30 June 2018, given the history of losses and the expectation that taxable profits will not be available in the foreseeable future against which these tax losses will be utilised.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

Functional Currency – Parent has changed functional currency to NZD

Judgement has been exercised in determining the Parent's and its subsidiary, China Scrap Metals Resources Pty Limited (CSM Pty) functional currencies. For the periods up to 31 March 2018, it had been determined that the United States dollar (USD) is the Parent's functional currency and the Australian dollar (AUD) is CSM Group's functional currency. This had been determined taking into account the currency in which the entities make sales or provide services, incur expenses and receive funds from financing activities. The operational land of CSM Pty at Lara was handed back to the landlord at the end of March 2018. This change in operations has triggered a change in functional currency. Therefore, from 1 April 2018 the functional currency of the Parent has been changed from USD to NZD.

Carrying Value of Fixed Assets

The Group periodically evaluates the carrying value of assets for impairment. The Group's subsidiary, China Scrap Metals Resources Pty Limited (CSM Pty) has ceased operations and the inventory and property, plant and equipment were offered for sale. As a result, the recoverable amount of CSM Pty's property, plant and equipment (US\$348,000) has been recognised through the realisations from asset sales process. The Group has determined the recoverable amount of the assets as the value received for these assets on sale or disposal at 30 June 2017. There are no fixed assets as at 30 June 2018.

Carrying Value of Inventory

Historically, the manner of processing scrap metal, physical verification of the quantity of inventory was not possible. The scrap metal was not processed and organised in a uniform manner for a physical quantification of inventory to be made at year-end. As a result, significant judgement was applied to arrive at a reliable estimate of the quantity of stock on hand as at 30 June 2017. As part of discontinuation of the CSM Pty, the inventory was sold as at 8 September 2017 and the disposal proceeds well exceeded the carrying value at 30 June 2017. There is no inventory at 30 June 2018.

D New Standards

International Financial Reporting Standards adopted during the year

There are no standards, amendments and interpretations to existing standards adopted by the Group during the year that have had a material impact on the financial statements.

New International Financial Reporting Standards

The following standards have been issued but have not yet been adopted:

NZ IFRS 9 Financial Instruments.

This standard contains the requirements for the classification and measurement and recognition of financial assets and financial liabilities and replaces the guidance on NZ IAS 39 *Financial Instruments – Recognition and Measurement*. The standard is effective for periods commencing on or after 1 January 2018. The Group is yet to assess the impact of this standard. The Group will apply this standard from 1 July 2018.

NZ IFRS 15 Revenue from Contracts with Customers.

This standard is effective for periods commencing on or after 1 January 2018. The standard addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 Revenue and IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five-step model for revenue recognition to depict the transfer of promised goods or services to customers in a way that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 July 2018.

NZ IFRS 16 Leases

This standard is effective for periods commencing on or after 1 January 2019. It replaces the current guidance in NZ IAS 17 Leases. The existing lease accounting rules require lessees and lessors to classify their leases as either finance or operating leases. A lessee is not required to recognise lease assets or liabilities for operating leases. NZ IFRS 16 will require a lessee to recognise a lease liability reflecting future lease payments and a "right-of-use" for most lease contracts. Under NZ IFRS 16, the accounting treatment for lessors is almost the same as under the current guidance NZ IAS 17. The Group intends to adopt NZ IFRS 16 effective from 1 July 2019 for any relevant leases.

There are no other standards, amendments, or interpretations to existing standards that have been issued and yet to be adopted by the Group that are likely to have a material impact on the financial statements.

Given that the Company will revert to a listed shell, post deregistration of CSM Pty, and currently has no operations (see Note B on Going Concern), the Group has yet to assess the full impact of the above new standards.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

1 Segment Information

The Group has identified its operating segments based on the internal reports reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The Group is organised into the following main operating segments:

- China Scrap Metals Resources Pty Limited (CSM Pty) included the business operation in Australia that was involved in the processing of scrap metal for export sale to Chinese markets and now discontinued with the operation having been wound down and in the final stages of liquidation. Refer Note 18.
- Holding company New Zealand includes holding company costs and head office charges.

Revenue is allocated based on the country where the sale is generated. Expenses are allocated based on the country where the expense is incurred.

