

CSM Group Limited

Annual Report

For the year ended 30 June 2019

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Directors' Report

For the year ended 30 June 2019

Dear Shareholders

Following the decision to cease operations of its wholly owned subsidiary China Scrap Metals Resources Pty Limited ("CSM Pty"), CSM Group Limited ("CSM Group" or "the Company") has now completed the winding down of that business and its subsidiary company (CSM Pty) was de-registered by the Australian Securities and Investments Commission on 6 January 2019.

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.

Change in Presentation Currency

The Company advised in its 2018 Annual Report that the functional currency changed from USD to NZD with effect from 1 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. Details about the impact of the change in presentation currency are set out in the notes to the financial statements.

Goods and Services Tax (GST)

With the wind down of the group's operations and the liquidation of its subsidiary, the Company is no longer making taxable supplies. As a result, it is not able to deduct GST from its expenses. Effective from 1 December 2018, all expenses and capital purchases are recognised at the GST inclusive amount.

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 NZX 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 investigated.

CSM Group Limited

Directors' Report

For the year ended 30 June 2019

Result

The financial result for the Group for the year ended 30 June 2019 is a loss of NZD \$1,311,000.

Dated: 25 October 2019



Director



Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 NZ\$000	2018 (restated) NZ\$000
Revenue		-	-
Administrative expenses	5	(564)	(601)
Operating loss		(564)	(601)
Finance income		28	27
Exchange loss		(91)	(214)
Loss before income tax		(627)	(788)
Income tax expense	6	-	-
Loss from continuing operations		(627)	(788)
Discontinued operations			
Gain (loss) from discontinued operations (net of tax)	19	13	(202)
Transfer from foreign currency translation reserve on wind up of subsidiary		(697)	-
Net loss attributable to shareholders		(1,311)	(990)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas subsidiary		-	6
Exchange difference on change in presentation currency	3.1	-	235
Other comprehensive income for the period, net of tax		-	241
Total comprehensive loss for the year attributable to shareholders		(1,311)	(749)
Total comprehensive loss for the year attributable to shareholders			
Continuing operations		(627)	(553)
Discontinued operations		(684)	(196)
		(1,311)	(749)
Earnings (loss) per share from continuing operations:			
- basic and diluted loss per share (cents)	8	(0.151)	(0.133)
Earnings (loss) per share from continuing and discontinued operations:			
- basic and diluted loss per share (cents)	8	(0.316)	(0.180)

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Share capital	Foreign currency translation reserve	Accumulated losses	Total equity
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
Balance at 1 July 2017 (restated)		44,165	(647)	(40,125)	3,393
Loss attributable to shareholders		-	-	(990)	(990)
Exchange differences on translating overseas subsidiary		-	6	-	6
Exchange differences on change in presentation currency	3.1	754	(56)	(463)	235
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		754	(50)	(1,453)	(749)
Balance at 30 June 2018 (restated)		44,919	(697)	(41,578)	2,644
Balance at 1 July 2018 (restated)		44,919	(697)	(41,578)	2,644
Loss attributable to shareholders		-	697	(1,311)	(614)
Exchange differences on translating overseas subsidiary		-	-	-	-
Exchange differences on change in presentation currency	3.1	-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	697	(1,311)	(614)
Balance at 30 June 2019		44,919	-	(42,889)	2,030

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Consolidated Statement of Financial Position


As at 30 June 2019

		2019	2018	2017
	Note	NZ\$000	(restated) NZ\$000	(restated) NZ\$000
ASSETS				
Current assets				
Cash and cash equivalents	10	1,874	2,452	2,676
Trade and other receivables	11	69	120	132
Inventory		-	-	311
Property, plant and equipment		-	-	476
Taxation receivable	6	212	246	238
Total current assets		2,155	2,818	3,833
Total assets		2,155	2,818	3,833
LIABILITIES				
Current liabilities				
Trade payables and other liabilities	12	125	174	439
Total current liabilities		125	174	439
Total liabilities		125	174	439
Net assets		2,030	2,644	3,394
EQUITY				
Share capital	13	44,919	44,919	44,165
Foreign currency translation reserve		-	(697)	(647)
Accumulated losses		(42,889)	(41,578)	(40,125)
Total equity		2,030	2,644	3,393
Net tangible assets per share (cents per share):	9	0.49	0.64	0.82

For and on behalf of the Board:



