

CML Group

CML Group Limited ABN 88 098 952 277

Scheme Booklet

In relation to a proposal from Consolidated Operations Group Limited ABN 58 100 854 788 to acquire all of the ordinary shares in CML Group Limited ABN 88 098 952 277 by way of scheme of arrangement.

The Board unanimously recommends* that you

Vote in favour

of the Scheme in the absence of a binding Superior Proposal.

A Notice of Scheme Meeting is included as Annexure 1 to this Scheme Booklet, and a proxy form for the Scheme Meeting accompanies this Scheme Booklet.

The Scheme Meeting will be held at 10.00am (AEDT) on 5 February 2020 at the Offices of Automic Group, Level 5, 126 Phillip Street, Sydney NSW.

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding how to vote. If you are in doubt about how to deal with this document, you should consult your legal, financial, taxation or other professional adviser without delay.

* See the disclosure on the Contents Page at the beginning of the document.

Legal Adviser: Automic Legal Pty Ltd

 **AUTOMIC GROUP**

Important Notices and Disclaimers

GENERAL

You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting. If you have sold all of your CML Shares, please ignore this Scheme Booklet.

NATURE OF THIS DOCUMENT

This Scheme Booklet includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act. This Scheme Booklet does not constitute or contain an offer to CML Shareholders, or a solicitation of an offer from CML Shareholders, in any jurisdiction. With regard to the New COG Shares, this Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that disclosure to investors under Part 6D.2 of the Corporations Act is not required for any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held as a result of an order made by the court under section 411(1) or (1A) of the Corporations Act.

ASIC AND ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with paragraph 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearings to approve the Scheme.

A copy of this Scheme Booklet has been provided to ASX. None of ASX or its officers takes any responsibility for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SUBSECTION 411(1) OF THE CORPORATIONS ACT

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has directed that the explanatory statement accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how CML Shareholders should vote on the Scheme (on this matter CML Shareholders must reach their own conclusion);
- has prepared, or is responsible for the content of, this Scheme Booklet; or
- has approved or will approve the terms of the Scheme.

If you wish to oppose approval of the Scheme at the Second Court Hearing, you may do so by filing with the Court and serving on CML a notice of appearance in the prescribed form together with any affidavit that you propose to rely on. You may appear at the Second Court Hearing to be held at 10.15am on 10 February 2020 (subject to the court's availability) at the Federal Court of Australia, Law Courts Building, 184 Phillip Street, Sydney.

DEFINED TERMS

Capitalised terms used in this Scheme Booklet are defined in section 13 of this Scheme Booklet. Section 13 also sets out some rules of interpretation which apply to this Scheme Booklet.

NO INVESTMENT ADVICE

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any CML Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The CML Board encourages you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme.

This Scheme Booklet is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the potential risks of maintaining your investment in CML, as set out in section 10 of this Scheme Booklet, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure 4 to this Scheme Booklet.

If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser.

IMPLIED VALUE

You will receive some of your Scheme Consideration as New COG Shares. Any reference to the implied value of the Scrip Consideration should not be taken as an indication that CML Shareholders will receive cash in respect of this portion of the Scheme Consideration. The implied value of the Scrip Consideration is not fixed. As CML Shareholders are being offered New COG Shares as part of their consideration for their CML Shares under the Scheme, the implied value of the Scheme Consideration will vary with the market price of New COG Shares.

FORWARD LOOKING STATEMENTS

Some of the statements appearing in this Scheme Booklet may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of CML or COG are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which CML or COG operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of CML or COG or their respective officers, directors, employees or advisers or any person

named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, CML and COG and their respective officers, directors, employees and advisers disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

RESPONSIBILITY STATEMENT

CML has prepared, and is responsible for, the CML Information. Neither COG nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

COG has prepared, and is responsible for, the COG Information.

Neither CML nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Both CML and COG are jointly responsible for the Joint Information and, subject to the exception below, both CML and COG assume responsibility and liability for the accuracy and completeness of the Joint Information. The exception is that, in relation to the pro forma financial information relating to the Merged Group:

- CML has provided, and is responsible for, the financial information concerning the CML Group included in that information, or upon which that information is based; and
- COG has provided, and is responsible for, the financial information concerning the COG Group included in that information, or upon which that information is based.

RSM Corporate Australia Pty Ltd has prepared the Independent Expert's Report (as set out in Annexure A of this Scheme Booklet) and takes responsibility for that report. None of CML or COG or any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report.

RSM Australia Pty Ltd has prepared the Tax Letter (as set out in section 11 of this Scheme Booklet) and takes responsibility for the Tax Letter. None of CML or COG or any of their respective Subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Tax Letter, except in the case of information provided to RSM Australia Pty Ltd by CML and COG (respectively).

No consenting party has withdrawn their consent to be named in this Scheme Booklet before the date of this Scheme Booklet.

FOREIGN JURISDICTIONS

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable Laws or regulations.

This Scheme Booklet has been prepared in accordance with the Laws of the Commonwealth of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been

disclosed if this Scheme Booklet had been prepared in accordance with the Laws and regulations of a jurisdiction outside Australia.

FINANCIAL AMOUNTS

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

CHARTS, MAPS AND DIAGRAMS

Any diagrams, charts, maps, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the Last Practicable Date. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

TIMETABLE AND DATES

All times and dates referred to in this Scheme Booklet are times and dates in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from regulatory authorities.

EXTERNAL WEBSITES

Unless expressly stated otherwise, the content of the websites of CML and COG do not form part of this Scheme Booklet and CML Shareholders should not rely on any such content.

PRIVACY

CML may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in CML and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist CML to conduct the Scheme Meeting and implement the Scheme. Without this information, CML may be hindered in its ability to issue this Scheme Booklet and implement the Scheme.

Personal information of the type described above may be disclosed to the CML Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of CML, regulatory authorities, and also where disclosure is otherwise required or allowed by law.

CML Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by the CML Share Registry in connection with CML Shares, please contact the CML Share Registry.

CML Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above.

DATE OF SCHEME BOOKLET

This Scheme Booklet is dated 24 December 2019.

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CML Directors’ Recommendation – Important Disclosure

In relation to the unanimous recommendation of the CML Directors, you should note as follows:

1. If the Scheme is implemented, CML Directors Daniel Riley, Geoffrey Sam and Sue Healy will join the COG Board of Directors, and the non-executive directors who are appointed will be entitled to remuneration as a result of that appointment in the ordinary course of business.
2. Daniel Riley holds options over CML Shares which will be dealt with as part of the Scheme in accordance with section 4.6. Based on an implied value of the Scheme Consideration together with the Special Dividend, of \$0.51, the aggregate value of Daniel Riley’s options is \$2.4 million.
3. On 11 December 2019, CML received an unsolicited non-binding indicative and conditional offer from Scottish Pacific Group Limited to acquire 100% of the issued share capital of CML, details of which are set out in section 12.2. However, there is no certainty that the Indicative Scotpac Proposal will result in a binding offer being received from Scotpac that is capable of consideration by the CML Shareholders, or that any binding offer received will be a Superior Proposal.
4. CML Shareholders should have regard to these arrangements when considering the CML Director recommendations in relation to the Scheme, which appear throughout this Scheme Booklet. The CML Directors (including those that are the subject of the arrangements outlined above) consider that, despite these arrangements, it is appropriate for them to make a recommendation in relation to the Scheme.

Letter from the Chairman of CML

24 December 2019

Dear CML Shareholder,

On behalf of the CML Board, it is my pleasure to provide you with this Scheme Booklet which describes the proposed merger of CML and Consolidated Operations Group Limited (ASX:COG) to create a leading Australian financial services group focusing on servicing SME businesses in Australia. The Merger will be implemented by way of a scheme of arrangement subject to certain conditions including shareholder and court approvals.

The purpose of this Scheme Booklet is to provide you with important information to enable you to assess the transaction, which is to be implemented by way of a court approved scheme of arrangement and to determine whether to vote in favour of the Scheme in the Scheme Meeting to be held at 10.00am (AEDT), on 5 February 2020.



Summary of the offer value for CML Shareholders

If the Scheme is approved and implemented, CML Shareholders (other than Ineligible Foreign Shareholders), may elect to receive either:

- 1) a combination of 2.7 New COG Shares and \$0.24 in cash (up to the Cash Cap and subject to the Scaleback Mechanism) for each Scheme Share held (**Consideration Option 1**); or
- 2) 5.4 New COG Shares for each Scheme Share held (**Consideration Option 2**).

If you elect to receive Consideration Option 1, the total Cash Cap that is available to satisfy such election is \$20 million. If the Cash Cap is not sufficient to satisfy all Elections, the Scaleback Mechanism will apply. The Cash Cap will be reached at the point where approximately 37% of CML Shareholders elect to receive Consideration Option 1. The minimum Cash Consideration that will be received in the event that all CML Shareholders receive Consideration Option 1 is \$0.09 per CML Share. This is discussed in more detail in section 5.5. If you do not make a valid Election, you will receive the Consideration Option 1, being the mixed consideration, and will be subject to the Scaleback Mechanism. To make a valid Election, you will need to complete the Election Form (sent with this Scheme Booklet) and return it in accordance with the instructions on the Election Form so that it is received by the CML Share Registry by no later than the Election Date (currently expected to be 7.00pm (AEDT) on Monday, 27 January 2020). Further information on the Scaleback Mechanism is described in section 5.5.

CML intends to make an ASX announcement regarding the outcome of the Elections and the relevant implications on the Scaleback Mechanism immediately following the Election Date. The announcement is currently expected to be made on Tuesday, 28 January 2020. The purpose of the ASX announcement is to inform CML Shareholders ahead of the Scheme Meeting of the possible scaleback in Cash Consideration that may occur. A Scheme Shareholder who acquires Scheme Shares after the Election Date will receive Consideration Option 1. Since the buying and selling of CML Shares will continue up to the Scheme Record Date, the outcome of Elections in that announcement will be indicative only and the final outcome of the Elections will not be known until the Scheme Record Date, which is currently expected to be Tuesday, 18 February 2020. CML Shareholders who elect to receive Consideration Option 1 should note that the final mix of Cash Consideration and New COG Shares received by them could be different to that indicated in the ASX announcement.

If you are an Ineligible Foreign Shareholder, you will receive All Cash Consideration, being \$0.48 in cash for each Scheme Share.

As at 23 December 2019, being the last trading day prior to the date of this Scheme Booklet, the implied value of both Consideration Option 1 and Consideration Option 2 was 0.48 per CML Share.

If the Scheme is approved and becomes Effective, CML Shareholders (including Ineligible Foreign Shareholders) will receive a fully franked Special Dividend of \$0.03 per CML Share to be paid immediately prior to the Implementation Date.

Letter from the Chairman of CML (continued)

Directors' recommendation

The CML Board has undertaken a comprehensive assessment of the advantages and disadvantages of the Merger and has determined that the Merger is in the best interests of CML shareholders in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders.