Total assets and liabilities are allocated based on where those assets and liabilities are located.

	Year ended 30 June 2018			Year ended 30 June 2017		
	CSM Pty	Holding Company New Zealand	Total	CSM Pty	Holding Company New Zealand	Total
	US\$'000 Discontinued	US\$'000 Continuing	US\$'000	US\$'000	US\$'000	US\$'000
Total inter-segment revenue	-	-	-	-	72	72
Total external sales revenue	394	-	394	479	-	479
Total EBITDA	(213)	(430)	(643)	(390)	(422)	(812)
Amortisation	-	-	-	(3)	-	(3)
Depreciation	-	-	-	(133)	-	(133)
Impairment recovered/(Impairment)	17	-	17	(247)	-	(247)
Provision for closedown costs	-	-	-	(95)	-	(95)
Finance income	2	19	21	5	14	19
Exchange gain/(loss)	50	(153)	(103)	5	78	83
Loss before taxation	(144)	(564)	(708)	(858)	(330)	(1,188)
Income tax expense	-	-	-	-	-	-
Net loss for the year	(144)	(564)	(708)	(858)	(330)	(1,188)
Allocated non-current segment assets	-	-	-	-	-	-
Additions to non-current assets	-	-	-	27	-	27
Allocated segment liabilities	37	80	117	233	89	322

The "Total EBITDA" measure above excludes foreign exchange gains / losses as well as net finance income, amortisation and depreciation.

2 Administrative Expenses – Continued Operations

	30.6.2018 US\$'000	30.6.2017 US\$'000
Administrative expenses for the continued operation include:		
Directors' fees (note 17)	255	252
Auditors' fees		
Amounts paid or due and payable to the auditors for:		
Audit of Group financial statements	57	56
Total fees paid to PricewaterhouseCoopers	57	56
Other administrative expenses		
Other expenses	118	114

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3 Income Tax Expense

	30.6.2018 US\$'000	30.6.2017 US\$'000
Net loss for the year before taxation from continuing operations	(564)	(330)
Tax at the New Zealand rate of 28% (2017: 28%)	(158)	(92)
Expenses not deductible for tax	3	2
Foreign exchange losses not deductible/(taxable)	32	(22)
Losses not recognised as asset	123	112
Total income tax expense	-	-
Comprising:		
Current income tax expense	-	-
Decrease in deferred tax	-	-
Total income tax expense	-	-

4 Earnings per Share

Basic earnings per share is calculated by dividing the loss by the weighted average number of ordinary shares on issue during the year.

	30.6.2018 12 months 000	30.6.2017 12 months 000
Loss used in calculating earnings per share		
Net loss attributable to shareholders from continuing operations	(564)	(330)
Net loss attributable to shareholders from discontinued operations	(144)	(858)
	(708)	(1,188)
Number of shares used as the denominator		
Number of ordinary shares on issue (thousands)	414,550	414,550
Weighted average number of ordinary shares on issue (thousands)	414,550	414,550
Weighted average number of diluted shares on issue (thousands)	414,550	414,550
Basic loss per share (cents)		
Basic loss per share attributable to shareholders		
From continuing operations	(0.1361)	(0.0796)
From discontinued operations	(0.0347)	(0.2070)
Total basic loss per share attributable to shareholders (cents)	(0.1708)	(0.2866)
Diluted loss per share (cents)		
Diluted loss per share attributable to shareholders		
From continuing operations	(0.1361)	(0.0796)
From discontinued operations	(0.0347)	(0.2070)
Total diluted loss per share attributable to shareholders (cents)	(0.1708)	(0.2866)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

5 Share Capital

	30.6.2018 Number of Shares	30.6.2017	30.6.2018 US\$'000	30.6.2017 US\$'000
Ordinary shares				
Balance at beginning of year	414,550,000	414,550,000	32,355	32,355
Shares issued	-	-	-	-
Balance at end of year	414,550,000	414,550,000	32,355	32,355

Ordinary shares

As at 30 June 2018 there were 414,550,000 shares issued. All ordinary shares on issue are fully paid. All ordinary shares rank equally with one vote attached to each share.