Director



Director

Dated: 25 October 2019

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 NZ\$000	2018 (restated) NZ\$000
Cash flows from operating activities			
Receipts from customers		-	579
Interest received		27	29
Payments to suppliers and employees		(550)	(1,393)
Income tax refunded (paid)		36	(7)
Net cash outflows for operating activities	14	(487)	(792)
Cash flows from investing activities			
Disposal of property, plan and equipment		-	509
Net cash inflows from investing activities		-	509
Net decrease in cash and cash equivalents		(487)	(283)
Cash and cash equivalents at the beginning of the period		2,452	2,676
Effect of exchange rate changes		(91)	59
Cash and cash equivalents at the end of the period	10	1,874	2,452

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. General information

These financial statements are for CSM Group Limited (the 'Company') and its subsidiary, China Scrap Metals Resources Pty Limited (CSM Pty) (together, the 'Group'). The results of CSM Pty are included until the date of its de-registration by the Australian Securities and Investments Commission on 6 January 2019.

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.

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

The financial statements have been approved for issue by the Board of Directors on 25 October 2019. The Company's owners do not have the power to amend these financial statements once issued.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance 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 financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), other New Zealand accounting standards and authoritative notes 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.

CSM Group Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013. The Company is listed on the NZX Market. These financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

The financial statements have been prepared on a historical cost basis, except for the assets and liabilities of CSM Pty (refer to note 19).

2.1. Going concern

The Directors have adopted the Going Concern principle in presenting the 2019 consolidated financial statements.

During the year the Directors liquidated CSM Pty. Prior to its liquidation, as cash funds were realised and became surplus at CSM Pty, they were repatriated to the Company and are held on deposit.

The Company has become a listed shell, post the 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 of the Company, the Company could be voluntarily wound up and the net proceeds, post liquidation, returned to the shareholders.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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.

3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. Apart from the change in presentation currency noted below, the accounting policies have been consistently applied to all the periods presented.

3.1. Change in presentation currency

The Company advised in its 2018 Annual Report that the functional currency changed from USD to NZD with effect from 1 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 because CSM Group Limited, the only remaining company in the Group, only transacts in New Zealand dollars.

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.

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 included in the comprehensive loss from continuing operations, and in the Statement of Changes 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, when the Company's functional currency became NZD and with the retrospective application of the presentation currency, there were no further exchange variances relating to the change of presentation currency.

3.2. Application of new and revised NZ IFRSs, amendments and interpretations

Application of NZ IFRS 9: Financial Instruments

The Company has applied NZ IFRS 9: Financial Instruments for the first time in the current financial year. The main impact of the application of NZ IFRS 9 to the Company is in relation to the assessment of impairment of financial assets. NZ IFRS 9 requires the impairment of financial assets to be assessed using an expected credit loss model as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, NZ IFRS 9 requires the Company to use the simplified approach to recognise a loss allowance for expected credit losses on receivables and contract assets. The Company accounts for

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

expected impairment losses and changes in those expected impairment losses. The Company determines the expected credit losses on receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The application of NZ IFRS 9 has not had a significant impact on the financial position and/or financial performance of the Company.

Application of NZ IFRS 15: Revenue from Contracts with Customers

As the Company's only revenue is interest received, the application of NZ IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

3.3. New and revised NZ IFRSs in issued but not yet effective

The Group has not applied NZ IFRS 16: Leases which has been issued but is not yet effective. NZ IFRS 16 replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off-balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The standard is effective for accounting periods beginning on or after 1 January 2019. As the Company has no lease commitments the application of the new NZ IFRS is not expected to have a material impact on the Company's financial performance or financial position. The Company intends to adopt the standard on its effective date.

3.4. Principles of consolidation

Subsidiaries are those entities over which the Company has control. The Company controls an entity when it 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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. 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.

3.5. 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.

3.6. Foreign currency translation

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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.

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. While operations at CSM Pty wound down in the prior year, legal de-registration of CSM Pty and cessation of operations took place on 6 January 2019. The accounting standards require that upon disposal of a foreign subsidiary, which is considered to be 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.

3.7. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised once CSM has entitlement to collect cash.

3.8. Finance income

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

3.9. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3.10. Goods and services tax (GST)

With the wind down of the group's operations and the liquidation of its subsidiary, the Company is no longer making taxable supplies. As a result, it is not able to deduct GST from its expenses. Effective from 1 December 2018, all transactions are stated inclusive of GST. The Company is no longer registered for GST.

Prior to 1 December 2018, revenues, expenses, assets and liabilities were recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables, which are recognised inclusive of GST.

3.11. Leases

The Company 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.

3.12. 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.