The CML Board believes that you should vote for the Scheme for the following reasons:

- The proposed combination is in line with both groups' strategic objectives, including expanding in-house product capability for COG and delivering material cross-selling opportunities and enhanced scale for CML;
- The Merged Group anticipates to leverage the key strengths of each group and to have the potential to drive significant revenue synergies;
- With increased lending volumes the Merged Group expects to benefit from a lower cost of funding with significant available undrawn capital;
- Operational synergies are expected to be achieved through lower corporate overheads including lower ASX and compliance costs; and
- The proposed combination offers a refreshed Board with complementary skillsets and a shared strategic vision.

In consideration of the above factors which are expected to drive higher market share and earnings growth for the Merged Group, the CML Board considers that the proposal reflects a compelling value proposition for CML Shareholders who will have an interest in a substantially larger and diversified business.

If the Scheme is implemented, CML Directors Daniel Riley, Geoffrey Sam and Sue Healy will join the COG Board of Directors, and the non-executive directors who are appointed will be entitled to remuneration as a result of that appointment in the ordinary course of business.

On 11 December 2019, CML received an unsolicited non-binding indicative and conditional offer from Scottish Pacific Group Limited (**Scotpac**) to acquire 100% of the issued share capital of CML for total cash consideration of \$0.60 per share, comprising \$0.57 cash per share and permitting a dividend of \$0.03 per share to be paid prior to completion (**Indicative Scotpac Proposal**). The Indicative Scotpac Proposal is intended to be completed by way of a Scheme of Arrangement and is subject to a number of assumptions and conditions including completion of satisfactory confirmatory due diligence. Further information on the Indicative Scotpac Proposal is located in section 12.2.

On 18 December 2019, COG confirmed that it has no current intention to increase the proposed consideration to be offered to CML Shareholders set out in the SIA.

Pursuant to its fiduciary and statutory obligations, the CML Board has resolved to engage with Scotpac to further understand the conditions associated with the Indicative Scotpac Proposal and to explore the potential to receive a binding offer that is capable of consideration by CML Shareholders. However, there is no certainty that the Indicative Scotpac Proposal will result in a binding offer being received from Scotpac that is capable of consideration by CML Shareholders, or that any binding offer received will be a Superior Proposal.

For these reasons, as of the date of this Scheme Booklet, the CML Board continues to believe the Scheme is in the best interests of CML Shareholders and has unanimously recommended that, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders, CML Shareholders vote in favour of the Scheme.

The CML Board's recommendation to vote in favour of the Scheme is made notwithstanding that Mr Daniel Riley stands to benefit personally from the implementation of the Scheme by virtue of 10,000,000 options held over CML Shares. If the Scheme is approved, Mr Riley will be able to exercise, transfer or otherwise deal with his CML Share options, including by cancelling his options in exchange for cash consideration of \$0.24 per CML Share option. Based on an implied value of the Scheme Consideration and Special Dividend of \$0.51, the aggregate value of Daniel Riley's options is \$2.4 million. The treatment of Mr Riley's options is dealt with in more detail in section 4.6.

You should have regard to these arrangements when considering the CML Director recommendations in relation to the Scheme, which appear throughout this Scheme Booklet. The CML Directors (including those that are the subject of the arrangements outlined above) consider that, despite these arrangements, it is appropriate for them to make a recommendation in relation to the Scheme.

As announced on 13 November 2019 prior to the emergence of the Indicative Scotpac Proposal, major shareholders of CML, NAOS Asset Management Limited, First Samuel Limited, and the CML Board that together account for approximately 51% of the CML Share Register, have advised the Company that their current intention is to vote in favour of the Scheme, in the absence of a Superior Proposal. This

announcement is available free of charge on the ASX's website on <https://www.asx.com.au/asx/share-price-research/company/CGR>. As of the date of this Scheme Booklet, the Company has not received any confirmation from either NAOS Asset Investment Management Limited or First Samuel Limited regarding their current voting intentions after the Indicative Scotpac Proposal was announced on 19 December 2019. On 23 December 2019, NAOS Asset Management Limited advised the ASX that it had sold shares in CML. As a consequence, its shareholding had reduced from 19.17% or 41,716,693 CML Shares to 13.11% or 28,526,693 CML Shares.

Other considerations

You should consider the reasons why you may not want to vote in favour of the Scheme. These reasons include:

- you may disagree with the CML Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in your best interests;
- you may wish to confine your investment and exposure to a business with CML's specific characteristics;
- the future value of the New COG Shares which form part of or all the Scheme Consideration (depending on your Election) is not certain;
- you may consider that the potential lack of control premium in the Scheme Consideration as a disadvantage of the Scheme;
- you may believe there is potential for a binding Superior Proposal to be made in the foreseeable future; or
- the tax consequences of the Scheme may not suit your financial position.

Further information on these reasons is described in details in Section 1.1.

You should also consider the risks associated with the Scheme and the Merged Group, which are set out in section 10 of this Scheme Booklet.

Independent Expert

The CML Directors have appointed RSM Corporate Australia Pty Ltd as the independent expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of CML shareholders, in the absence of a superior binding offer from Scotpac and/or a superior proposal. The advantages and disadvantages of the Scheme are discussed by the Independent Expert at pages 189 to 190 in this Scheme Booklet.

How to vote

The Scheme will be implemented if approved by CML Shareholders at the Scheme Meeting to be held at 10.00am (AEDT) on 5 February 2020 at Level 5, 126 Phillip Street, Sydney NSW 2000 and approved by the Court.

Your vote is important and I strongly encourage you to vote on this significant company transformational transaction. You may vote by attending the Scheme Meeting, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meeting and vote on your behalf. If you are unable to attend the Scheme Meeting in person, I encourage you to vote by completing the enclosed personalised proxy form and returning it to the CML Share Registry so that it is received no later than 10.00am (AEDT) on 3 February 2020.

Please read this Scheme Booklet carefully and in its entirety as it contains important information (including the risk factors in section 10) that you should consider before you vote. We recommend you seek independent legal, financial, taxation or other professional advice before making an investment decision in relation to your CML Shares.

If you have any questions regarding the Scheme or this Scheme Booklet please contact the CML Shareholder Information Line on 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia) on Monday to Friday between 8.30am and 5.00pm (AEDT) or consult your legal, financial, taxation or other professional adviser.

On behalf of the CML Board, I thank you for your ongoing support. I look forward to your participation at the Scheme Meeting and encourage you to vote in favour of the Merger.

Yours sincerely,



Mr Greg Riley
Chairman
CML Group Limited

Letter from the Chairman of COG

24 December 2019

Dear CML Shareholders,

Consolidated Operations Group Limited's (ASX:COG) Board and senior management team are pleased to provide you with the opportunity to participate in the merger of CML Group Limited and COG through a scheme of arrangement which will create a significant new group in the financial services marketplace focusing on the needs of the SME sector.

I anticipate that the combination of CML's strengths in invoice financing and equipment leasing, combined with COG's existing presence in SME financing through its high quality and awarded finance broker and aggregator network, will allow the Merged Group to capture significantly increased business volumes across the value chain, delivering a broader financial product range, more competitive pricing and greater cross-selling opportunities across COG's national broker network.

The proposed combination of CML and COG is unanimously supported by the COG Board.

Furthermore, the proposed Merger is unanimously supported by the CML Board which unanimously recommends that all CML Shareholders vote in favour of the Scheme, in the absence of any binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders¹. Each of the CML Directors has also advised that they intend to vote any CML Shares held or controlled by them in favour of the Scheme.

As a CML Shareholder, your vote is extremely important in order to ensure that the proposed Merger is successfully implemented, unlocking significant benefits for both COG Shareholders and CML Shareholders.

On behalf of the COG Board, I encourage you to read this Scheme Booklet in its entirety (including the risk factors in section 10) and vote in favour of the Scheme. I look forward to welcoming you as a COG Shareholder.

Yours sincerely,



Patrick Tuttle

Non-Executive Chairman

Consolidated Operations Group Limited



¹ See the disclosure on the Contents Page at the beginning of the document.

Key Dates

Key Dates	
First Court Date	2.15pm (AEDT), 20 December 2019
Date of this Scheme Booklet	24 December 2019
Election Date (latest time and date for receipt of the Election Form)	7.00pm (AEDT), 27 January 2020
Announcement on the outcomes of Elections based on the Election Forms received by the Election Date	28 January 2020
Date and time for determining eligibility to vote at the Scheme Meeting	7.00pm, (AEDT), 3 February 2020
Latest time and date for receipt of proxy forms (including proxy forms lodged online) or powers of attorney by the CML Share Registry for the Scheme Meeting	10.00am (AEDT), 3 February 2020
Scheme Meeting	10.00am (AEDT), 5 February 2020
<i>If the Scheme is approved by CML Shareholders</i>	
Second Court Date	10.15am (AEDT), 10 February 2020 (subject to the court's availability)
Effective Date	11 February 2020
Expected last day of trading in CML Shares on ASX (CML Shares will be suspended from trading on ASX from close of trading)	11 February 2020
Special Dividend Record Date	7.00pm (AEDT), 18 February 2020
Scheme Record Date (for determining entitlements to Scheme Consideration)	7.00pm (AEDT), 18 February 2020
Special Dividend Payment Date	24 February 2020
Implementation Date (Scheme Consideration will be sent to Scheme Shareholders on the Implementation Date)	25 February 2020

All times and dates in the above timetable are references to the time and date in Sydney, Australia and all such times and dates are indicative only and are subject to change. Subject to compliance with any legal obligations, CML may vary any or all of these dates and times. Certain times and dates are conditional on the approval of the Scheme by CML Shareholders and by the Court and the satisfaction of certain other Conditions Precedent.

Any changes to the above timetable will be announced by CML on ASX and published on CML's website at <https://www.cashflowfinance.com.au/cml-group>.

The exact number of New COG Shares to be issued to you will not be confirmed until you receive your holding statement following the Implementation Date. Should you intend to agree to deal in your New COG Shares before you receive your holding statement, it is your responsibility to ensure you do not commit to sell more New COG Shares than will be issued to you.

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Key Considerations relevant to your vote

1.1 Why you should vote in favour of the Scheme

The Scheme has a number of advantages and disadvantages which may affect CML Shareholders in different ways depending on their individual circumstances. CML Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.1 provides a summary of some of the reasons why the CML Board unanimously recommends that CML Shareholders vote in favour of the Scheme. This section should be read in conjunction with section 1.2, which sets out reasons why CML Shareholders may wish to vote against the Scheme. You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting. While the CML Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages of the Scheme.



Your Directors unanimously recommend that you should vote in favour of the Scheme, in the absence of a binding Superior Proposal and the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders.

Your Directors unanimously recommend that, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders, you vote in favour of the Scheme at the Scheme Meeting to be held on 5 February 2020.

In reaching their recommendation, your Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet as well as taking into consideration the contents of and conclusion contained within the Independent Expert's Report.

In the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders, each of your Directors intends to vote all CML Shares held or controlled by them in favour of the Scheme. The interests of CML Directors are set out in section 6.10.1.