6 Property, Plant and Equipment

	Leasehold improvements US\$'000	Plant & equipment US\$'000	Motor vehicles US\$'000	Office furniture & equipment US\$'000	Total US\$'000
Cost					
Balance as at 1 July 2016	115	1,036	12	18	1,181
Additions	-	6	-	1	7
Disposals	-	(207)	-	(4)	(211)
Exchange differences	4	29	1	-	34
Balance as at 30 June 2017	119	864	13	15	1,011
Additions	-	-	-	-	-
Disposals	(119)	(864)	(13)	(15)	(1,011)
Exchange differences	-	-	-	-	-
Balance as at 30 June 2018	-	-	-	-	-
Accumulated depreciation and impairment					
Balance as at 1 July 2016	27	307	4	9	347
Depreciation charge for the year	9	120	2	2	133
Impairment	77	156	7	7	247
Disposals	-	(79)	-	(4)	(83)
Exchange differences	2	16	-	1	19
Balance as at 30 June 2017	115	520	13	15	663
Depreciation charge for the year	-	-	-	-	-
Impairment reversal	(4)	(13)	-	-	(17)
Disposals	(111)	(507)	(13)	(15)	(646)
Exchange differences	-	-	-	-	-
Balance as at 30 June 2018	-	-	-	-	-
Carrying amounts					
At 30 June 2016	88	729	8	9	834
At 30 June 2017	4	344	-	-	348
At 30 June 2018	-	-	-	-	-

At 30 June 2017, an impairment of \$247,000 for property, plant and equipment was recognised based on known and estimated realisation proceeds for the sale of assets. Actual realisation proceeds exceeded that estimate by \$17,000 resulting in an impairment reversal for the year ended 30 June 2018.

CSM Pty's property, plant and equipment were held for sale at 30 June 2017 and were sold during FY2018 as part of CSM Pty's wind up process (note 18).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

7 Intangible Assets

	Permits US\$'000	Total US\$'000
Cost		
Balance as at 1 July 2016	8	8
Exchange differences	-	-
Balance as at 30 June 2017	8	8
Exchange differences	-	-
Disposal of cost at nil value	(8)	(8)
Balance as at 30 June 2018	-	-
Accumulated amortisation		
Balance as at 1 July 2016	5	5
Amortisation charge for the year	3	3
Exchange differences	-	-
Balance as at 30 June 2017	8	8
Disposal of accumulated amortisation	(8)	(8)
Exchange difference	-	-
Balance as at 30 June 2018	-	-
Carrying amounts		
At 30 June 2016	3	3
At 30 June 2017	-	-
At 30 June 2018	-	-

8 Investment in Subsidiary

The group consolidated financial statements include the financial statements of CSM Group Limited (parent company) and its subsidiary:

	Principal place of business	Equity Holding 30.6.2018	30.6.2017
China Scrap Metals Resources Pty Limited (CSM Pty)	Australia	100%	100%

CSM Pty was involved in the export of scrap metal. CSM Pty has a balance date of 30 June. As of the date of the Annual Report, operations had ceased with all assets sold, liabilities settled, and the wind-up process is nearing completion. Refer to Note 18.

9 Cash and Cash Equivalents

	30.6.2018 US\$'000	30.6.2016 US\$'000
The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:		
New Zealand dollars	9	83
United States dollars	-	-
Australian dollars	1,644	1,878
Total cash and cash equivalents	1,653	1,961

The carrying amount for cash and cash equivalents equals the fair value.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

10 Trade and Other Receivables

	30.6.2018 US\$'000	30.6.2017 US\$'000
Current		
Trade receivables	-	20
Other receivables	38	32
Prepayments	26	45
Other current assets	17	-
Total current trade and other receivables	81	97
Foreign currency risk		
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
Australian dollars	1	22
New Zealand dollars	80	75
United States dollars	-	-
Total trade and other receivables	81	97

Other current assets refer to insurance premium of \$17,000 invoiced for insurance coverage up to 1st May 2019 but not paid as at 30 June 2018. The insurance contract was entered into from 1st May 2018, and therefore the Company was already insured from 1st May 2018 and has an obligation to pay the premium to the insurer.

The fair value of other receivables approximates their carrying value. No receivables are past due or impaired as at 30 June 2018 (2017: nil).

