

CSM Group Limited (NZAX: CSM)

Half year preliminary unaudited announcement for the 6 months ended 31 December 2018

Commentary

AUCKLAND, New Zealand, 14 March 2019 – The Board of CSM Group Limited (NZAX: CSM) is pleased to announce the preliminary unaudited half year results of the business for the 6 months ended 31 December 2018.

Results for Announcement to the Market

Reporting Period	6 months to 31 December 2018
Previous reporting period	6 months to 31 December 2017

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ-	-%
Profit (loss) from ordinary activities after tax attributable to security holder	\$NZ(390)	14.1%
Net profit (loss) attributable to shareholders	\$NZ(1,022)	250.8%%

Interim/Final Dividend	Amount per share	Imputed amount per share
The company does not propose to pay a dividend at this time.	Not applicable	Not applicable

Record Date	Not applicable
Dividend Payment Date	Not applicable

Comments:	See below
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Half year preliminary unaudited announcement for the 6 months ended 31 December 2018

Following the decision to cease operations at its wholly owned subsidiary China Scrap Metal Resources Pty Ltd (“CSM Pty”), the company has now completed the winding down of that business and its subsidiary company (CSM Pty) was de-registered on 6 November 2018.

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

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. All funds held in Australia are now held in CSM Group.

Transfer from foreign currency translation reserve on wind up of subsidiary

Included in the net loss attributable to shareholders is a classification adjustment of \$697,000. IFRSs require that on the wind up of a foreign subsidiary, the cumulative amount of exchange differences recognised in equity (in the foreign currency translation reserve) be reclassified from equity to profit or loss. This adjustment has no impact on net tangible asset backing or cash reserves.

Functional Currency

The Company advised in its 2018 Annual Report that the functional currency changed from USD to NZD with effect from 1st April 2018.

Presentation Currency

Now that the Australian subsidiary, CSM Pty, has been fully disposed and the corporate entity de-registered the Directors advise that the Company has adopted New Zealand Dollars as its presentation currency.

The choice of presentation currency is an accounting policy and any change is applied retrospectively. The effect is the financial statements are treated as if the new presentation currency has always been the presentation currency, with the comparatives restated in the new presentation currency. The effect of foreign currency movements that impact on the financial statements as a result of this change in presentation currency, is shown in Other Comprehensive Income (Loss) and in the Statement of Movements in Equity as exchange differences in change of presentation currency. As noted above, these exchange differences have been reclassified and included in the net loss in the current period.

Future Options

The Company is now a listed shell, with considerable 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 the directors are pursuing for CSM Group include:

- finding a business operation to invest in;
- undertaking a reverse listing of a business seeking a stock exchange listing.

At this time the Company has no particular announcement to make regarding progress with those options suffice to say they are being actively developed.

Result

The financial result for the Group for the six months ended 31st December 2018 is a loss of NZD \$1,022,000.

Earnings per Share and Net Tangible Asset per security

The earnings per share are shown below the Statement of Profit & Loss and Other Comprehensive Income below. The net tangible asset backing per security is shown below the Statement of Position below.

Subsidiary

As noted above, CSM Group’s 100% owned subsidiary, CSM Pty, has now been deregistered. The financial impact of CSM Pty on the results for the six month period is shown in the segment reporting below.

Audit

The financial statements shown below have not been audited nor reviewed by the company’s auditor.

Future Events

Event	Date
Interim report due	30 April 2019

ENDS

Authority for this announcement

Roger Gower

Chair of board

Date of release: 14 March 2019

Statement of Profit & Loss and Other Comprehensive Income

CSM Group Limited

For the six months ended 31 December 2018

	6 mths ended 31 Dec 2018 (unaudited) NZD\$'000	6 mths ended 31 Dec 2017 (unaudited) NZD\$'000
Revenue	-	-
Other income	-	-
Administrative expenses	(323)	(306)
Operating loss	(323)	(306)
Finance income	15	11
Exchange loss	(82)	(48)
Loss before income tax	(390)	(342)
Income tax expense	-	-
Loss from continuing operations	(390)	(342)
Discontinued operations		
Gain (loss) from discontinued operations (net of tax)	66	(58)
Transfer from foreign currency translation reserve on wind up of subsidiary	(697)	-
Net loss attributable to shareholders	(1,022)	(400)
Other comprehensive income		
Items that may be reclassified subsequently to profit of loss		
Exchange differences on translation of overseas subsidiaries	-	2
Exchange difference on change in presentation currency	-	107
Other comprehensive income for the period, net of tax	-	109
Total comprehensive loss for the year attributable to shareholders	(1,022)	(291)
Total comprehensive loss for the year attributable to shareholders		
Continuing operations	(390)	(235)
Discontinued operations	(631)	(57)
	(1,022)	(291)
Earnings (loss) per share from continuing operations:		
- basic and diluted loss per share (cents)	(0.094)	(0.083)
Earnings (loss) per share from continuing and discontinued operations:		
- basic and diluted loss per share (cents)	(0.246)	(0.097)

