

CSM Group Limited

Interim Financial Report

For the six months ended 31 December 2018

CSM Group Limited

Interim Financial Report

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Directors' Report

For the six months ended 31 December 2018

Dear Shareholders

Following the decision to cease operations of its wholly owned subsidiary China Scrap Metal Resources Pty Ltd ("CSM Pty"), CSM Group Limited (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 that were 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. Accounting standards 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. Further details are provided in the notes to the financial statements.

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. Details about the impact of the change in presentation currency are set out in the notes to the financial statements.

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.

CSM Group Limited

Directors' Report

For the six months ended 31 December 2018

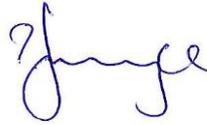
Result

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

Dated: 26 April 2019



Director



Director

Statement of Comprehensive Income

For the six months ended 31 December 2018

		6 mths ended 31 Dec 2018 (unaudited) NZ\$'000	6 mths ended 31 Dec 2017 (restated) NZ\$'000
Revenue		-	-
Other income		-	-
Administrative expenses	1	<u>(323)</u>	(306)
Operating loss		(323)	(306)
Finance income		15	11
Exchange loss		<u>(82)</u>	(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)	2	66	(58)
Transfer from foreign currency translation reserve on wind up of subsidiary		<u>(697)</u>	-
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		<u>-</u>	<u>109</u>
Total comprehensive loss for the year attributable to shareholders		(1,022)	(291)
Total comprehensive loss for the year attributable to shareholders			
Continuing operations		(390)	(233)
Discontinued operations		(631)	(58)
		(1,022)	(291)
Earnings (loss) per share from continuing operations:			
- basic and diluted loss per share (cents)	3	(0.094)	(0.056)
Earnings (loss) per share from continuing and discontinued operations:			
- basic and diluted loss per share (cents)	3	(0.246)	(0.070)

These interim financial statements have not been audited, nor reviewed by the auditor. The accompanying notes form part of these interim financial statements and should be read in conjunction with them.

Statement of Changes in Equity

For the six months ended 31 December 2018

	Share capital	Foreign currency translation reserve	Accumulated losses	Total equity
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Balance at 1 July 2018 (restated)	44,919	(697)	(41,578)	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 (unaudited)	44,919	-	(42,600)	2,319
Balance at 1 July 2017 (restated)	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 (restated)	45,590	(667)	(41,822)	3,102

These interim financial statements have not been audited, nor reviewed by the auditor. The accompanying notes form part of these interim financial statements and should be read in conjunction with them.

Statement of Financial Position

As at 31 December 2018

	31 Dec 2018 (unaudited)	30 Jun 2018 (restated)	30 Jun 2017 (restated)
Note	NZ\$'000	NZ\$'000	NZ\$'000
ASSETS			
Current assets			
Cash and cash equivalents	2,135	2,452	2,676
Trade and other receivables	51	120	132
Inventory	-	-	311
Taxation receivable	234	246	238
Total current assets	2,420	2,818	3,357
Non-current assets			
Property, plant and equipment			475
Total non-current assets	-	-	475
Total assets	2,420	2,818	3,832
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	100	174	439
Total current liabilities	100	174	439
Total liabilities	100	174	439
Net assets	2,319	2,644	3,393
EQUITY			
Share capital	44,919	44,919	44,165
Foreign currency translation reserve	-	(697)	(647)
Accumulated losses	(42,600)	(41,578)	(40,125)
Total equity	2,319	2,644	3,393

Net tangible assets per share (cents per share): 4 **0.56** 0.64

For and on behalf of the Board:



Director



Director

Dated: 26 April 2019

These interim financial statements have not been audited, nor reviewed by the auditor. The accompanying notes form part of these interim financial statements and should be read in conjunction with them.

Statement of Cash Flows

For the six months ended 31 December 2018

	Note	6 mths ended 31 Dec 2018 (unaudited) NZ\$'000	6 mths ended 31 Dec 2017 (restated) NZ\$'000
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	6	(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 period		2,135	3,005

These interim financial statements have not been audited, nor reviewed by the auditor. The accompanying notes form part of these interim financial statements and should be read in conjunction with them.