3.13. 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, if any, are shown separately in current liabilities on the consolidated statement of financial position.

3.14. Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value or amortised cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.15. Financial assets

Financial assets are measured at amortised cost or fair value on the basis that the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Receivables and loans

Receivables are recognised initially at the amount of consideration that is unconditional. The Company holds receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime expected credit losses for receivables and other contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or international economic conditions that correlate with default on receivables.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The Company writes off a financial asset when there is information indicating that there is no reasonable expectation of recovery e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3.16. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including trade and other payables) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3.17. 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.

3.18. 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).

3.19. 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.

3.20. 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.

3.21. 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 is a discontinued operation (refer to Note 19)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

4. 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 2.1 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 6, the Company has not recognised any benefit at 30 June 2019 in respect of the tax losses generated to 30 June 2019, 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.

Transfer from foreign currency translation reserve on wind up of subsidiary

The accounting standards require that upon disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation and recognised in equity (in the foreign currency translation reserve) be reclassified from equity to profit or loss when the gain or loss on disposal is recognised. The Directors have used judgement to determine that the date of disposal of CSM Pty shall be 6 January 2019, which is the date the company was de-registered by the Australian Securities and Investments Commission.

5. Administrative expenses – continued operations

	2019	2018
	NZ\$000	(restated) NZ\$000
Directors' fees (note 18.1)	(350)	(355)
Auditor's fees		
Audit fees due and payable to the auditors for:		
- additional audit fees charged in relation to 2018 financial statements	(26)	-
- audit of 2019 financial statements (including GST)	(62)	(80)
	(88)	(80)
Other administrative expenses		
Other expenses	(126)	(166)
	(564)	(601)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

6. Taxation**Reconciliation of income tax expense to prima facie tax payable**

	2019 NZ\$000	2018 (restated) NZ\$000
Loss before income tax	(627)	(788)
Current year tax at the tax rate of 28%	(176)	(221)
Non deductible expenses	-	49
Current tax losses not recognised	176	172
Income tax expense	-	-

Comprising:

Current income tax expense	-	-
Deferred tax	-	-
	-	-

	2019 NZ\$000	2018 (restated) NZ\$000
Tax receivable		
Balance at beginning of year	246	238
Current tax	-	-
Tax refund received	(44)	-
Use of money interest	2	-
Tax paid - resident withholding tax on interest income	8	8
	212	246

	2019 NZ\$000	2018 (restated) NZ\$000
Tax Losses		
Tax losses for which no deferred tax asset as been recognised	4,721	4,545
Potential tax benefit @ 28%	1,322	1,273

The Group did not recognise deferred income tax assets in relation to the losses disclosed above. The losses can be carried forward against future 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 2019

7. Imputation credits

	2019 NZ\$000	2018 (restated) NZ\$000
Imputation credits available for use in subsequent periods	210	246

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

8. Earnings per share

	2019	2018 (restated)
Basic earnings/(loss) per share (NZ cents):		
From continuing operations	(0.151)	(0.133)
From discontinued operations	(0.165)	(0.047)
Total basic earnings/(loss) per share	(0.316)	(0.180)
Diluted earnings/(loss) per share (NZ cents):		
From continuing operations	(0.151)	(0.133)
From discontinued operations	(0.165)	(0.047)
Total diluted earnings/(loss) per share	(0.316)	(0.180)

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

	2019	2018 (restated)
Loss from continuing operations (NZ\$)	(627,043)	(553,260)
Loss from discontinued operations (NZ\$)	(683,785)	(195,895)
	(1,310,828)	(749,155)

Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share

414,550,000 414,550,000

At 30 June 2019, there were no financial instruments that carried any shareholder dilution rights that were considered to be dilutive (30 June 2018: none).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

9. Net tangible asset backing

	2019	2018 (restated)
Net tangible assets (NZ\$)	2,029,948	2,644,135
Issued shares at balance date	414,550,000	414,550,000
Net tangible assets per share (NZ cents)	0.49	0.64

10. Cash and cash equivalents

	2019 NZ\$000	2018 (restated) NZ\$000
Cash at bank and on hand	1,874	2,452
	1,874	2,452

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

11. Trade and other receivables

	2019 NZ\$000	2018 (restated) NZ\$000
Trade receivables	-	-
Other receivables	41	56
Prepayments	28	39
Other current assets	-	25
Total trade and other receivables	69	120