Your Directors' recommendation to vote in favour of the Scheme is made notwithstanding that Mr Daniel Riley stands to benefit personally from the implementation of the Scheme by virtue of 10,000,000 options held over CML Shares. If the Scheme is approved, Mr Riley will be able to exercise, transfer or otherwise deal with his CML Share options, including by cancelling his options in exchange for cash consideration of \$0.24 per CML Share option. Based on an implied value of the Scheme Consideration and Special Dividend of \$0.51, the aggregate value of Daniel Riley's options is \$2.4 million. The treatment of Mr Riley's options is dealt with in more detail in section 4.6.



The Merger combines two largely complementary businesses in CML and COG and is expected to leverage the key strengths in broking distribution and finance products.

The proposed Merger satisfies both groups' respective strategic objectives.

For CML, the combination delivers cross-selling opportunities that will accelerate volume growth and achieve improved scale for all its finance products.

For COG, it expands its existing in-house product capability and broadens its funding sources.

Your Directors expect the earnings profile of the Merged Group will exceed the earnings that could be achieved by either CML or COG independently. The improved earnings profile is expected to be achieved through increased revenue opportunities and cost synergies.

Revenue opportunities

The proposed Merger adds specialist invoice finance knowledge to the COG broker network and will facilitate opportunities to assess COG's SME clients, which number in the tens of thousands, for an invoice finance product. The CML Board expects the addition of specialist knowledge to the COG broker network will provide many SMEs with access to a working capital solution they may otherwise have had limited knowledge of and limited access to.

In addition, the CML Board anticipates that the volume of its equipment finance business will increase, which is already actively distributed through the COG asset finance distribution network (total value of assets financed being approximately \$4.5 billion per annum currently).

Cost synergies

Your Board also anticipates an uplift in earnings in the Merged Group through cost synergies to be realised through time, including:

- Corporate costs – by moving from two listed entities to one listed entity certain corporate costs will be reduced, including ASX listing fees, directors' fees, share registry fees, accounting and consulting fees.
- Equipment Finance business – by amalgamating the equipment finance businesses, it will be possible to move to a single credit and lease management system, which will reduce IT costs.
- Occupancy Costs – by combining and reducing the number of offices occupied by COG and CML there will be a decrease in occupancy costs.



CML Shareholders are being offered shares as Scheme Consideration and upon the implementation of the Scheme will own between approximately 39% to 44% of the Merged Group.

The range of ownership of CML Shareholders of the Merged Group will vary depending on the Election of CML Shareholders (excluding Ineligible Foreign Shareholders) on the option to take 100% New COG Shares or a combination of New COG Shares and cash as the Scheme Consideration. CML Shareholders will own between approximately 39% to 44% of the Merged Group upon the implementation of the Scheme. This allows existing CML Shareholders to participate in the expected benefits from combining the two businesses, while also retaining exposure to CML's current businesses. For further details on the ownership of the Merged Group, please refer to section 8.11.

In addition to the above, the total amount of CML's Special Dividend of \$0.03 per CML Share represents approximately 2.5% to 2.7% (depending on the Elections of CML Shareholders) of COG Shares on issue post the Merger at a \$0.09 valuation.



The Merged Group's balance sheet capacity is expected to provide the Merged Group with the flexibility to consider and, if appropriate, to pursue strategic investment in future growth opportunities, in addition to capital management.

The earnings profile of the Merged Group will facilitate continued strategic investment to further expand COG's distribution network and to introduce additional lending products to service SMEs.

✓ **The implied value of the Scheme Consideration and Special Dividend is likely to represent a premium for your CML Shares.**

The volume weighted average ASX share price of CML Shares was \$0.474 during the three months preceding the Last Practicable Date. The volume weighted average ASX share price of COG Shares was \$0.091 during the three months preceding the Last Practicable Date.

The implied value of the Scheme Consideration will vary depending on the prevailing COG Share price. The following diagram shows the implied value of the Scheme Consideration and the Special Dividend to be received by CML Shareholders if the Scheme is implemented under different scenarios depending on the COG Share price.

COG share price	Option 1	Option 2
	being 2.7 New COG Shares and \$0.24 plus \$0.03 Special Dividend per CML share	being 5.4 New COG Shares plus \$0.03 Special Dividend per CML share
\$0.080	\$0.49	\$0.46
\$0.082	\$0.49	\$0.47
\$0.084	\$0.50	\$0.48
\$0.086	\$0.50	\$0.49
\$0.088	\$0.51	\$0.51
\$0.090	\$0.51	\$0.52
\$0.092	\$0.52	\$0.53
\$0.094	\$0.52	\$0.54
\$0.096	\$0.53	\$0.55
\$0.098	\$0.53	\$0.56
\$0.100	\$0.54	\$0.57

As per the table above, the implied value to be received by CML Shareholders if the Scheme is implemented is likely to represent a premium for your CML Shares.

✓ **The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in your best interests.**

Your Directors have appointed RSM Corporate Australia Pty Ltd to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of CML Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, that the Scheme is in the best interests of CML Shareholders, in the absence of a superior binding offer in relation to the Indicative Scotpac Proposal and/or a superior proposal.

The basis for this conclusion is that the implied value of the Scheme Consideration, which is one of the following (other than Ineligible Foreign Shareholders):

- 1) \$0.24 cash and 2.7 New COG Shares per Scheme Share; or
- 2) 5.4 New COG Shares per Scheme Share,

plus the Special Dividend, is within the valuation range (as concluded by the Independent Expert) of A\$0.491 to A\$0.522 per Scheme Share.

A complete copy of the Independent Expert's Report is included as Annexure 4 to this Scheme Booklet and your Directors encourage you to read this report in full.

✓ **The Scheme provides flexibility to receive part of the Scheme Consideration in cash (subject to the Scaleback Mechanism).**

The Scheme provides you with the flexibility if you would prefer to exchange your CML Shares for cash upon closing of the transaction by allowing you to elect to receive Consideration Option 1 which is a mixed cash and scrip consideration. If the Scheme is implemented, the cash component of the Consideration Option 1, being A\$0.24 cash per Scheme Share (subject to the operation of the Scaleback Mechanism), would offer you some certainty of value for your CML Shares.

The certainty provided by offering the cash component in such mixed consideration should be compared with the risks and the uncertainties of remaining a CML Shareholder, which include, but are not limited to, the risks set out in section 10, and the uncertainties of receiving only New COG Shares for consideration as discussed below in this section as one of the reasons why you should vote against the Scheme.

✓ **Since the announcement of the Scheme, no binding Superior Proposal has emerged.**

Since the announcement on 13 November 2019 that CML had entered into the Scheme Implementation Agreement with COG and up to the date of this Scheme Booklet, no binding Superior Proposal has emerged.

As announced on 19 December 2019, on 11 December 2019, CML received an unsolicited non-binding indicative and conditional offer from Scotpac to acquire 100% of the issued share capital of CML for total cash consideration of \$0.60 per share, comprising \$0.57 cash per share and permitting a dividend of \$0.03 per share to be paid prior to completion. The Indicative Scotpac Proposal is intended to be completed by way of a scheme of arrangement and is subject to a number of assumptions and conditions including completion of satisfactory confirmatory due diligence.

Pursuant to its fiduciary and statutory obligations, your Board has resolved to engage with Scotpac to further understand the conditions associated with the Indicative Scotpac Proposal and to explore the potential to receive a binding offer that is capable of consideration by CML Shareholders. However, there is no certainty that the Indicative Scotpac Proposal will result in a binding offer being received from Scotpac that is capable of consideration by CML Shareholders, or that any binding offer received will be a Superior.

Your Directors have not become aware of any other alternative proposal and have no basis for believing that any other alternative proposal will be received.

For the reasons above, as of the date of this Scheme Booklet, the CML Board continues to believe the Scheme is in the best interests of CML Shareholders and has unanimously recommended that, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders, CML Shareholders vote in favour of the Scheme.

✓ **No brokerage costs on the disposal of your CML Shares under the Scheme.**

CML Shareholders will not incur any brokerage costs on the disposal of their CML Shares to COG under the Scheme.

1.2 Why you may wish to vote against the Scheme

Although the Scheme is recommended by your Directors and the Independent Expert has concluded that the Scheme is in the best interests of CML Shareholders (in each case in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders), factors which may lead you to consider voting against the Scheme include the following:

✗ **You may disagree with the CML Directors' unanimous recommendation or the Independent Expert's conclusion.**

Despite the view of your Directors and the Independent Expert, you may believe that the Scheme is not in the best interests of CML Shareholders or not in your individual interest. You are not obliged to accept the Directors' recommendation or the views of the Independent Expert.

**You may wish to confine your investment and exposure to a business with CML's specific characteristics.**

CML Shareholders may wish to keep their CML Shares and preserve their investment in a publicly listed company with the specific characteristics of CML, including its current exposure to its existing business. Sections 6 and 7 set out further detail on the standalone businesses of CML and COG, respectively. Implementation of the Scheme may represent a disadvantage if you do not want to change your investment profile. CML Shareholders should read this Scheme Booklet carefully to understand the implications of the Scheme including the risks of holding COG Shares (see section 10) and should seek investment, legal or other professional advice in relation to their own circumstances. Further information on the Merged Group can be found at section 8.

**The future value of the New COG Shares which form the Scheme Consideration is not certain.**

If the Scheme is Implemented, CML Shareholders (other than Ineligible Foreign Shareholders) will receive Scrip Consideration in the form of a specified number of New COG Shares, being either 2.7 New COG Shares in addition to \$0.24 for each Scheme Share in respect of Consideration Option 1 or 5.4 New COG Shares for each Scheme Share in respect of Consideration Option 2. If the Scheme is approved by CML Shareholders, the trading value of the New COG Shares will depend on the price at which COG Shares trade on the ASX on and after the Effective Date. Following Implementation of the Scheme, the price of COG Shares may fall or rise based on market conditions and the Merged Group's financial and operational performance. If the price of COG Shares falls, the value of the New COG Shares received as Scheme Consideration will decline. If the price of COG Shares increases, the value of the New COG Shares received as Scheme Consideration will increase. Accordingly, there is no guarantee as to the future value of the Scheme Consideration to be received by Scheme Shareholders if the Scheme is Implemented.

**You may consider that the potential lack of control premium in the Scheme Consideration as a disadvantage of the Scheme.**

In the case of publicly traded securities, given the advantages the control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. However, as the Scheme is structured with intention to form a 'merger of equals' and is not intended to effect a change of control, the Independent Expert has assessed the fair value of the CML Shares and the Scheme Consideration on a non-controlling basis, which means that they have not taken into consideration of any control premium when making the conclusion that the Scheme is fair and reasonable. Therefore, there is a risk that the Scheme Consideration does not represent any control premium should the CML Shares and the Scheme Consideration be valued on a controlling basis.

You may consider such potential lack of control premium as a disadvantage of the Scheme.

**You may consider that there is potential for a binding Superior Proposal to emerge.**

It is possible that, if CML were to continue as an independent listed entity, a corporate control proposal for CML may materialise in the future, such as a takeover bid with a higher value than the Scheme Consideration per Scheme Share. However, as at the date of this Scheme Booklet, except for the Indicative Scotpac Proposal, your Directors have not received or become aware of any other alternative proposal and have no basis for believing that any other alternative proposal will be received.