CSM Group Limited

Condensed Notes to the Interim Financial Statements

For the six months ended 31 December 2018

A General Information

These unaudited interim financial statements are for CSM Group Limited (the Company) and its subsidiary, China Scrap Metal Resources Pty Limited (CSM Pty) (together, the Group). The results of CSM Pty are included until the date of its voluntary liquidation on 6 November 2018.

The Group was engaged in a business operation in Australia of processing scrap metals for export sale to Chinese markets. The Company made the decision to cease the scrap metal operations of CSM Pty during the year ended 30 June 2017 and CSM Pty was subsequently voluntarily wound up.

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

There are no seasonal or cyclical influences on these interim results.

B Summary of Significant Accounting Policies

Basis of preparation

These unaudited interim financial statements for the six months ended 31 December 2018 have been prepared in accordance New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting ("NZ IAS 34") and International Accounting Standard 34: Interim Financial Reporting ("IAS 34").and with the requirements of the Financial Markets Conduct Act 2013 and the NZAX Listing Rules. These unaudited interim financial statements do not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements included in the annual report for the year ended 30 June 2018 which have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

The financial statements are presented in New Zealand dollars rounded, where necessary, to the nearest thousand dollars.

The interim financial statements are unaudited.

Accounting Standards

Apart from the change in presentation currency noted below, the accounting policies have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2018. Those accounting policies are set out in the 2018 Annual Report.

Change in Presentation Currency

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

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.

IAS 1: Presentation of Financial Statements requires the financial statements to include a Statement of Financial Position as at the beginning of the preceding period when an accounting policy has been applied retrospectively, as has been the case with this change in accounting policy. The Statement of Financial Position therefore includes the restated comparatives as at 30 June 2017.

Condensed Notes to the Interim Financial Statements

For the six months ended 31 December 2018

For the comparative period from 1 July 2017 through to 1 April 2018 the Company's functional currency was USD while the new presentation currency is NZD. The comparatives in the financial statements have therefore been restated into NZD. Items in the Statement of Financial Position are translated using the NZD/USD exchange rate at the applicable balance date. Items in the Statement of Comprehensive Income and the Statement of Cash Flows are translated using the average exchange rate during the applicable period. On translation into the presentation currency, the effect on equity of foreign currency movements between the opening and closing dates of the comparative period is shown in Other Comprehensive Income and in the Statement of Movements in Equity as exchange differences in change of presentation currency. This adjustment has no impact on net assets or cash reserves.

From 1 April 2018 the Company's functional currency and presentation currency were both NZD and from this date there were no further exchange variances relating to the change of presentation currency.

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. Whilst operations at CSM Pty ceased in the prior year, legal de-registration of CSM Pty took place on 6 November 2018. The accounting standards require that upon liquidation of a foreign subsidiary, which is the legal de-registration of CSM Pty, 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.

Going concern

Prior to its voluntarily liquidated, CSM Pty's surplus cash was repatriated to the Company and is held on deposit.

The Company is now a listed shell, with cash resources and no debt. The Company has limited financial obligations and these are composed largely of costs associated with maintaining a listing on the NZAX.

In adopting the going concern basis of accounting, the Directors have considered that the Company has sufficient cash funds to continue operations through the next 12 months and in several accounting periods at the current and expected cash burn rate without recourse to shareholders or external funding.

There are several options for the Company and these will be investigated and discussed with the shareholders at the appropriate time. These options include realistic alternatives of the business finding another operation to invest in or a reverse listing of a company seeking a stock exchange listing or following a special resolution of shareholders the Company could also 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 these financial statements, the Directors have not made the decision to liquidate the Company.

Having considered all the factors for the Company, in balance, the Directors have adopted the going concern basis in preparing the financial statements. These financial statements do not include any adjustments that would result if the Company was unable to continue as going concern.

These unaudited interim financial statements have been approved for issue by the Board of Directors on 26 April 2019.