11 Inventory

	30.6.2018 US\$'000	30.6.2017 US\$'000
Finished goods	-	228
Total inventories	-	228

All inventories were sold during the year as part of winding down CSM Pty (note 18).

12 Taxation

	30.6.2018 US\$'000	30.6.2017 US\$'000
Taxation receivable		
Balance at beginning of year	174	165
Exchange differences	(14)	6
Current taxation	-	-
Taxation paid – resident withholding tax paid on interest income	5	3
Total taxation receivable	165	174

Total taxation receivable relates to income tax refunds due and credits held at the Inland Revenue for 2018 and prior year tax return periods.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Due to the close down of the operations of CSM Pty, tax losses for that company are assumed to be lost and not included in the 2017 and 2018 loss carry forward calculations.

The Group did not recognise deferred income tax assets of US\$858,000 (30 June 2017: US\$814,000) in respect of gross tax losses amounting to US\$3,064,000 (30 June 2017: US\$2,907,000) that can be carried forward against future taxable income, subject to meeting the requirements of Income Tax Legislation, including those relating to shareholder continuity.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

13 Imputation credits

	30.6.2018 US\$'000	30.6.2017 US\$'000
Imputation credits available for use in subsequent periods	165	172

No imputation credits expire.

Imputation credits relates to a tax receivable which is not for distribution to shareholders. Once the tax receivable amount is collected from IRD, the Group will no longer have any imputation credits available.

14 Trade and Other Payables

	30.6.2018 US\$'000	30.6.2017 US\$'000
Trade payables	32	132
Trade payables to related parties (see note 17: relates to services provided by Roger Gower & Associates and Corporate Counsel)	2	4
Accrued expenses	46	51
Provision for closedown costs	-	95
Accrued expenses to related parties	-	-
Other payables	37	40
Total trade and other payables	117	322
Foreign currency risk		
The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
Australian dollars	37	233
New Zealand dollars	80	89
Total trade and other payables	117	322

Fair value

The fair value of trade and other payables approximates their carrying value. No interest is paid on payables.

15 Reconciliation of Loss after Taxation with Cash Flow from Operating Activities**Reconciliation with Net Reported Loss for Continuing and Discontinued Operations**

	30.6.2018 US\$'000	30.6.2017 US\$'000
Reported net loss after taxation	(708)	(1,188)
Items not involving cash flows:		
Amortisation expense	-	3
Depreciation expense and impairment loss	(17)	380
Exchange loss/(gain) on net cash	125	(35)
Changes in working capital items:		
Decrease/(increase) in trade and other receivables	16	(11)
Decrease/(increase) in inventories	228	253
(Decrease)/Increase in trade and other payables	(205)	179
Taxation paid – resident withholding tax on interest income	(5)	(3)
Net cash outflows from operating activities	(566)	(422)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

16 Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out centrally by the head office under policies approved by the Board of Directors. The Board provides written principles for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

The Group has entered into a number of non-derivative financial instruments all of which are classified as loans and receivables. The carrying values of these items approximate their fair value and represent the maximum exposures for each type of financial instrument. They are listed as follows:

	Note	30.6.2018 US\$'000	30.6.2017 US\$'000
Loans and receivables			
Cash and cash equivalents	9	1,653	1,961
Trade and other receivables	10	81	97
		<u>1,734</u>	<u>2,058</u>
 Other financial liabilities at amortised cost			
Trade and other payables	14	117	322
		<u>117</u>	<u>322</u>

The Group does not have any derivative financial instruments (2017: nil).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and scrap metal commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Parent Company's functional currency is the New Zealand dollar (2017: United States dollar). The Parent Company has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising principally on cash balances. The Group policy is to balance continuing foreign currency requirements to reduce exchange risk while maximising interest receivable available in alternative currencies.

The following table shows the sensitivity of the Group's after-tax profit and equity to a movement in the exchange rate of +/-10%. The table assumes a tax rate of 28%.