**The tax consequences of the Scheme for you may not suit your financial position.**

Implementation of the Scheme may trigger taxation consequences for CML Shareholders. A general guide to the taxation implications of the Scheme is set out in section 11. This guide is expressed in general terms only and CML Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

1.3 Other considerations

✓ **The Scheme may proceed even if you do not vote at the Scheme Meeting or if you vote against the Scheme Resolution.**

The Scheme will be implemented if the Scheme Resolution is duly passed by the Requisite Majorities of CML Shareholders, all other Conditions Precedent are satisfied or waived (as applicable) and the Scheme is approved by the Court, regardless of whether you vote against the Scheme Resolution or do not vote at the Scheme Meeting to be held on 5 February 2020.

If the Scheme is approved and implemented, your Scheme Shares will be transferred to COG and you will receive the Scheme Consideration in accordance with your Election or the All Cash Consideration if you are an Ineligible Foreign Shareholder. If you are not an Ineligible Foreign Shareholder and you do not make an Election, you will receive Consideration Option 1.

✓ **Conditions Precedent.**

The Scheme is subject to a number of Conditions Precedent, which are summarised in section 12.1.1.

If these Conditions Precedent are not satisfied or waived (as applicable), the Scheme will not proceed (even if it has been approved by the Requisite Majorities of CML Shareholders) and Scheme Shareholders will not receive the Scheme Consideration as contemplated by the Scheme.

As at the date of this Scheme Booklet, the Scheme remains conditional on a number of Conditions Precedent being satisfied or waived.

✓ **Break Fee.**

Under the Scheme Implementation Agreement:

- CML must pay COG a break fee of \$1 million or \$500,000 (excluding GST) in certain circumstances where the Scheme does not become Effective. These circumstances are summarised in section 12.1.3 of this Scheme Booklet (**CML Break Fee**).
- COG must pay CML a break fee of \$1 million or \$500,000 (excluding GST) in certain circumstances where the Scheme does not become Effective. These circumstances are summarised in section 12.1.4 of this Scheme Booklet (**COG Break Fee**).

No break fee is payable if the Scheme does not become Effective solely as a result of the Requisite Majorities of CML Shareholders failing to approve the Scheme at the Scheme Meeting.

02

Frequently Asked Questions

Question	Answer	Section Reference
What is a "scheme of arrangement"?	<p>A scheme of arrangement is a statutory arrangement facilitated by Part 5.1 of the Corporations Act between a company and its shareholders.</p> <p>Schemes are commonly used to effect the acquisition of shares in a target company.</p> <p>Schemes must be approved by the Requisite Majorities of shareholders and the Court in order to become binding on the target company's shareholders.</p>	Section 4
What is the Scheme that I am being asked to consider?	<p>CML Shareholders are being asked to consider the proposed scheme of arrangement between CML and CML Shareholders as at the Scheme Record Date, under which it is proposed that COG will acquire 100% of the CML Shares on issue, in return for which Scheme Shareholders (excluding Ineligible Foreign Shareholders) will receive either:</p> <ol style="list-style-type: none"> 1) a combination of 2.7 New COG Shares and \$0.24 in cash (subject to the Cash Cap and the Scaleback Mechanism) for each Scheme Share held (Consideration Option 1); or 2) 5.4 New COG Shares for each Scheme Share held (Consideration Option 2). <p>Ineligible Foreign Shareholders will receive the All Cash Consideration.</p> <p>If the Scheme is approved and becomes Effective, CML Shareholders (including Ineligible Foreign Shareholders) will also be paid a fully franked Special Dividend of \$0.03 per CML Share immediately prior to the Implementation Date.</p> <p>The Scheme requires approval by the Requisite Majorities of CML Shareholders at the Scheme Meeting and approval by the Court at the Second Court Hearing in order to become Effective.</p> <p>Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure 2.</p>	Section 4
What is the Election?	<p>All CML Shareholders (other than Ineligible Foreign Shareholders) can make an Election to receive Consideration Option 1 or Consideration Option 2 by completing the Election Form (sent with this Scheme Booklet) and returning it in accordance with the instructions on the Election Form so that it is received by the CML Share Registry by no later than the Election Date (currently expected to be 7.00pm (AEDT) on Monday, 27 January 2020).</p> <p>If you do not make an Election, or your Election is not received by the CML Share Registry by the Election Date, you will be deemed to have elected to receive Consideration Option 1 (being a mix of cash and New COG Shares).</p> <p>CML intends to make an announcement regarding the outcome of the Elections and the relevant implications on the Scaleback Mechanism immediately following the Election Date. Such announcement is currently expected to be made on Tuesday, 28 January 2020.</p>	Section 3.5

Question	Answer	Section Reference
<p>What are the Cash Cap and the Scaleback Mechanism?</p>	<p>If you elect to receive Consideration Option 1, the total Cash Cap that is available to satisfy such election is \$20 million. If the Cash Cap is not sufficient to satisfy all Elections, the Scaleback Mechanism will apply. The Cash Cap will be reached at the point where approximately 37% of CML Shareholders elect to receive Consideration Option 1. The minimum Cash Consideration that will be received in the event that all CML Shareholders receive Consideration Option 1 is \$0.09 per CML Share.</p> <p>If you do not make a valid Election, you will receive the Consideration Option 1, being the mixed consideration, and will be subject to the Scaleback Mechanism. To make a valid Election, you will need to complete the Election Form (sent with this Scheme Booklet) and return it in accordance with the instructions on the Election Form so that it is received by the CML Share Registry by no later than the Election Date (currently expected to be 7.00pm (AEDT) on Monday, 27 January 2020). Further information on the Cash Cap and the Scaleback Mechanism is described in section 5.5.</p> <p>CML intends to make an ASX announcement regarding the outcome of the Elections and the relevant implications on the Scaleback Mechanism immediately following the Election Date. The announcement is currently expected to be made on Tuesday, 28 January 2020. The purpose of the ASX announcement is to inform CML Shareholders ahead of the Scheme Meeting of the possible scaleback in Cash Consideration that may occur. A Scheme Shareholder who acquires Scheme Shares after the Election Date will receive Consideration Option 1. Since the buying and selling of CML Shares will continue up to the Scheme Record Date, the outcome of Elections in that announcement will be indicative only and the final outcome of the Elections will not be known until the Scheme Record Date, which is currently expected to be Tuesday, 18 February 2020. CML Shareholders who elect to receive Consideration Option 1 should note that the final mix of Cash Consideration and New COG Shares received by them could be different to that indicated in the ASX announcement.</p>	<p>Section 5.5</p>
<p>What is the Scheme Implementation Agreement and is it binding on me?</p>	<p>The Scheme Implementation Agreement contains various undertakings by CML and COG to pursue and progress the Scheme. The key terms of the Scheme Implementation Agreement are summarised in section 12.1.</p> <p>The Scheme Implementation Agreement is binding on CML only and not on CML Shareholders. The Scheme will only become binding on CML Shareholders if and when the Scheme is approved by the Requisite Majorities of CML Shareholders at the Scheme Meeting, and approval is obtained by the Court at the Second Court Hearing.</p>	<p>Section 12.1</p>

Question	Answer	Section Reference
What should I do?	<p>CML Shareholders should read this Scheme Booklet carefully and in its entirety including the risk factors of holding COG Shares in section 10. CML Shareholders may also choose to consult their financial, legal, taxation or other professional advisers in relation to any of the information contained in this Scheme Booklet.</p> <p>Based on this Scheme Booklet and any independent advice you may receive, you should determine how you wish to vote on the Scheme. You are able to vote by attending the Scheme Meeting, or by appointing a proxy, attorney or, in the case of corporate CML Shareholders, a corporate representative, to vote on your behalf.</p> <p>All CML Shareholders (other than Ineligible Foreign Shareholders) can make an Election to receive Consideration Option 1 or Consideration Option 2 by completing the Election Form (sent with this Scheme Booklet) and returning it in accordance with the instructions on the Election Form so that it is received by the CML Share Registry by no later than the Election Date (currently expected to be 7.00pm (AEDT) on Monday, 27 January 2020).</p> <p>If you do not make an Election, or your Election is not received by the CML Share Registry by the Election Date, you will be deemed to have elected to receive Consideration Option 1 (being a mix of cash and New COG Shares).</p> <p>Refer to section 3 and Annexure 1 for further information on how to vote on the Scheme and to section 3.5 for how to make an Election for Scheme Consideration.</p>	
What do the CML Directors recommend?	<p>Your Directors unanimously recommend² that all CML Shareholders vote in favour of the Scheme, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders.</p> <p>The CML Directors believe that the reasons for CML Shareholders to vote in favour of the Scheme significantly outweigh the reasons to vote against the Scheme.</p> <p>Each CML Director who holds CML Shares intends to vote all CML Shares held or controlled by them in favour of the Scheme, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders.</p> <p>The CML Directors' recommendation to vote in favour of the Scheme is made notwithstanding that Mr Daniel Riley stands to benefit personally from the implementation of the Scheme by virtue of 10,000,000 options held over CML Shares. If the Scheme is approved, Mr Riley will be able to exercise, transfer or otherwise deal with his CML Share options, including by cancelling his options in exchange for cash consideration of \$0.24 per CML Share option. Based on an implied value of the Scheme Consideration and Special Dividend of \$0.51, the aggregate value of Daniel Riley's options is \$2.4 million. The treatment of Mr Riley's options is dealt with in more detail in section 4.6.</p>	Sections 1.1
What is the opinion of the Independent Expert?	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, that the Scheme is in the best interests of CML Shareholders, in the absence of a superior binding offer in relation to the Indicative Scotpac Proposal and/or a superior proposal.</p>	Annexure 4

² See the disclosure on the Contents Page at the beginning of the document.