Condensed Notes to the Interim Financial Statements

For the six months ended 31 December 2018

1 Administrative expenses

	6 mths ended 31 Dec 2018 (unaudited) NZD\$'000	6 mths ended 31 Dec 2017 (unaudited) NZD\$'000
Directors fees	(182)	(179)
Audit costs	(64)	(25)
Other expenses	(78)	(102)
	<u>(323)</u>	<u>(306)</u>

2 Gain from discontinued operations

The gain from discontinued operations includes the release of a \$50,000 accrual relating to premises costs.

3 Earnings per share

	6 mths ended 31 Dec 2018 (unaudited)	6 mths ended 31 Dec 2017 (restated)
Basic earnings/(loss) per share (NZ cents):		
From continuing operations	(0.094)	(0.057)
From discontinued operations	(0.152)	(0.014)
Total basic earnings/(loss) per share	<u>(0.246)</u>	(0.070)
Diluted earnings/(loss) per share (NZ cents):		
From continuing operations	(0.094)	(0.057)
From discontinued operations	(0.152)	(0.014)
Total diluted earnings/(loss) per share	<u>(0.246)</u>	(0.070)

The losses and weighted average number of ordinary shares used in the calculation of loss per share are as follows:

	6 mths ended 31 Dec 2018	6 mths ended 31 Dec 2017
Loss from continuing operations (NZ\$)	(390,317)	(234,773)
Loss from discontinued operations (NZ\$)	(631,489)	(56,542)
	<u>(1,021,805)</u>	<u>(291,315)</u>
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	414,550,000	414,550,000

At 31 December 2018, there were no financial instruments that carried any shareholder dilution rights that were considered to be dilutive (31 December 2017: none).

Condensed Notes to the Interim Financial Statements

For the six months ended 31 December 2018

4 Net tangible asset backing

	31 Dec 2018 (unaudited)	30 Jun 2018 (restated)
Net tangible assets (NZ\$)	2,319,396	2,644,135
Issued shares at balance date	414,550,000	414,550,000
Net tangible assets per share (NZ cents)	0.56	0.64

5 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 was organised into the following main operating segments:

- CSM Pty - includes the previous business operation in Australia involved in the processing of scrap metal for export sale to Chinese markets.
- Holding company NZ - includes holding company costs and head office charges.

Revenue has been 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 upon the location of the reporting entity to which they relate.

	Six month period ended 31 December			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 (restated) NZ\$'000	CSM Pty (restated) NZ\$'000	Total (restated) NZ\$'000
Total inter-segment revenue	-	-	-	-	-	-
Total external revenue	-	-	-	-	554	-
Total EBITDA	(323)	11	(312)	(306)	(154)	306
Finance income	15	-	15	11	2	11
Impairment reduction	-	-	-	(48)	73	(48)
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)	-	(82)	-	20	-
Net loss for the period	(390)	(631)	(1,022)	(342)	(58)	(400)

	31 December 2018			30 June 2018		
	Holding Company NZ (unaudited) NZ\$'000	CSM Ltd Australian (unaudited) NZ\$'000	Total (unaudited) NZ\$'000	Holding Company NZ (restated) NZ\$'000	CSM Ltd Australian (restated) NZ\$'000	Total (restated) NZ\$'000
Total segment assets	2,420	-	2,420	2,798	19	2,818
Total segment liabilities	100	-	100	119	54	174

Condensed Notes to the Interim Financial Statements

For the six months ended 31 December 2018

6 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)

7 Subsidiaries

On 6 November 2018 CSM Group Limited's 100% owned subsidiary, CSM Pty Limited, was voluntarily liquidated. CSM Group Limited has no other subsidiaries.

8 Contingent liabilities

There are no contingent liabilities as at 31 December 2018 (30 June 2018: nil).

9 Commitments

The Group had no commitments for future capital expenditure as at 31 December 2018 (30 June 2018: nil).

10 Events subsequent to interim balance date

There have been no significant events after balance date.

CSM Group Limited

Company Directory

Directors

R Gower
S Joyce
P Li
Z Shi

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Share Registry

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