	30.6.2018 US\$'000	30.6.2017 US\$'000
Currency amount – monetary assets (including cash) and liabilities denominated in foreign currencies	1,607	1,901
+10% movement of USD (2017: NZD) and AUD against the functional currency		
post tax profit – USD (2017: NZD) denominated monetary assets	-	17
post tax profit – AUD denominated monetary assets	116	119
post tax profit	<u>116</u>	<u>136</u>
Equity	116	136

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

16 Financial Instruments (continued)

	30.6.2018 US\$'000	30.6.2017 US\$'000
-10% movement of USD (2017: NZD) and AUD against the functional currency		
post tax profit – USD (2017: NZD) denominated monetary assets	-	(17)
post tax profit – AUD denominated monetary assets	(116)	(119)
post tax profit	(116)	(136)
Equity	(116)	(136)

Refer to notes 10 and 14 for receivables and payables denominated in foreign currencies.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from cash and cash equivalents. Cash balances denominated in New Zealand dollars and Australian dollars at variable rates expose the Group to cash flow interest rate risk.

The Group has Australian denominated cash and cash equivalents which are subject to variable rates, with an average rate of 1.28% in the year ended 30 June 2018 (2017: 1.22%). The United States dollar denominated cash and cash equivalent balances are non-interest bearing.

The following table shows the sensitivity of the Group's after-tax profit and equity to a movement in the interest rate of 100 basis points. The table assumes a tax rate of 28%.

	30.6.2018 US\$'000	30.6.2017 US\$'000
New Zealand dollar denominated cash and cash equivalents	9	83
Australian dollar denominated cash and cash equivalents	1,644	1,878
+100 basis points movement		
post tax profit	12	14
equity	12	14
-100 basis points movement		
post tax profit	(12)	(14)
equity	(12)	(14)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, deposits with banks and the Group's receivables from customers. The Group's maximum credit risk is represented by the carrying value of these financial assets. The Group currently has no amounts due from customers and all receivables are aged less than 30 days. The credit risk associated with cash transactions and deposits is managed through the Group's policies that limit the use of counterparties to high credit quality financial institutions.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Trade and other payables will be settled at their values as per the balance sheet within 6 months. Due to the level of cash held by the Group there is limited liquidity risk.

Fair value

The fair value of trade receivables, trade payables and cash and cash equivalents are determined to be equivalent to their carrying value due to the short-term nature of these balances.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure that reduces the cost of capital. Refer to the Significant Accounting Policies, Basis of Preparation, Going Concern on Note B for further information.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

16 Financial Instruments (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital is calculated as "equity" as shown in the consolidated statements of financial position. There are no external capital requirements.

17 Related Party Information**Subsidiaries**

Interests in subsidiaries are set out in note 8.

Directors

The names of persons who were directors of the Company at any time during the current and previous financial periods are as follows: Roger Gower, Sean Joyce, Ping Li, Zhmin Shi and Yanyi Shi.

Key Management and Personnel Compensation

Key management personnel compensation is set out below. The key management personnel are all the directors of the Company. Directors' remuneration is paid by way of bank transfer.

Payments made to key personnel are as follows and includes:

	30.6.2018 US\$'000	30.6.2017 US\$'000
Salaries and other short-term employee benefits	-	-
Directors' remuneration		
R Gower, Director – Roger Gower & Associates	68	67
S Joyce, Director	53	53
P Li, Director	54	53
Y Shi, Director	26	26
Z Shi, Director	54	53
Total directors' remuneration	255	252
Balances outstanding		
Roger Gower – Roger Gower & Associates – trade payable	1	3
Sean Joyce - Corporate Counsel – trade payable	1	1
Y Shi – accrued expenses	-	-
P Li, – accrued expenses	-	-
Z Shi, – accrued expenses	-	-
	30.6.2018 US\$'000	30.6.2017 US\$'000

Further, the following directors provided the following services to the Group:

Consulting, legal and other

R Gower	32	6
S Joyce	32	7
Z Shi	17	2
	81	15

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

18 Discontinued Operation

On 10 May 2017, the Group announced its intention to wind down the commercial scrap metal operations of its wholly owned subsidiary China Scrap Metal Resources Pty Ltd (CSM Pty). The loss for the discontinued operation has been presented separately in the consolidated financial statements.

The statement of comprehensive income and cash flow information is presented as follows.