Question	Answer	Section Reference
<p>Why should I vote in favour of the Scheme?</p>	<p>Reasons why you should consider voting in favour of the Scheme comprise:</p> <ul style="list-style-type: none"> a) the CML Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders; b) the Scheme combines two largely complementary businesses in CML and COG and is expected to leverage the key strengths in broking distribution and finance products by delivering revenue opportunities and cost synergies to the Merged Group; c) CML Shareholders are being offered shares as Scheme Consideration and, upon the implementation of the Scheme, will own between approximately 39% to 44% of the Merged Group; d) the Merged Group's balance sheet capacity is expected to provide the Merged Group with the flexibility to consider and, if appropriate, to pursue strategic investment in future growth opportunities, in addition to capital management; e) the implied value of the Scheme Consideration and Special Dividend is likely to represent a premium for the CML Shares held by CML Shareholders; f) the Scheme provides flexibility to receive part of the Scheme Consideration in Cash (subject to the Scaleback Mechanism); g) the Independent Expert has concluded that the Scheme is in the best interests of CML Shareholders, in the absence of a binding Superior Proposal; h) no binding Superior Proposal has emerged since the announcement of the Scheme; and i) there is no brokerage costs on the disposal of the CML Shares held by CML Shareholders under the Scheme. 	<p>Sections 1.1</p>
<p>What are the reasons to vote against the Scheme?</p>	<p>Reasons why you might consider voting against the Scheme comprise:</p> <ul style="list-style-type: none"> a) you may disagree with the CML Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in your best interests; b) you may wish to confine your investment and exposure to a business with CML's specific characteristics; c) the future value of the New COG Shares which form part of or all the Scheme Consideration (depending on your Election) is not certain; d) You may consider that the potential lack of control premium in the Scheme Consideration as a disadvantage of the Scheme; e) you may believe there is potential for a binding Superior Proposal to be made in the foreseeable future; or f) the tax consequences of the Scheme may not suit your financial position. 	<p>Section 1.2</p>

Question	Answer	Section Reference
What are the risks associated with the Merged Group and risks associated with continuing to hold COG Shares?	<p>There are a number of risks associated with the Merged Group and the risks of holding COG Shares. Other than the general risk arising from being subject to business cycles, market and economic fluctuations, there are also specific risks relating to the Merged Group which are outlined below.</p> <p>Risks relating to the Scheme and the creation of the Merged Group:</p> <ol style="list-style-type: none"> Integration risks and realisation of anticipated synergies; Uncertainty in relation to the Scheme Consideration; Accounting risks; Court approval and/or delay risks; Tax consequences; Change of control risks; Transaction costs; and Due diligence. <p>Risks relating to the Merged Group:</p> <ol style="list-style-type: none"> Share market conditions; Future dividends; Cash flow financing risks; Availability of funding; Contractual risk; Insurance arrangements; Ability to attract and retain skilled personnel; and Regulatory and government policy risk. 	Section 10
Who is COG?	<p>The COG Group is an ASX listed company whose principal activities are in the equipment finance sector. The investment objective of COG is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance, broking, finance aggregation and commercial leases for essential business assets.</p> <p>COG's operations are split into two segments, namely:</p> <ul style="list-style-type: none"> Commercial equipment finance; and Finance broking and aggregation. 	Section 7
How will the cash component of the Scheme Consideration be funded?	<p>The Aggregate Cash Consideration will be funded through the proceeds of the rights issue undertaken by COG and a placement of the shortfall of the rights issue as announced to the ASX on 13 November 2019.</p>	Section 7.7
Will I receive any further dividends from CML?	<p>The CML Board will declare and pay a fully franked Special Dividend of \$0.03 per CML Share immediately prior to the implementation of the Scheme conditional upon the Scheme becoming Effective.</p>	Section 4.5.4

Question	Answer	Section Reference
What is required for the Scheme to become Effective?	<p>The implementation of the Scheme is subject to the satisfaction of a number of Conditions Precedent, including the obtaining of various regulatory and Court approvals, and approval by the Requisite Majorities of CML Shareholders.</p> <p>Section 12.1.1 of the Scheme Booklet contains further details on conditions that must be satisfied or waived before the Scheme can become Effective.</p>	Sections 12.1.1
When do the conditions have to be satisfied by?	<p>Apart from the conditions relating to Court approval and CML Shareholder approval, the remaining conditions must be satisfied as at 8.00am on the Second Court Date.</p> <p>The Second Court Date is scheduled for 10 February 2020 (subject to the court's availability). If a condition is not satisfied or waived (where capable of waiver) by 8.00am on this date, CML will make an application to the Court to change the date of the Second Court Hearing.</p> <p>The conditions must be satisfied or waived (where capable of waiver) by the Sunset Date. The Sunset Date is 30 April 2020, or any later date as agreed in writing by CML and COG.</p> <p>If the relevant conditions are not satisfied by the Sunset Date, the Scheme will not become Effective.</p>	Section 12.1
When will the Scheme become Effective?	<p>If the Court approves the Scheme under paragraph 411 (4)(b) of the Corporations Act and all other Conditions Precedent have been satisfied or waived (where capable of waiver), the Scheme will become Effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC.</p>	Section 4.5.2
Can I sell my CML Shares now?	<p>You can sell your CML Shares on market at any time before close of trading on ASX on the Effective Date at the then prevailing market price (which may vary from the Scheme Consideration).</p> <p>CML intends to apply to ASX for CML Shares to be suspended from official quotation on ASX from close of trading on the Effective Date (which is currently expected to be Tuesday 11 February 2020). You will not be able to sell your CML Shares on market after this time.</p>	N/A
When and where will the Scheme Meeting be held?	<p>The Scheme Meeting will be held on 5 February 2020 at the offices of Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000 commencing at 10.00am (AEDT).</p>	Annexure 1
What vote is required to approve the Scheme?	<p>For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majorities, which are:</p> <ul style="list-style-type: none"> • a majority in number of CML Shareholders who vote on the Scheme Resolution (either in person or by proxy, attorney or corporate representative); and • at least 75% of the total votes cast on the Scheme Resolution being in favour of the Resolution. <p>The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.</p>	Section 4
Am I entitled to vote at the Scheme Meeting?	<p>Each CML Shareholder who is registered on the Register at 7.00pm (AEDT) on 3 February 2020 is entitled to attend and vote at the Scheme Meeting.</p>	Annexure 1

Question	Answer	Section Reference
How do I vote if I am not able to attend the Scheme Meeting?	If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy or attorney to attend and vote on your behalf.	Annexure 1
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced through ASX once available. Even if the Scheme Resolution is passed by the Scheme Meeting, the Scheme is subject to approval of the Court.	N/A
What happens to my CML Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?	If you do not vote, or you vote against the Scheme, and the Scheme becomes Effective, any CML Shares held by you on the Scheme Record Date (currently expected to be Tuesday, 18 February 2020) will be transferred to COG on the Implementation Date and you will receive the Scheme Consideration for your CML Shares, notwithstanding that you may not have voted or you may have voted against the Scheme, or you have failed to return an Election Form.	N/A
When will I be paid?	Payment and issue of the Scheme Consideration is expected to be made on Tuesday 25 February 2020.	Section 4.5.5
How will I be paid?	All payments (for the cash component of Consideration Option 1 and All Cash Consideration) will be made by direct deposit into the bank account you have nominated for dividend payment, as advised to the CML Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be by Australian dollar cheque sent to you by post to your registered address as shown on the Register.	Section 4.5.5
Will I have to pay brokerage?	You will not incur any brokerage costs on the disposal of your CML Shares to COG under the Scheme.	N/A
Do I have to sign anything to transfer my CML Shares under the Scheme?	No, you do not need to sign anything to transfer your CML Shares under the Scheme.	N/A
What happens if the Court does not approve the Scheme or the Scheme does not otherwise become Effective?	If the Scheme is not approved at the Scheme Meeting, or if it is approved at the Scheme Meeting but is not approved by the Court or another condition to the Scheme is not satisfied or waived (where capable of waiver), then the Scheme will not become Effective and will not be implemented. If the Scheme does not become Effective, Scheme Shareholders will not receive the Scheme Consideration but will retain their CML Shares. In these circumstances, CML will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX.	Section 4.5.7
When could CML be required to pay a break fee?	CML may be required to pay a break fee in certain circumstances. Section 12.1.3 of the Scheme Booklet contains further details on the break fee payable by CML.	Section 12.1.3

Question	Answer	Section Reference
What will happen to CML if the Scheme becomes Effective?	If the Scheme becomes Effective, CML will become a wholly-owned Subsidiary of COG, and CML will apply for termination of the official quotation of CML Shares on ASX and to have CML removed from the official list of ASX.	Section 4.5.9
What do I do if I oppose the Scheme?	<p>If you, as a CML Shareholder, oppose the Scheme, you should:</p> <ul style="list-style-type: none"> • attend the Scheme Meeting either in person or by proxy and vote against the Scheme Resolution; and/or • if CML Shareholders pass the Scheme Resolution at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing to oppose the approval of the Scheme, lodge a notice of intention to appear at the Second Court Hearing, attend the hearing and indicate your opposition to the Scheme. 	N/A
Where can I get further information?	<p>For further information, you can call the CML Scheme Information Line on 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia).</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal, taxation or other professional adviser.</p>	N/A
What are the Australian tax implications of the Scheme for CML Shareholders?	A summary of the general Australian income tax, stamp duty and GST consequences for CML Shareholders who participate in the Scheme is set out in section 11. Each individual's tax position is different. CML Shareholders are urged to consult their own professional tax advisers as to the specific tax consequences to them of the Scheme, including the applicability and effect of income and other tax laws in their particular circumstances.	Section 11
Am I entitled to scrip for scrip capital gains tax roll-over relief?	Australian resident CML Shareholders who would otherwise make a capital gain on the disposal of their CML Shares under the Scheme should be eligible to choose scrip for scrip roll-over relief for that part of the capital gain that is referable to the receipt of New COG Shares. The tax consequences of the Scheme will differ for each CML Shareholder, and CML Shareholders should consult their own professional tax advisers to seek advice which considers their individual circumstances.	Section 11

03

How to Vote and How to make an Election

3.1 Your vote is important

For the Scheme to become Effective, it is necessary that sufficient CML Shareholders vote in favour of the Scheme.

If you are registered as a CML Shareholder at 7.00pm (AEDT) on Monday, 3 February 2020, you will be entitled to vote on the Scheme at the Scheme Meeting.

3.2 Notice of Scheme Meeting

The Scheme will be voted on by CML Shareholders at a meeting to be held at Level 5, 126 Phillip Street, Sydney NSW 2000 on Wednesday, 5 February 2020, commencing at 10.00am (AEDT).

The Notice of Scheme Meeting is contained in Annexure 1 to this Scheme Booklet.

3.3 Procedure

You may vote on the Scheme by attending the Scheme Meeting in person, by proxy, by attorney or, in the case of a CML Shareholder which is a corporation, by corporate representative.

Information on how to vote is contained in the Notice of Scheme Meeting attached as Annexure 1 to this Scheme Booklet.

If you are in favour of the Scheme, you should vote in favour of the Scheme.

If you are against the Scheme, you should vote against the Scheme.

The Scheme will not proceed unless the Scheme is approved, amongst other things, by the Requisite Majorities of CML Shareholders.

3.4 Voting entitlement

Each CML Shareholder who is registered on the Register at 7.00pm (AEDT) on Monday, 3 February 2020, is entitled to attend and vote at the Scheme Meeting, in person, by proxy, by attorney or, in the case of a CML Shareholder which is a corporation, by its corporate representative appointed in accordance with the Corporations Act.

Information on entitlements to vote, including if you are a joint holder of CML Shares, is contained in the Notice of Scheme Meeting which is attached as Annexure 1 to this Scheme Booklet.

3.5 How to make an Election for Scheme Consideration

All CML Shareholders (other than Ineligible Foreign Shareholders) can make an Election to receive Consideration Option 1 or Consideration Option 2 by completing the Election Form (sent with this Scheme Booklet) and returning it in accordance with the instructions on the Election Form so that it is received by the CML Share Registry by no later than the Election Date (currently expected to be 7.00pm (AEDT) on Monday, 27 January 2020).