Statement of Changes in Equity

CSM Group Limited

For the six months ended 31 December 2018

	Share capital	Foreign currency translation reserve	Accumulated losses	Total equity
	NZD\$'000	NZD\$'000	NZD\$'000	NZD\$'000
Balance at 1 July 2018 (audited)	47,998	(697)	(44,657)	2,644
Loss attributable to shareholders	-	697	(1,022)	(325)
Exchange differences on translating overseas operations	-	-	-	-
Exchange differences on change in presentation currency	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	697	(1,022)	(325)
Balance at 31 December 2018	47,998	-	(45,678)	2,319
Balance at 1 July 2017 (audited)	44,165	(647)	(40,125)	3,393
Loss attributable to shareholders	-	-	(400)	(400)
Foreign currency translation	-	1	-	1
Exchange differences on change in presentation currency	1,425	(21)	(1,297)	107
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	1,425	(19)	(1,697)	(291)
Balance at 31 December 2017	45,590	(667)	(41,822)	3,102

Statement of Financial Position

CSM Group Limited

As at 31 December 2018

	31 Dec 2018 (unaudited) NZD\$'000	30 Jun 2018 (audited) NZD\$'000
ASSETS		
Current assets		
Cash and cash equivalents	2,135	2,452
Trade and other receivables	51	120
Taxation receivable	234	246
Total current assets	2,420	2,818
Total assets	2,420	2,818
LIABILITIES		
Current liabilities		
Trade payables and other liabilities	100	174
Total current liabilities	100	174
Total liabilities	100	174
Net assets	2,319	2,644
Equity		
Share capital	47,998	47,998
Foreign currency translation reserve	-	(697)
Accumulated losses	(45,678)	(44,657)
Total equity	2,319	2,644
Net tangible assets per share (cents per share):	0.58	0.64

Statement of Cash Flows

CSM Group Limited

For the six months ended 31 December 2018

	6 mths ended 31 Dec 2018 (unaudited) \$	6 mths ended 31 Dec 2017 (unaudited) \$
Cash flows from operating activities		
Receipts of loan receivables	-	-
Receipts from customers	-	582
interest received	15	14
Payments to suppliers and employees	(289)	(853)
Income tax refunded (paid)	40	(3)
Net cash outflows from operating activities	(235)	(261)
Cash flow from investing activities		
Disposal of property, plan and equipment	-	508
Income taxes paid	-	-
Net cash inflows (outflows) from investing activities	-	508
Net increase/(decrease) in cash and cash equivalents	(235)	247
Cash and cash equivalents at the beginning of the period	2,452	2,676
Effect of exchange rate changes	(82)	81
Cash and cash equivalents at the end of the year	2,135	3,005

Reconciliation of Loss after Taxation with Cash Flow from Operating Activities

	6 mths ended 31 Dec 2018 (unaudited) NZD\$'000	6 mths ended 31 Dec 2017 (unaudited) NZD\$'000
Net loss after taxation	(1,022)	(400)
Adjustments for:		
Income tax expense (benefit) in profit or loss	-	-
Impairment reduction	-	(20)
Effect of foreign exchange rates	82	34
Transfer from foreign currency translation reserve on wind up of subsidiary	697	-
Other non-cash adjustments	-	(21)
Movements in working capital		
Decrease / (increase) in trade and other receivables	42	69
Decrease / (increase) in inventories	-	321
Decrease / (increase) in trade and other payables	(73)	(241)
Income taxes received (paid)	40	(3)
Net cash outflows from operating activities	(235)	(261)

Reporting of Segments

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 was previously organised into the following main operating segments:

- China Scrap Metals Resources Pty Limited (CSM Pty) includes the business operation in Australia involved in the processing of scrap metal for export sale to Chinese markets.
- Holding company New Zealand includes holding company costs and head office charges.

Income has been allocated based on the country where the income 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.

Following the deregistration of its subsidiary, CSM Pty, the Company will only report as a single segment. All assets and liabilities at balance date were held by the New Zealand company.

	Six month period ended 31 December 2018			Six month period ended 31 December 2017		
	Holding Company NZ (unaudited) NZ\$'000	CSM Pty (unaudited) NZ\$'000	Total (unaudited) NZ\$'000	Holding Company NZ (unaudited) NZ\$'000	CSM Pty (unaudited) NZ\$'000	Total (unaudited) NZ\$'000
Total inter-segment revenue	-	-	-	-	-	-
Total external revenue	-	12	12	-	554	554
Total EBITDA	(323)	11	(312)	(306)	(154)	(460)
Finance income	15	-	15	11	2	14
Impairment reduction	-	-	-	-	20	20
Gain (loss) from discontinued operations (net of tax)	-	54	54	-	-	-
Transfer from foreign currency translation reserve on wind up of subsidiary	-	(697)	(697)	-	-	-
Exchange gain/(loss)	(82)	(0)	(82)	(48)	73	25
Net loss for the period	(390)	(631)	(1,022)	(342)	(58)	(400)