	30.06.2018 US\$'000	30.06.2017 US\$'000
Revenue	394	479
Other income	-	4
Expenses	(590)	(1,256)
Finance income	2	5
Exchange gain/(loss)	50	5
Loss before income tax	(144)	(763)
Income tax expense	-	-
Loss after tax of discontinued operation	(144)	(763)
Provision for closedown costs	-	(95)
Other comprehensive loss from discontinued operation	(144)	(858)
Earnings per share for loss attributable to shareholders for discontinued operations:		
- Basic loss per share (cents)	(0.0347)	(0.2070)
- Diluted loss per share (cents)	(0.0347)	(0.2070)
Cashflow		
Net cash outflow from operating activities	(128)	(142)
Net cash inflow/(outflow) from investing activities	365	121
Net cash (outflow)/inflow from financing activities (intercompany advances)	(1,232)	112
Net increase in cash generated by the subsidiary	(995)	91
Expenses for the discontinued operation include:		
Rental and operating lease expense	39	147
Provision for closedown costs	-	95
Depreciation		
Leasehold improvements	-	9
Plant & equipment	-	120
Motor vehicles	-	2
Office furniture & equipment	-	2
Total depreciation	-	133
(Impairment reversal)/Impairment		
Leasehold improvements	(4)	77
Plant & equipment	(13)	156
Motor vehicles	-	7
Office furniture & equipment	-	7
Total impairment	(17)	247
Amortisation		
Intangible assets	-	3

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

18 Discontinued Operation (continued)

	30.06.2018 US\$'000	30.06.2017 US\$'000
Employee benefits		
Wages and salaries	88	239
Pension fund contributions to external fund	6	26
Total employee benefits	94	265

The statement of financial position information is presented as follows.

Cash and cash equivalents	12	1,008
Trade and other receivables	1	22
Inventories	-	228
Property, plant and equipment	-	348
Intangible assets	-	-
Total assets	13	1,606
Trade and other payables	(37)	(233)
Advance from CSM Group Ltd	(35)	(1,292)
Total liabilities	(72)	(1,525)
Net (liabilities)/assets	(59)	81

	30.06.2018 US\$'000	30.06.2017 US\$'000
Trade and other payables include a provision for closedown costs:		
Settlement with employees upon redundancy	-	33
Lease re-instatement costs	-	62
Total provision	-	95

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

19 Commitments**Operating lease commitments**

The lease Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows.

China Scrap Metals Resources Pty Limited had leased an industrial site under a non-cancellable operating lease agreement. The lease reflects normal commercial arrangements with escalation clauses based on the CPI index and renewal rights. The lease expired on 20 July 2017. In August 2017, as part of lease termination negotiations, a lease termination extension was agreed and applied to the period 20 July to 20 October 2017. The property has been vacated.

	30.06.2018 US\$'000	30.06.2017 US\$'000
Within one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-
Commitments not recognised in the financial statements	-	-

20 Contingent Liabilities

There are no contingent liabilities as at 30 June 2018 (30 June 2017: nil).

21 Events Subsequent to Balance Date

There are no events subsequent to balance date.



Independent auditor's report

To the shareholders of CSM Group Limited

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of CSM Group Limited (the Company), including its subsidiary, China Scrap Metal Resources Pty Limited (CSM Pty), (together, the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall group materiality: \$18,000, which represents approximately 1% of net assets.

We chose net assets as the benchmark because CSM Pty, the only trading subsidiary of the Group, ceased operations in October 2017. Accordingly, in our view, the shareholders will be interested in the net assets supporting their investment in the Group.

We have determined that there is one key audit matter:

- basis of preparation of the consolidated financial statements.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. We have identified one key audit matter which is the basis of preparation of the consolidated financial statements and this was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Basis of preparation of the consolidated financial statements</i></p> <p>As disclosed in Note B to the consolidated financial statements, the Directors have outlined their considerations and conclusions in adopting the going concern principles in the preparation of the Group's consolidated financial statements.</p> <p>The Company has sufficient cash resources to continue as a going concern for the next 12 months, however no decisions have been made in respect of the future of the Company.</p> <p>The Board outlined the following available options for the Company:</p> <ul style="list-style-type: none"> • finding another operation to invest in; • a reverse acquisition of a company seeking a stock exchange listing; or • a voluntary wind up. <p>While the above options are currently being considered, one of which is to voluntarily wind up the Company, there is no plan to liquidate the Company as at the date of approving the consolidated financial statements.</p> <p>Concluding that the consolidated financial statements be prepared on a going concern basis was an area of judgement which required extended audit consideration.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • We held discussions with the Directors to understand their intentions and plans for the Company and reviewed the minutes of meetings held; • We obtained the forecast cash burn rate which shows that the Company has sufficient cash funds to support the continuation of the Company through at least the next 12 months from the date of this audit report; • We obtained a signed representation letter from the Directors that, as at date of approval of the consolidated financial statements, no decision has been made to wind up and liquidate the Company. <p>From the procedures performed, we have no matters to report.</p>