If you do not make a valid Election, or your Election is not received by the CML Registry by the Election Date, you will be deemed to have elected to receive Consideration Option 1 (being a mix of cash and COG Shares).

CML intends to make an announcement regarding the outcome of the Elections and the relevant implications on the Scaleback Mechanism immediately following the Election Date. Such announcement is currently expected to be made on Tuesday, 28 January 2020. The purpose of the ASX announcement is to inform CML Shareholders ahead of the Scheme Meeting of the possible scaleback in Cash Consideration that may occur. A Scheme Shareholder who acquires Scheme Shares after the Election Date will receive Consideration Option 1. Since the buying and selling of CML Shares will continue up to the Scheme Record Date, the outcome of Elections in that announcement will be indicative only and the final outcome of the Elections will not be known until the Scheme Record Date, which is currently expected to be Tuesday, 18 February 2020. CML Shareholders who elect to receive Consideration Option 1

should note that the final mix of Cash Consideration and New COG Shares received by them could be different to that indicated in the ASX announcement.

If you need a replacement, a new Election Form may be requested by calling the CML Shareholder Information Line on 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia) on Monday to Friday between 8.30am and 5.00pm (AEDT) (excluding public holidays).

You may also change your Election by completing and returning a new Election Form in accordance with the instructions on the Election Form. Where a CML Shareholder returns more than one Election Form, the last valid Election Form that is received by the CML Registry before the Election Date will be treated as revoking for all purposes any other Election Form and will be used to determine your Election.

TO BE VALID, ELECTION FORMS OR AMENDED ELECTION FORMS MUST BE RECEIVED BY THE CML REGISTRY BY NO LATER THAN THE ELECTION DATE (CURRENTLY EXPECTED TO BE 7.00PM (AEDT) ON MONDAY 27 JANUARY 2020).

There are a number of ways Election Forms may be submitted:

Online	at www.investorvote.com.au using the instructions on the personalised Election Form
By Post	Computershare Investor Services Pty Limited, GPO Box 1282, Melbourne Victoria 3001 Australia
By hand delivery	Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney, NSW 2000 Australia
By fax	1800 783 447 (within Australia), or +61 3 9473 2555 (outside Australia)

Elections are subject to the Scheme becoming Effective and the operation of the Scaleback Mechanism if the Cash Cap is exceeded. Therefore, even if you make a valid Election to receive Consideration Option 1, the quantum of cash consideration you will receive is not guaranteed and you may receive more COG Shares in lieu of cash consideration. Further details on the Scaleback Mechanism are set out in section 5.5.

You should read this Scheme Booklet in full before making an Election to receive either of Consideration Option 1 or Consideration Option 2. You should also consider obtaining appropriate independent professional advice before making any Election.

04

Overview of the Scheme

4.1 Background

On 13 November 2019, CML announced that it had entered into the Scheme Implementation Agreement with COG, under which, subject to the satisfaction or waiver of a number of Conditions Precedent, it is proposed that COG will acquire all of the ordinary shares in CML pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act.

A summary of the Scheme Implementation Agreement is included in section 12.1 of this Scheme Booklet. This section 4 contains an overview of the Scheme.

4.2 What you will receive

If the Scheme is implemented, Scheme Shareholders other than Ineligible Foreign Shareholders will receive one of the following:

- a) a combination of 2.7 New COG Shares and \$0.24 in cash (up to the Cash Cap and subject to the Scaleback Mechanism) for each Scheme Share held (**Consideration Option 1**); or
- b) 5.4 New COG Shares for each Scheme Share held (**Consideration Option 2**),

subject to an Election made by each Scheme Shareholder.

Ineligible Foreign Shareholders will receive cash of \$0.48 per Scheme Share they hold.

If the Scheme is approved and becomes Effective, CML Shareholders (including Ineligible Foreign Shareholders) on the CML Share Register on the Special Dividend Record Date, which is currently expected to be 18 February 2020, will receive a fully franked Special Dividend of \$0.03 per CML Share they hold.

If a Scheme Shareholder does not make an Election then they will be deemed to have elected to receive Consideration Option 1.

For details on the Scheme Consideration, please see section 5.

4.3 CML Directors' recommendation

As mentioned in section 1.1, the CML Directors have resolved to engage with Scotpac to further understand the conditions associated with the Indicative Scotpac Proposal and to explore the potential to receive a binding offer that is capable of consideration by CML Shareholders. However, there is no certainty that the Indicative Scotpac Proposal will result in a binding offer being received from Scotpac that is capable of

consideration by CML Shareholders, or that any binding offer received will be a Superior.

For further details on the Indicative Scotpac Proposal, please refer to section 12.2.

For the reasons above, as of the date of this Scheme Booklet, the CML Board continues to believe the Scheme is in the best interests of CML Shareholders and has unanimously recommended³ that, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders, CML Shareholders vote in favour of the Scheme.

The CML Directors' recommendation to vote in favour of the Scheme is made notwithstanding that Mr Daniel Riley stands to benefit personally from the implementation of the Scheme by virtue of 10,000,000 options held over CML Shares. If the Scheme is approved, Mr Riley will be able to exercise, transfer or otherwise deal with his CML Share options, including by cancelling his options in exchange for cash consideration of \$0.24 per CML Share option. Based on an implied value of the Scheme Consideration and Special Dividend of \$0.51, the aggregate value of Daniel Riley's options is \$2.4 million. The treatment of Mr Riley's options is dealt with in more detail in section 4.6.

The CML Directors believe that the reasons for CML Shareholders to vote in favour of the Scheme outweigh the reasons to vote against the Scheme. See section 1.1 for key reasons to vote in favour of or against the Scheme and other relevant considerations for CML Shareholders.

In considering whether to vote in favour of the Scheme, the CML Directors encourage you to:

- a) carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- b) consider the choices available to you as outlined in section 4.4 and the risk factors as outlined in section 10 of this Scheme Booklet;
- c) have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- d) obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

³ See the disclosure on the Contents Page at the beginning of the document.

Each CML Director's interests are disclosed in section 6 of this Scheme Booklet.

4.4 Your choices as a CML Shareholder

As a CML Shareholder, you have four choices currently available to you, which are summarised below.

Vote in favour of the Scheme	<p>This is the course of action unanimously recommended by the CML Directors, in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders.</p> <p>The CML Directors' recommendation to vote in favour of the Scheme is made notwithstanding that Mr Daniel Riley stands to benefit personally from the implementation of the Scheme by virtue of 10,000,000 options held over CML Shares. If the Scheme is approved, Mr Riley will be able to exercise, transfer or otherwise deal with his CML Share options, including by cancelling his options in exchange for cash consideration of \$0.24 per CML Share option. Based on an implied value of the Scheme Consideration and Special Dividend of \$0.51, the aggregate value of Daniel Riley's options is \$2.4 million. The treatment of Mr Riley's options is dealt with in more detail in section 4.6.</p> <p>If you wish to support the Scheme, you should vote in favour of the Scheme at the Scheme Meeting on 5 February 2020. For a summary of how to vote on the Scheme, please refer to section 3 of this Scheme Booklet, and the Notice of Scheme Meeting contained in Annexure 1 to this Scheme Booklet.</p> <p>If the Scheme is implemented, each Scheme Shareholder will receive the Scheme Consideration they have elected to receive or are deemed to have elected to receive.</p>
Vote against the Scheme	<p>If you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting on 5 February 2020.</p> <p>However, if all the Conditions Precedent for the Scheme are satisfied or waived (as applicable) and the Scheme becomes Effective, the Scheme will bind all CML Shareholders, including those who voted against the Scheme at the Scheme Meeting and those who did not vote at all.</p>
Sell or transfer your CML Shares	<p>The existence of the Scheme does not prevent you from selling some or all of your CML Shares on the market for cash, or transferring your shares, if you wish, provided you do so before close of trading on ASX on the Effective Date (currently proposed to be 11 February 2020), when trading in CML Shares would end.</p> <p>If you are considering selling some or all of your CML Shares:</p> <ul style="list-style-type: none">• you may wish to have regard to the prevailing trading prices of CML Shares and compare those to the implied value of the Scheme Consideration. You may ascertain the current trading prices of CML Shares through the ASX website (www.asx.com.au); and• you should contact your stockbroker for information on how to effect that sale, and you should also contact your legal, financial, taxation or other professional adviser if you require any other information or advice. <p>CML Shareholders who sell some or all of their CML Shares on ASX:</p> <ul style="list-style-type: none">• may receive payment (which may differ from the implied value of the Scheme Consideration) for the sale of CML Shares sooner than they would receive the Scheme Consideration under the Scheme;• may incur a brokerage charge;• will not be able to participate in the Scheme or, if one emerges, a Superior Proposal, in respect of those CML Shares they have sold; and• may be liable for Australian tax on the disposal of their CML Shares (as you also may be under the Scheme – see the Tax Implications set out at section 11 of this Scheme Booklet).

Do nothing

CML Shareholders who elect not to vote at the Scheme Meeting on 5 February 2020 or do not sell their CML Shares on market will:

- if the Scheme is implemented, have their Scheme Shares transferred to COG by operation of the Scheme and receive the Scheme Consideration they have elected to receive, or are deemed to have elected to have received;
- if the Scheme is not implemented, retain their CML Shares.

4.5 Key steps in the Scheme

4.5.1 Scheme approval requirements

The Scheme will only become Effective and be implemented if it is:

- a) agreed to by the Requisite Majorities of CML Shareholders at the Scheme Meeting to be held on Wednesday 5 February 2020; and
- b) approved by the Court at the Second Court Hearing.

The Requisite Majorities of CML Shareholders necessary to approve the Scheme are:

- a) a majority in number (more than 50%) of CML Shareholders present and entitled to vote at the Scheme Meeting (either in person or by proxy); and
- b) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by CML Shareholders present and entitled to vote at the Scheme Meeting (either in person or by proxy).

In the event that:

- a) the Scheme is agreed to by the Requisite Majorities of CML Shareholders at the Scheme Meeting; and
- b) all other Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then CML will apply to the Court for orders approving the Scheme. Each CML Shareholder has the right to appear at the Second Court Hearing by lodging a notice of intention to appear.

4.5.2 Effective Date

If the CML Shareholders approve the Scheme by the Requisite Majorities, the Court subsequently approves the Scheme and all other Conditions Precedent have been satisfied or waived (where capable of waiver), the Scheme will become Effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC. CML will, on the Scheme becoming Effective, give notice of that event to ASX.

CML intends to apply to ASX for CML Shares to be suspended from official quotation on ASX from close of trading on the date the Scheme becomes Effective.

4.5.3 Scheme Record Date

Those CML Shareholders on the Register on the Scheme Record Date (currently expected to be 7.00pm (AEDT) on Monday, 18 February 2020) will be entitled to receive the Scheme Consideration which they have elected to receive, or which they are deemed to have elected to receive, in respect of the CML Shares they hold as at the Scheme Record Date.