12. Trade payables and other liabilities

	2019 NZ\$000	2018 (restated) NZ\$000
Trade payables	32	106
Accruals	93	68
	125	174

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

13. Share capital**Issued and paid up capital**

	No. of Shares	\$
Ordinary shares at 1 July 2017	414,550,000	44,165,033
Foreign currency translation adjustment (note 3.1)	-	754,172
Ordinary shares issued during the year	-	-
Ordinary shares as at 30 June 2018	414,550,000	44,919,205
 Ordinary Shares as at 1 July 2018	 414,550,000	 44,919,205
Ordinary shares issued during the year	-	-
Ordinary shares as at 30 June 2019	414,550,000	44,919,205

As at 30 June 2019 there were 414,550,000 shares issued. All ordinary shares on issue are fully paid and rank equally with one vote attached to each share.

14. Reconciliation of loss after taxation with cash flow from operating activities

	2019	2018 (restated)
	NZ\$000	NZ\$000
Net loss after taxation	(1,311)	(990)
Adjustments for:		
Depreciation expense and impairment loss	-	(24)
Effect of foreign exchange rates	91	176
Transfer from foreign currency translation reserve on wind up of subsidiary	697	-
Other non-cash adjustments	-	-
Movements in working capital		
Decrease in trade and other receivables	51	22
Decrease in inventories	-	319
(Decrease) in trade and other payables	(49)	(288)
Decrease / (increase) in taxation receivable	34	(7)
Net cash outflows from operating activities	(487)	(792)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

15. Subsidiaries

Name of subsidiary	Principal place of business	Equity holding	
		2019	2018
China Scrap Metals Resources Pty Limited	Australia	0%	100%

On 6 January 2019 CSM Group Limited's 100% owned subsidiary, China Scrap Metals Resources Pty Limited, was voluntarily liquidated. CSM Group Limited has no other subsidiaries.

16. 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 19.
- 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.

	2019			2018		
	Holding Company	CSM Pty	Total	Holding Company	CSM Pty	Total
	New Zealand Continuing	Australia Discontinued		New Zealand Continuing	Australia Discontinued	
	NZ\$'000	NZ\$'000	NZ\$'000	(restated) NZ\$'000	(restated) NZ\$'000	(restated) NZ\$'000
Total inter-segment revenue	-	-	-	-	-	-
Total external revenue	-	-	-	-	-	-
Total EBITDA	(564)	-	(564)	(601)	-	601
Finance income	28	-	28	27	-	27
Impairment recovered/(impairment)	-	-	-	-	-	-
Gain / (loss) from discontinued operations (net of tax)	-	13	13	-	(202)	(202)
Transfer from foreign currency translation reserve on wind up of subsidiary	-	(697)	(697)	-	-	-
Exchange gain/(loss)	(91)	-	(91)	(214)	-	(214)
Net loss before taxation	(627)	(684)	(1,311)	(788)	(202)	(990)
Income tax expense	-	-	-	-	-	-
Net loss for the year	(627)	(684)	(1,311)	(788)	(202)	(990)

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

	2019			2018		
	Holding Company	CSM Pty	Total	Holding Company	CSM Pty	Total
	New Zealand Continuing	Australia Discontinued		New Zealand Continuing	Australia Discontinued	
	NZ\$'000	NZ\$'000	NZ\$'000	(restated) NZ\$'000	(restated) NZ\$'000	(restated) NZ\$'000
Segment assets	2,155	-	2,155	2,799	19	2,818
Segment liabilities	125	-	125	120	54	174

17. Financial instruments

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

Risk management is carried out 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 financial assets and liabilities at amortised cost. 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	2019 NZ\$000	2018 (restated) NZ\$000
Financial assets at amortised cost			
Cash and cash equivalents	10	1,874	2,452
Trade and other receivables	11	41	120
Total financial assets		1,915	2,572
Total non-financial assets		240	246
Total assets		2,155	2,818
Financial liabilities at amortised cost			
Trade payables and other liabilities	12	125	174
Total financial liabilities		125	174
Total non-financial liabilities		-	-
Total liabilities		125	174

The Company does not have any derivative financial instruments (2018: nil).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

17.1. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company'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. There is minimal market risk.

17.2. Foreign currency risk

The Company's functional currency is the New Zealand dollar. The Company has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising principally on cash balances. The Company's 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%.

	2019 NZ\$000	2018 (restated) NZ\$000
Currency amount – monetary assets (including cash) and liabilities denominated in foreign currencies	1,771	2,384
+/- 10% movement of AUD against the NZD	122 (122)	172 (172)

17.3. Cash flow and fair value interest rate risk

The Company'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 Company 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 2019 (2018: 1.28%).