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

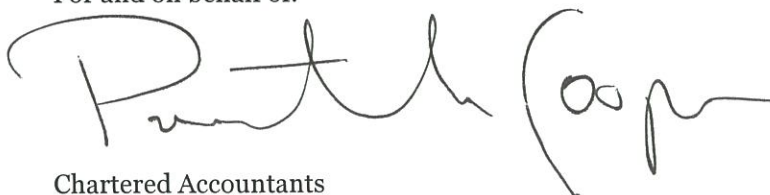
This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Indumin Senaratne (Indy Sena).

For and on behalf of:



Chartered Accountants
7 November 2018

Auckland

Shareholder Information

For the year ended 30 June 2018

Stock Exchange Listing

The Company's shares are listed on the New Zealand Alternative Market ("NZAX").

Distributions of Ordinary Sharesas at 28th October 2018**Size of holding**

	Number of security holders		Number of securities	
	No of holders	%	Shares held	%
1 – 1,000	1,416	0.03%	131,299	0.03%
1,001 – 5,000	41	0.02%	92,133	0.02%
5,001 – 10,000	9	0.02%	68,327	0.02%
10,001 – 100,000	28	0.25%	1,038,701	0.25%
100,001 and over	20	99.68%	413,219,540	99.68%
Total	1,514	100.000%	414,550,000	100.00%

Principal Shareholders**20 Largest Registered Holders of Quoted Equity Securities**as at 28th October 2018

Shareholder	Shares held	%
Fengli Group (Hong Kong) Co Limited	125,000,000	30.153%
Marvel Fantasy Limited	100,000,000	24.123%
APZ Limited	62,524,790	15.083%
Wallflower Limited	44,667,000	10.775%
Minera Varry Minerals Limited	32,810,000	7.915%
Custodial Services Limited	17,000,050	4.101%
Laddara Pty Limited	10,000,000	2.412%
Tuberoze Limited	7,190,000	1.734%
Dunkeld Pastoral Co Pty Limited	4,179,204	1.008%
John Edward Connell	3,119,376	0.752%
Michael Lenihan	2,300,000	0.555%
Custodial Nominee Company Limited	2,256,932	0.544%
Ross Dix Harvey	846,728	0.200%
William Carson	347,933	0.084%
Aleksander Borowik	250,000	0.060%
Roderique John Arthur Mackenzie	186,050	0.045%
Roy Richard Jackson	170,602	0.041%
Kane Stevenson	159,900	0.039%
Anthony Lyte	110,000	0.027%
David Allan Lowe	101,000	0.024%
	413,219,565	99.630%

Substantial Security Holdersas at 28th October 2018 there were a total of 414,550,000 ordinary fully paid shares on issue.According to notices given to the Company under the New Zealand Securities Market Act 1988, as at 19th September 2018, the substantial security holders in the Company are:

	Number of shares held	Relevant Interest	% of Shares
Fengli Group (Hong Kong) Co. Limited	125,000,000	Beneficial	30.153%
Marvel Fantasy Limited	100,000,000	Beneficial	24.123%
APZ Limited	62,524,790	Beneficial	15.083%

Directors

During the 12 months ended 30 June 2018 the persons holding office as directors of the Company were:

	Position	Status
R Gower	Chairman	Independent, non-executive
S Joyce		Independent, non-executive
P Li		Non-executive
Y Shi		Non-executive
Z Shi		Non-executive

Gender Diversity

As at 7th November 2018 the Board of CSM Group Limited comprised of five directors. Three directors are male and two directors are female.