Dealings on or prior to the Scheme Record Date

For the purpose of determining which CML Shareholders are eligible to participate in the Scheme, dealings in CML Shares will be recognised only if:

- in the case of dealings of the type effected using CHESS, the transferee is registered in the Register as the holder of the relevant CML Shares on or before 7.00pm (AEDT) on Tuesday, 18 February 2020; and
- in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by the CML Registry by 5.00pm on Tuesday, 18 February 2020 at the place where the CML Share Register is kept.

For the purposes of determining entitlements under the Scheme, CML will not accept for registration or recognise any transfer or transmission application or other request in respect of CML Shares received after such times.

Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, CML must maintain the CML Share Register, or cause the CML Share Registry to maintain the Register, in its form as at 7.00pm (AEDT) on Tuesday, 18 February 2020 until the Scheme Consideration has been provided to the Scheme Shareholders. The CML Share Register in this form will solely determine entitlements to the Scheme Consideration and the Special Dividend.

After the Scheme Record Date:

- all statements of holding for CML Shares will cease to have effect as documents relating to title in respect of such CML Shares; and
- each entry on the Register will cease to have effect except as evidence of entitlement to the Scheme Consideration and the Special Dividends as described in section 4.5.4 in respect of the CML Shares relating to that entry.

4.5.4 Special Dividend

Conditional upon the Scheme being approved and becoming Effective, the CML Board will declare and pay a fully franked Special Dividend of \$0.03 per CML Share on issue as at 7.00pm (AEDT) on the Special Dividend Record Date, which is currently expected to be Tuesday, 18 February 2020. The payment of the Special Dividend will be paid on the Business Day immediately prior to the Implementation Date, which is currently expected to be Monday, 24 February 2020.

4.5.5 Implementation Date

The Implementation Date is the fifth Business Day after the Scheme Record Date. By no later than the Business Day before the Implementation Date, COG must deposit into a trust account nominated by CML the Aggregate Cash Consideration less any Withheld Tax Amount payable to Scheme Shareholders. On the Implementation Date, which is currently expected to be Tuesday, 25 February 2020, CML will pay the Aggregate Cash Consideration from that trust account to Scheme Shareholders who have elected to receive Consideration Option 1 and Ineligible Foreign Shareholders, and COG will allot and issue the Aggregate Scrip Consideration to Scheme Shareholders who have elected to receive New COG Shares under Consideration Option 1 or Consideration Option 2. Immediately after the Scheme Shareholders are paid the Aggregate Cash Consideration and issued the Aggregate Scrip Consideration, the Scheme Shares will be transferred to COG without Scheme Shareholders needing to take any further action.

4.5.6 Deed Poll

COG has executed the Deed Poll pursuant to which:

- COG has undertaken in favour of each Scheme Shareholder to deposit an amount equal to the Aggregate Cash Consideration less any Withheld Tax payable to all Scheme Shareholders into a trust account for the benefit of the Scheme, subject to the Scheme becoming Effective; and
- COG has undertaken in favour of each Scheme Shareholder to perform its obligations to pay or issue the Scheme Consideration under the Scheme.

A copy of the Deed Poll is contained in Annexure 3 to this Scheme Booklet.

4.5.7 If the Scheme does not become Effective

If the Scheme does not become Effective, CML Shareholders will not receive any Scheme Consideration but will retain their CML Shares.

In the absence of any alternative or competing proposal to the Scheme, CML will continue to operate as a stand-alone company listed on ASX. CML Shareholders will be exposed to the risks relating to CML's business, as set out in section 10.

In the absence of an alternative binding proposal which is similar or superior to the Scheme, it is likely that the price at which CML Shares trade will fall.

Depending on the reasons why the Scheme does not become Effective, CML may be liable to pay the CML Break Fee.

Information on the CML Break Fee is set out in section 12.1.3.

Prior to the Scheme Meeting, transaction costs will have been incurred, or will be committed, by CML in relation to the Scheme. Those transaction costs have either already been paid, or will be payable by CML regardless of whether or not the Scheme is implemented. If the Scheme becomes Effective, additional costs will be incurred by CML.

4.5.8 Warranties by CML Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to CML and COG on the Implementation Date, and appointed and authorised CML as its attorney and agent to warrant to COG on the Implementation Date, that all their CML Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the Personal Property Securities Act 2009 (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their CML Shares to COG together with any rights and entitlements attaching to those shares.

4.5.9 Delisting of CML

On a date after the Implementation Date to be determined by COG, CML must apply:

- a) for termination of the official quotation of CML Shares on ASX; and
- b) to have itself removed from the official list of ASX.

4.6 Treatment of CML Options

As at the Last Practicable Date, there were 10 million CML options on issue to the CEO of CML, Mr Daniel Riley pursuant to the Option Agreement dated 17th March 2017.

All options held by Mr Riley were subject to vesting conditions based on share price milestones and all of these options vested prior to COG and CML entering into the Scheme Implementation Agreement.

Under the Option Agreement, vested options will only be exercisable on the exercise date. Such exercise date can be triggered in several ways, including but not limited to the merger of CML into another company and the passing of 5 years from the date of the shareholder meeting approving the grant of the options, being 9 March 2022.

As at the date of this Scheme Booklet, pursuant to a loan between Daniel Riley and the Company in relation to the Option Agreement, \$250,000 plus accrued interest remains outstanding.

If the Scheme is implemented, Mr Riley will be able to exercise, transfer or otherwise deal with his Options prior to 9 March 2022.

Based on an implied value of the Scheme Consideration and Special Dividend of \$0.51, the aggregate value of Daniel Riley's options is \$2.4 million.

Mr Riley has agreed that he will either:

- a) exercise his options in CML by no later than 2 Business Days prior to the record date for determining a CML Shareholder's right to vote at the Scheme Meeting, which is currently expected to be on 3 February 2020, and become a CML Shareholder prior to 8am on the Second Court Date, which is currently expected to be on 10 February 2020, such that he can participate in the Scheme as a Scheme Shareholder or trade his CML Shares at his discretion;
- b) enter into a deed with a third party to sell his CML options, at any price, to a third party (Option Sale Deed) prior to the Second Court Date provided that such third party has an obligation under the Option Sale Deed to exercise the options immediately after it has acquired the options and prior to the Second Court Date; or
- c) enter into a deed with CML prior to the Second Court Date, in a form acceptable to COG (acting reasonably), under which Mr Riley agrees to the cancellation of all his options in CML, with such cancellation to be subject to the Scheme becoming Effective and to take effect on the Implementation Date, and CML agrees to provide, or to procure the provision of, consideration equal to the difference between \$0.51 per Scheme Share and the exercise price of the CML options held by Mr Riley, being consideration of \$0.24 per option, less the amount of any loan provided to Mr Riley by CML in connection with the CML options, on the Implementation Date. The effect of Mr Riley cancelling his options in exchange for cash consideration is that he will receive payment for his options without being required to pay the exercise price from his own funds (but with a corresponding reduction in the amount of consideration he receives) and, in the event that the Cash Cap is exceeded, he will receive a greater amount of cash consideration than he would as an ordinary CML shareholder.

05

Scheme Consideration

5.1 Consideration Option 1

5.1.1 Overview

CML Shareholders other than Ineligible Foreign Shareholders can make an Election to receive Consideration Option 1 in respect of the CML Shares held by them (**Election Option 1**) on the Scheme Record Date, which comprises:

- 2.7 New COG Shares per each CML Share; and
- \$0.24 in cash per CML Share (**Cash Consideration**) up to a capped aggregate amount of \$20 million across all CML Shareholders (**Cash Cap**).

5.1.2 New COG Share

New COG Shares will be fully paid ordinary shares in the capital of COG and will be listed and traded on ASX.

For further details on the rights and liabilities attaching to New COG Shares, see section 7.6.3.

5.2 Consideration Option 2

As an alternative to electing to receive Consideration Option 1, CML Shareholders other than the Ineligible Foreign Shareholders can make an Election to receive Consideration Option 2, which is 5.4 New COG Shares for each Scheme Share, in respect of each CML Share held by them on the Scheme Record Date.

5.3 Failure to make an Election

A CML Shareholder (other than an Ineligible Foreign Shareholder) who fails to make a valid Election, or whose Election is not received by the CML Share Registry by the Election Date, will be deemed to have elected to receive Consideration Option 1 (being a mix of cash and New COG Shares) and will be subject to the Scaleback Mechanism as described in section 5.5.

5.4 Ineligible Foreign Shareholder

A CML Shareholder whose address is shown on the CML Share Register at 7.00pm on the Scheme Record Date as a place outside Australia and New Zealand and their external territories will be an Ineligible Foreign Shareholder.

If you are an Ineligible Foreign Shareholder, you will not be entitled to make an Election and any purported Election by you will be of no effect.

If the Scheme becomes Effective, you will receive the All Cash Consideration, being \$0.48 per Scheme Share. You will also be entitled to receive the fully franked Special Dividend of \$0.03 declared and paid by CML if the Scheme becomes Effective in respect of each CML Share you hold on the Scheme Record Date.

5.5 Scaleback Mechanism

5.5.1 Overview

If the Aggregate Cash Consideration elected to be received by CML Shareholders under Consideration Option 1 and payable to Ineligible Foreign Shareholders exceeds \$20 million, all CML Shareholders who have made an Election, or have been deemed to have made an Election, to receive Consideration Option 1 will have their Cash Consideration scaled back on a pro rata basis so that the total amount of the Aggregate Cash Consideration payable to those CML Shareholders and to Ineligible Foreign Shareholders equals the Cash Cap. The remainder of the Scheme Consideration to be received by those CML Shareholders up to the implied value of A\$0.48 per Scheme Share will be provided in New COG Shares.

CML intends to make an ASX announcement regarding the outcome of the Elections and the relevant implications on the Scaleback Mechanism immediately following the Election Date. The announcement is currently expected to be made on Tuesday, 28 January 2020. The purpose of the ASX announcement is to inform CML Shareholders ahead of the Scheme Meeting of the possible scaleback in Cash Consideration that may occur. A Scheme Shareholder who acquires Scheme Shares after the Election Date will receive Consideration Option 1. Since the buying and selling of CML Shares will continue up to the Scheme Record Date, the outcome of Elections in that announcement will be indicative only and the final outcome of the Elections will not be known until the Scheme Record Date, which is currently expected to be Tuesday, 18 February 2020. CML Shareholders who elect to receive Consideration Option 1 should note that the final mix of Cash Consideration and New COG Shares received by them could be different to that indicated in the ASX announcement.

5.5.2 Illustrative example of the operation of the Scaleback Mechanism

The form of the consideration to be received by a CML Shareholder who makes, or is deemed to make, an Election to

05 Scheme Consideration (continued)

receive Consideration Option 1 will depend on the total number of CML Shareholders who make, or are deemed to make, an Election to receive Consideration Option 1.

Detailed below is an example of the different forms of consideration a CML Shareholder who makes, or is deemed to make, an Election for Consideration Option 1 will receive under different scenarios depending on the total number of CML Shareholders who make, or are deemed to make, an Election to receive Consideration Option 1. For the purposes of this worked example, we have assumed that this particular CML Shareholder holds 10,000 CML Shares and that the total Cash Consideration to be paid to Ineligible Foreign Shareholders is A\$20,000.