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%.

	2019 NZ\$000	2018 (restated) NZ\$000
New Zealand dollar denominated cash and cash equivalents	102	13
Australian dollar denominated cash and cash equivalents	1,771	2,439
- impact of +100 basis points movement on post tax profit & equity	13	18
- impact of -100 basis points movement on post tax profit & equity	(13)	(18)

17.4. Credit risk

Credit risk is the risk of financial loss to the Company 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 Company's maximum credit risk is represented by the carrying value of these financial assets. The Company 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 Company's policies that limit the use of counterparties to high credit quality financial institutions.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

17.5. 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 Company there is limited liquidity risk.

17.6. 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.

17.7. Capital risk management

The Company'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 note 2.1 for further information.

18. Related parties

18.1. 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.

	2019 NZ\$000	2018 (restated) NZ\$000
Salaries and other short-term employee benefits	-	-
Directors' fees		
R Gower	95	95
S Joyce	75	74
P Li	77	76
Y Shi	13	36
Z Shi	77	76
Total directors' remuneration (excluding GST)	337	357
Balances outstanding		
Roger Gower – Roger Gower & Associates – trade payable	2	1
Sean Joyce - Corporate Counsel – trade payable	-	1
	2	2

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

	2019 NZ\$000	2018 (restated) NZ\$000
Consulting, legal and other		
R Gower	-	45
S Joyce	(1)	45
Z Shi	-	24
	(1)	114

19. Discontinued operations

On 10 May 2017, the Group announced its intention to wind down the commercial scrap metal operations of its wholly owned subsidiary China Scrap Metals 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.

	2019 NZ\$000	2018 (restated) NZ\$000
Revenue	12	551
Other income	-	-
Expenses	(1)	(826)
Finance income	-	3
Exchange gain/(loss)	-	70
Gain on liquidation of subsidiary	2	-
Profit/(loss) before income tax	13	(202)
Income tax expense	-	-
Profit/(loss) after tax of discontinued operation	13	(202)
Provision for closedown costs	-	-
Other comprehensive gain/(loss) from discontinued operation	13	(202)

Earnings per share for gain/(loss) attributable to shareholders for discontinued operations:

- Basic loss per share (cents)	0.0000	(0.0515)
- Diluted loss per share (cents)	0.0000	(0.0515)

	2019 NZ\$000	2018 (restated) NZ\$000
Cashflow		
Net cash outflow from operating activities	(16)	(179)
Net cash inflow/(outflow) from investing activities	-	511
Net cash inflow/(outflow) from financing activities (intercompany advances)	-	(1,723)
Net increase in cash generated by the subsidiary	(16)	(1,391)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

	2019 NZ\$000	2018 (restated) NZ\$000
Expenses for the discontinued operation include:		
Administration expenses	1	-
Rental and operating lease expense	-	55
(Impairment reversal)/Impairment		
Leasehold improvements	-	(6)
Plant & equipment	-	(18)
Total impairment	-	(24)
Employee benefits		
Wages and salaries	-	123
Pension fund contributions to external fund	-	8
Total employee benefits	-	131

The Statement of Financial Position information is presented as follows.

	2019 NZ\$000	2018 (restated) NZ\$000
Cash and cash equivalents	-	18
Trade and other receivables	-	1
Total assets	-	19
Trade and other payables	(52)	(55)
Advance from CSM Group Ltd	-	(52)
Total liabilities	(52)	(107)
Net (liabilities)/assets	(52)	(88)

20. Contingent liabilities

There are no contingent liabilities as at 30 June 2019 (30 June 2018: nil).

21. Commitments

The Company had no commitments for future capital expenditure as at 30 June 2019 (30 June 2018: nil).

22. Events subsequent to balance date

There have been no significant events after balance date.



Independent auditor's report

To the shareholders of CSM Group Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- 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 accompanying consolidated financial statements of CSM Group Limited (the Company), including its subsidiary, (together, the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2019, 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 financial statements are free from material misstatement.

Overall Group materiality: \$20,600, which represents approximately 1% of net assets.

We chose net assets as the benchmark because China Scrap Metals Resources Pty Ltd, the only trading subsidiary of the Group, was voluntarily liquidated in January 2019. Accordingly, in our view, the shareholders will be interested in the net assets supporting their investment in the Company.

We have determined that there are two key audit matters:

- Basis of preparation of the consolidated financial statements
- Change in presentation currency

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. These matters were 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 these matters.