Directors' Security Holdings

as at 30 June 2018

	Equity securities held			
	Beneficially owned		Held by associated persons	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	Number	Number	Number	Number
Ordinary Shares (CSM Group Limited)				
R Gower	-	-	-	-
S Joyce	-	-	20,000	20,000
P Li	-	-	-	-
Y Shi	-	-	-	-
Z Shi	-	-	-	-

Directors' Interests and Remuneration

Details of the nature and the amount of each major element of the remuneration of each Director for the year ended 30 June 2018 is:

	Fees	Consultancy, Legal, and Other	Salary	Total
	\$'000	\$'000	\$'000	\$'000
Parent				
R Gower	68	32	-	100
S Joyce	53	32	-	85
P Li	54	-	-	54
Y Shi	26	-	-	26
Z Shi	54	17	-	71
Total Remuneration	255	81	-	336

Statutory Information

For the year ended 30 June 2018

Entries Recorded in the Interests Register

The following entries were recorded in the interests' register of the Company during the year ended 30 June 2018:

(A) **SHARE DEALINGS OF DIRECTORS**

During the year ended 30 June 2018 no directors traded in the shares of the Company.

(B) **DIRECTORS' AND OFFICERS INSURANCE LIABILITY**

As permitted by the New Zealand Companies Act 1993, the Company has arranged a policy of Director's and Officers' Liability Insurance which insures those persons indemnified to certain liabilities and costs.

Remunerations of Employees

Other than Directors of the Company noted above, there was no remuneration and benefits paid to any other employee for the year ended 30 June 2018.

Auditors

PricewaterhouseCoopers Auckland are the auditors for the Company. They were paid US\$57,000 as audit fees in respect of the last financial period.

Donations

No donations were paid for the year ended 30 June 2018.

Directors of Subsidiary

The persons holding office as Directors of China Scrap Metals Resources Pty Limited during the year are:

- P Li
- Z Shi

Remuneration of Directors of Subsidiary

No Directors received remuneration from China Scrap Metals Resources Pty Limited as Directors of the subsidiary.

Employee Remuneration of Subsidiary

No employees of China Scrap Metals Resources Pty Limited, who are not directors, received remuneration and benefits exceeding NZD\$100,000 per annum during the year ended 30 June 2018.

Donations of Subsidiary

No donations were paid by China Scrap Metals Resources Pty Limited for the year ended 30 June 2018.

Corporate Governance

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of behaviour and accountability. The Board intends to develop strategies for the Company, review strategic objectives and monitor the Company's performance against those objectives. The overall goal of the corporate governance process is to:

- drive shareholder value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following primary responsibilities:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- review of performance and remuneration of Directors and Executive Officers; and
- establishment and maintenance of appropriate ethical standards for the Company to operate by.

The Directors have appointed an Audit Committee and a Nomination and Remuneration Committee. The Audit Committee is chaired by Mr Roger Gower with Mr Sean Joyce as a member.

The role of the Audit Committee is to take responsibility for overseeing the Company's audit procedures, undertaking management and responsibility for the Company fulfilling its annual audit review, and providing any information required by the Company's auditor.

The role of the Nomination and Remuneration Committee is to consider the appointment of any future Directors and their suitability to hold that position, as well as the employment of senior executive employees of the Company. The Nomination and Remuneration Committee is also responsible for considering the remuneration to be paid to executive employees and Directors.

The Company has adopted corporate governance policies and practices which are appropriate for the size and nature of the Company. The policies adopted include Continuous Disclosure and Trading in securities procedures and policies.

The Board also recognises its duty to ensure that its Shareholders and other stakeholders are informed of all major developments affecting the Company's state of affairs.

Directors

R H Gower
S R Joyce
P Li
Y Shi
Z Shi

Registered Office

c/- Roger Gower & Associates
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Remuera, Auckland 1050, New Zealand

Postal Address

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44a Orakei Road,
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Bankers

ASB Bank Limited
PO Box 35
Shortland Street
Auckland 1140

Auditors

PricewaterhouseCoopers
188 Quay Street
Auckland
New Zealand

Share Registry

Link Market Services
Level 7, Zurich House
21 Queen Street
Auckland 1010

PO Box 91976
Auckland 1142
New Zealand