Key audit matter

How our audit addressed the key audit matter

Basis of preparation of the consolidated financial statements

As disclosed in Note 2.1 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.

The Board outlined the following available options for the Company:

- finding another operation to invest in;
- a reverse listing of a company seeking a stock exchange listing; or a
- voluntary wind up.

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 or cease trading as at the date of approving the consolidated financial statements.

Concluding that the consolidated financial statements be prepared on a going concern basis was an area of significant judgement which required extended audit consideration.

We performed the following procedures:

- Held discussions with the Directors to understand their intentions and plans for the Company and reviewed the minutes of Board meetings;
- Obtained the forecast cash flows prepared by management, which show the Company has sufficient cash resources to support the continuation of the Company through at least the next 12 months;
- Obtained a representation from the Directors that, as at date of approval of the consolidated financial statements, no decision has been made to wind up or liquidate the Company.

Change in presentation currency

With effect from 1 July 2018, the Group's presentation currency was changed from United States Dollar to New Zealand Dollar to better reflect the geographical location of the Group. The change was accounted for retrospectively resulting in translation of the historical Group's results.

The change in presentation currency was considered to be a significant change to the consolidated financial statements as it resulted in the translation of all comparative balances. As a result, extended audit procedures were required to ensure appropriate treatment.

We performed the following procedures:

- Tested the translation of comparative balances disclosed in the financial statements by reperforming the translation of the balances in the prior year audited financial statements using the appropriate exchange rates;
- Agreed the disclosures in the notes to the financial statements were correctly calculated and included necessary detail required to enable the readers of the financial statements to understand the impact of the change.

Information other than the 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 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:

A handwritten signature in dark ink, appearing to read "Tricentiahacapers". The signature is written in a cursive, flowing style.

Chartered Accountants
25 October 2019

Auckland

Shareholder Information

For the year ended 30 June 2019

Stock exchange listing

The Company's shares are listed on the NZX Market ("NZX").

20 largest shareholdings as at 5 September 2019

Name	No. of shares	% of shares
Fengli Group (Hong Kong) Co Limited	125,000,000	30.15%
Marvel Fantasy Limited	100,000,000	24.12%
Apz Limited	62,524,790	15.08%
Wallflower Limited	44,667,000	10.77%
Minera Varry Minerals Limited	32,810,000	7.91%
Custodial Services Limited	17,000,050	4.10%
Laddara Pty Limited	10,000,000	2.41%
Tuberoze Limited	7,190,000	1.73%
Dunkeld Pastoral Co Pty Ltd	4,179,204	1.01%
John Edward Connell	3,297,932	0.80%
Michael Lenihan	2,300,000	0.55%
Custodian Nominee Company Limited	2,256,932	0.54%
Ross Dix Harvey	846,778	0.20%
William Carson	347,933	0.08%
Aleksander Borowik	250,000	0.06%
Roderique John Arthur Mackenzie	186,050	0.04%
Kane Stevenson	159,900	0.04%
Anthony Kenneth Lyte	110,000	0.03%
David Allan Lowe	101,000	0.02%
Lorette Carina Sandra Parry	100,000	0.02%

Distributions of ordinary shares as at 5 September 2019

Size of Holding	Number of Security Holders		Number of Securities	
	Number	%	Number	%
1-1,000	1403	93.72%	129,973	0.03%
1,001-5,000	40	2.67%	90,630	0.02%
5,001-10,000	8	0.53%	63,127	0.02%
10,001-50,000	20	1.34%	592,701	0.14%
50,001-100,000	7	0.47%	446,000	0.11%
100,001 or more	19	1.27%	413,227,569	99.68%
	440	100.00%	414,550,000	100.00%

Substantial security holders

The total number of shares on issue as at 30 June 2019 was 414,500,000 (2018: 414,550,000)

Pursuant to Section 35F of the Securities Markets Act 1988, details of substantial security holders and their total relevant interests as at 30 June 2019.

	No. of shares	Relevant interest	% of shares
Fengli Group (Hong Kong) Co Limited	125,000,000	Beneficial	30.15%
Marvel Fantasy Limited	100,000,000	Beneficial	24.12%
Apz Limited	62,524,790	Beneficial	15.08%

Statutory Information

For the year ended 30 June 2019

Directors

During the year ended 30 June 2019 the persons holding office as directors of the Company were:

	Position	Status
R H Gower	Chairman	Independent, non-executive
S R Joyce		Non-executive
P Li		Non-executive
Z Shi		Independent, non-executive
Y Shi (resigned 17 December 2018)		Non-executive

Directors' security holdings

Details of the securities held by directors as at 30 June 2019 is:

	Beneficially owned		Held by associated persons	
	2019	2018	2019	2018
	Number	Number	Number	Number
R H Gower	-	-	-	-
S R Joyce	-	-	20,000	20,000
P Li	-	-	-	-
Z Shi	-	-	-	-

Directors' remuneration

Details of the nature and the amount of remuneration of each Director for the year ended 30 June 2019 is:

	2019
	NZ\$000
Directors' fees	
R H Gower	95
S R Joyce	75
P Li	77
Z Shi	77
Y Shi (resigned 17 December 2018)	13
Total remuneration of directors (excluding GST)	337

Entries recorded in the interests register

The following entries were recorded in the interests' register during the year ended 30 June 2019:

a. Share dealings of directors

During the year ended 30 June 2019 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.

Statutory Information

For the year ended 30 June 2019

Remuneration 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 2019.

Auditor

PricewaterhouseCoopers Auckland is the auditor for the Company. Audit fees due and payable to the auditor (including GST) were:

	<u>NZ\$000</u>
- additional audit fees charged in relation to 2018 financial statements	26
- audit of 2019 financial statements (including GST)	62
	<u>88</u>

PWC provided no other services to the Group apart from the audit of the consolidated financial statements.

Donations

No donations were paid during the year ended 30 June 2019.

Notes specific to China Scrap Metals Resources Pty Limited.

Directors of subsidiary

The persons holding office as Directors of China Scrap Metals Resources Pty Limited during the period until its voluntary liquidation were:

- 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 were not directors, received remuneration and benefits exceeding NZD\$100,000 per annum during the year ended 30 June 2019.

Donations of subsidiary

No donations were paid by China Scrap Metals Resources Pty Limited for the year ended 30 June 2019.

Statutory Information

For the year ended 30 June 2019

NZX Waiver from Listing Rule 2.13.3(f): Key Audit Partner

A technical consequence of CSM's migration from the NZAX to the NZX Main Board is that the Key Audit Partner is now required to change every five years. The NZAX Rules did not include a rotation period for Key Audit Partners. CSM's partner rotation was in accordance with the rotation rules in PES 1, which for a public interest entity (including all listed entities in New Zealand) is seven years.

CSM submitted to the NZX that, as the audit for 30 June 2019 had already commenced prior to the Company's migration to the Main Board on 1 July 2019, a change in partner following migration would have required the new engagement partner to re-perform all partner related activities on the file. This would have resulted in potential delays and inefficiencies in the completion of the audit.

The NZX provided the following waiver:

1. Subject to the conditions set out in paragraph 2 below, and on the basis that the information provided by CSM Group Limited (CSM) is complete and accurate in all material respects, NZX Regulation (NZXR) grants CSM a waiver from NZX Listing Rule (Rule) 2.13.3(f), to the extent that this Rule would otherwise require CSM to ensure that the Key Audit Partner is changed at least every five years. The effect of this Waiver will require CSM to change its Key Audit Partner after the completion of its 30 June 2019 audit.
2. The waiver in paragraph 1 above is provided on the condition that the CSM Audit Committee ensures that CSM's Key Audit Partner is rotated after the completion of the 30 June 2019 audit.

CSM's Audit, Finance and Risk Committee will ensure the key audit partner is rotated after the completion of the 30 June 2019 audit.

Corporate Governance Statement

For the year ended 30 June 2019

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 goals of the corporate governance process are 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.

The Governance Principles adopted by the Board are designed to achieve these goals.

The full content of the Company's Governance Code and related policies and charters, can be found on the Company's website (<https://www.csmgroup.co.nz/corporate-governance/>).

Code of ethics

The board has documented a code of ethics, which can be found at <https://www.csmgroup.co.nz/corporate-governance/>, detailing the ethical standards to which CSM Group's directors and employees (if any) are expected to adhere.

Role of the board

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.

A formal Governance Code, which can be found at <https://www.csmgroup.co.nz/corporate-governance/>, has been adopted by the Board and outlines Directors' responsibilities. The Board internally evaluates its performance and continues to assess the size, diversity and skills of the Board. The Board will review its Corporate Governance practice against current best practice and continue to develop company policies and procedures, as deemed necessary.

Board composition

In accordance with the Company's constitution the Board will comprise not less than three directors. The Board will be comprised of a mix of persons with complementary skills appropriate to the Company's objectives and strategies. The Board must include not less than two persons (or if there are eight or more directors, three persons or one third rounded down to the nearest whole number of directors) who are deemed to be independent.

CSM Group's Board currently comprises four Directors.

Board meetings

The Board normally meets six times each year for scheduled meetings. Additional meetings are held where specific matters require attention between scheduled meetings. Board meetings are used to monitor, challenge, develop and fully understand business and operational issues.

Criteria for board membership

When a vacancy arises, the Board will identify candidates with a mix of diversity, capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. A Director

Corporate Governance Statement

For the year ended 30 June 2019

appointed by the Board must stand for election at the next Annual Meeting. At each Annual Meeting one-third of Directors must retire by rotation. Retiring Directors are eligible for re-election.

Board committees

The Board has established an Audit, Finance and Risk Committee and a Remuneration, Nomination and Health & Safety Committee.

The Audit, Finance and Risk Committee operates under a Charter approved by the Board and is accountable to the Board for: the business relationship with, and the independence of, external auditors; the reliability and appropriateness of the disclosure of the financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliance and internal controls. The Audit, Finance and Risk Committee is chaired by Mr Roger Gower with Mr Sean Joyce and Mr Richard Shi as members. Mr Gower and Mr Shi are Independent Directors

The Remuneration, Nominations and Health & Safety Committee operates under a Charter approved by the Board. The role of the Remuneration, Nominations and Health & Safety Committee is to consider the appointment of any future Directors and their suitability to hold that position, the employment of senior executive employees of the Company, and reviewing Health & Safety policies to ensure the Company is providing a safe working environment for all employees and contractors. The Remuneration, Nominations and Health & Safety Committee is also responsible for considering the remuneration to be paid to executive employees and Directors.

During the period under review, given the current size of the board and composition of the sub committees, the board incorporated all matters of the individual sub- committees as a separate part of board meetings.

Trading in shares

The Company has a detailed Financial Markets Trading Policy applying to all Directors and employees which can be found at <https://www.csmgroup.co.nz/corporate-governance/>. The procedures outlined in this policy must be followed by all Directors and employees to obtain consent to trade in CSM Group's shares, at all times. Under the policy, trading restrictions (blackout periods) apply:

- two weeks before 31 December until 48 hours after the half-year results are released to NZX;
- two weeks before 30 June until 48 hours after the full-year results are released to NZX; and
- 30 days prior to release of an offer document (such as a product disclosure statement or prospectus) for a general public offer of the same class of shares.

Outside the black-out periods specified above, dealing is subject to the notification and consent requirements outlined in the policy.

Make timely and balanced disclosure

The Company has in place procedures designed to ensure compliance with the NZX Listing Rules such that all investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance.

Company announcements are factual and presented in a clear and balanced way.

Significant market announcements, including the preliminary announcement of the half year and full year results, and the financial statements for those periods, require review by the Board prior to release.

CSM Group's Market Disclosure Policy to ensure it complies with its continuous disclosure obligations at all times can be found at <https://www.csmgroup.co.nz/corporate-governance/>.

Health and Safety

CSM Group's Board is responsible for oversight of the Company's health and safety risks. Creating a safe working environment for any employees or contractors is a key focus for the Company.

CSM Group Limited

Corporate Governance Statement

For the year ended 30 June 2019

Corporate governance best practice code

CSM Group was previously listed on the NZAX Market and migrated to the NZX Main Board on 1 July 2019. Since the date of its migration to the main board, CSM Group has followed the NZX Corporate Governance Best Practice Code in all material aspects.

Diversity policy

CSM Group recognises the wide-ranging benefits that diversity brings to an organisation. The Company endeavours to incorporate diversity to ensure a balance of skills and perspectives are available to benefit our shareholders.

As at 30 June 2019, the gender balance of the Company's directors was as follows:

	Directors	
	2019	2018
Female	1	2
Male	3	3
Total	4	5

Company Directory

Directors

R Gower

S Joyce

P Li

Z Shi

Registered Office

c/- Roger Gower & Associates

44A Orakei Road, Remuera 1050

New Zealand

Postal Address

c/- Roger Gower & Associates

44A Orakei Road, Remuera 1050

New Zealand

Bankers

ASB Bank Limited

PO Box 35

Shortland Street

Auckland 1140

Auditor

PricewaterhouseCoopers

188 Quay Street

Auckland

New Zealand

Share Registry

Link Market Services

Level 11, Deloitte Centre

80 Queen Street

Auckland 1010

PO Box 91976

Auckland 1142

New Zealand