Worked Example

CML Shareholder holding 10,000 CML Shares under Consideration Option 1

% Shareholders to receive Consideration Option 1	15%	25%	50%	100%
Total number of CML Shares under the Scheme*	227,572,057	227,572,057	227,572,057	227,572,057
Number of CML Shares pursuant to which Election Option 1 has been paid	34,135,809	56,893,014	113,786,029	227,572,057
Implied cash value (before Cash Cap)	\$8,192,594.05	\$13,654,323.42	\$27,308,646.84	\$54,617,293.68
Cash Cap exceeded?	No	No	Yes	Yes
Cash consideration to be paid to Ineligible Foreign Shareholders	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00
Total cash consideration paid by COG (after Cash Cap)	\$8,212,594.05	\$13,674,323.42	\$20,000,000.00	\$20,000,000.00
Total New COG Shares issued by COG (after Cash Cap)	1,136,506,425	1,075,061,969	991,273,193	991,273,193

What this particular CML Shareholder will receive under different scenarios

% Shareholders to receive Consideration Option 1	15%	25%	50%	100%
Number of CML Shares held	10,000	10,000	10,000	10,000
Scrip component - New COG Shares	27,000	27,000	27,000	27,000
Cash component per CML Share	\$0.24	\$0.24	\$0.18	\$0.09
Remaining consideration received in New COG Shares (\$)	N/A	N/A	\$644.07	\$1,522.04
Remaining consideration received in New COG Shares	N/A	N/A	7,156	16,912
Total Cash received after the scaleback	\$2,400.00	\$2,400.00	\$1,755.93	\$877.96
Total number of New COG Shares received	27,000	27,000	34,156	43,912

*We have assumed that the 10 million options over CML Shares held by Daniel Riley will be exercised prior to the Implementation Date.

If the Cash Consideration elected, or deemed to be elected, by CML Shareholders under Consideration Option 1 plus the cash payable to Ineligible Foreign Shareholders is more than \$20 million, then CML Shareholders who elect, or are deemed to elect, to receive Consideration Option 1 will receive:

- cash for each CML Share held by them equal to the Cash Cap divided by the total number of Scheme Shares held by all CML Shareholders who made an Election to receive Consideration Option 1; plus
- such number of New COG Shares based on the following formula:

$$(\$0.48 - X) \div 0.09$$

Where:

- \$0.48** represents the implied value of each Scheme Share under the Scheme, which is the equivalent of the All Cash Consideration under the Scheme payable to the Ineligible Foreign Shareholders;
- X** represents the amount of cash per Scheme Share received in a) above; and
- \$0.09** is the fixed COG Share price, being the COG share price on which the implied value of the Scheme Consideration is based.

5.6 Provision of Scheme Consideration

COG must:

- a) by no later than the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the Aggregate Cash Consideration, less any Withheld Tax Amount, payable to the Scheme Shareholders in an Australian dollar denominated trust account operated by CML or the CML Share Registry as trustee for the Scheme Shareholders;
- b) on or before the Implementation Date, issue to each Scheme Shareholder, other than an Ineligible Foreign Shareholder, such number of New COG Shares as that Scheme Shareholder is entitled to and procure that the name and address of each Scheme Shareholder is entered in the COG Share Register in respect of those New COG Shares; and
- c) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New COG Shares issued to the Scheme Shareholder pursuant to the Scheme.

06

Information about CML

6.1 Introduction

Background

CML, originally CareersMultilist, was established in 2002 as a service provider to the labour hire industry and listed on the ASX in February 2010.

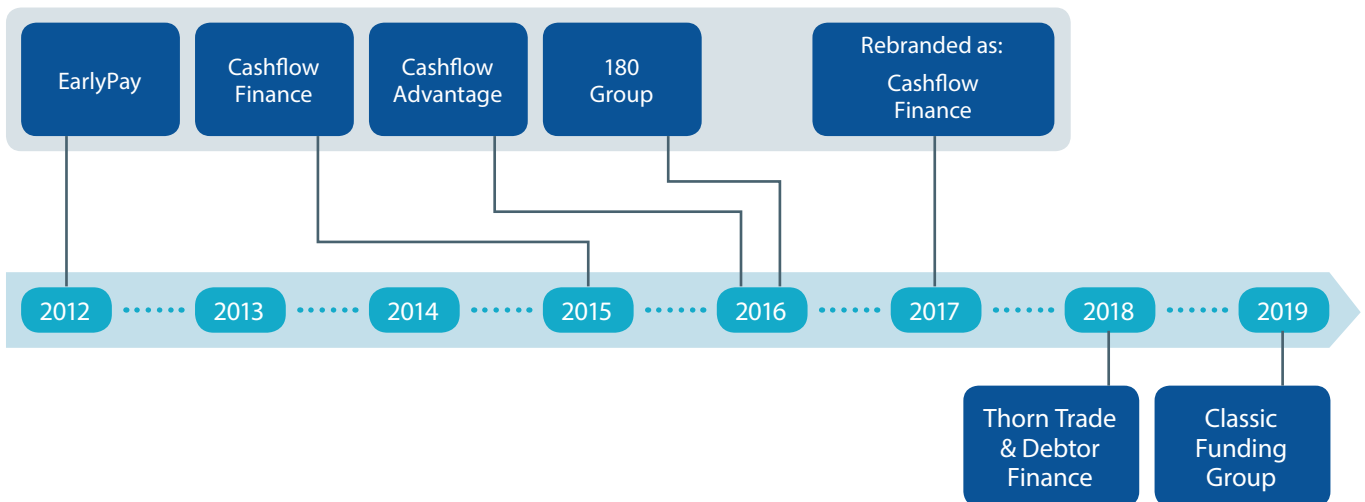
CML observed that the gap between payment of wages for on-hired workers and receipt of payment from their customers, created a working capital issue for CML's labour-hire clients and was a barrier to growth as they could not service high volume contracts.

To assist, CML began offering invoice factoring in early 2012 as an additional service to its existing labour hire clients, with the service branded as 'earlypay'. The service, which was developed in-house, experienced rapid take-up and CML expanded the offering to other industries approximately 12 months after its initial launch.

CML has experienced substantial growth following its shift in strategy to move into invoice factoring, with growth accelerated by the acquisition of 5 competitors since 2015 and an expansion of service offerings into invoice discounting and equipment finance.

CML employs an experienced team of approximately 110 people and services clients nationally from offices in Brisbane, Sydney, Melbourne and Perth. Operating under the name Cashflow Finance, CML provides the following services:

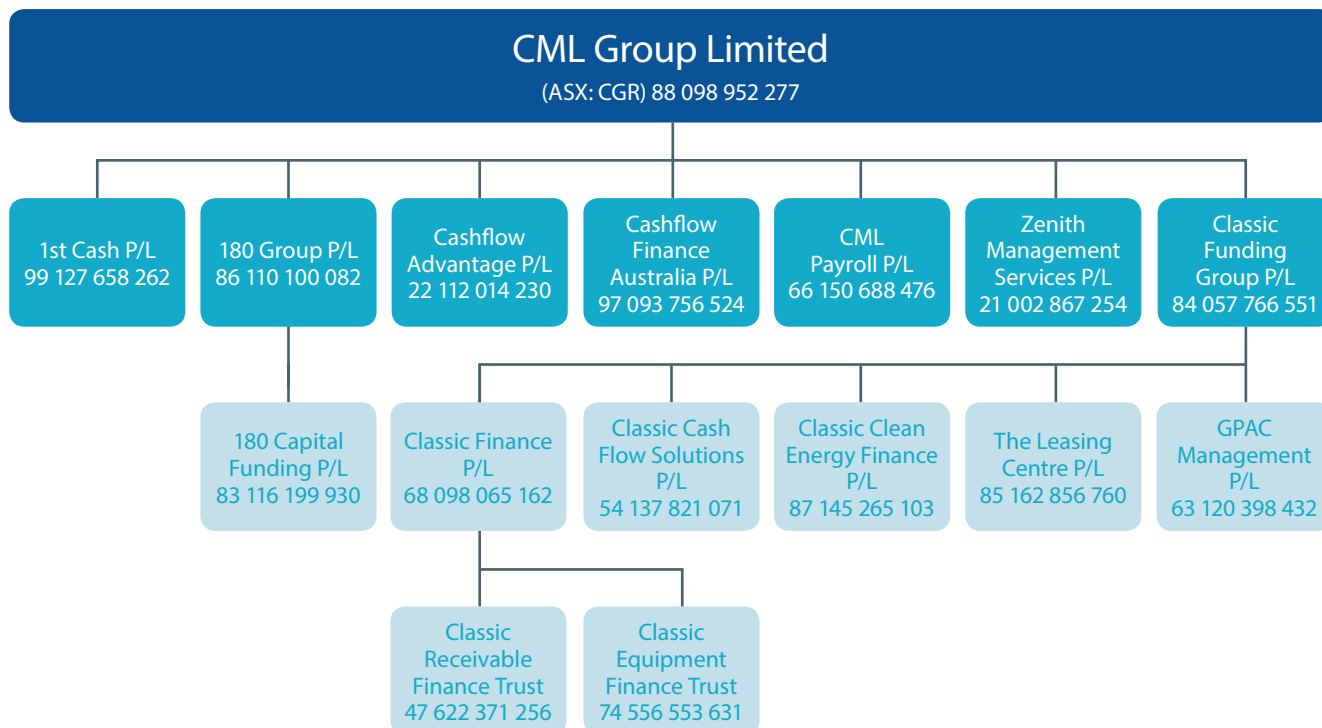
- **Invoice Factoring:** CML provides an advance payment of up to 80% of a client's invoice as a flexible line of credit that is utilised in line with sales volume. This service typically includes a receivables management service and is targeted at smaller clients.
- **Invoice Discounting:** Similar to Invoice Factoring, CML provides an advance payment of up to 80% of a client's receivables ledger. Under Invoice Discounting, the client typically manages their receivables function and this service is targeted at larger clients.
- **Equipment Finance:** Focusing primarily on funding new and second-hand transport and yellow goods with a strong resale market. All equipment is independently valued and CML lends on a conservative loan to value ratio.



Some of CML's recent highlights include:

- Continued strong performance in core invoice factoring business with approximately \$1.6 billion in invoices financed during FY19, facilitating investment into product diversification, invoice discounting and equipment finance.
- Successful expansion into invoice discounting, targeting larger clients and expanding CML's addressable market.
- Equipment Finance volumes growing while helping CML to win and retain clients.
- Completed the acquisition of Classic Funding Group in November 2019, adding scale to CML's invoice discounting and equipment finance products.
- Refined funding structures to 3 key warehouse facilities, to facilitate growth and improve margins.

CML Group Structure diagram⁴



Dormant entities



6.2 Overview of operations

CML's strategy

CML's strategy has centred firstly on building scale and improving funding structure and costs in its invoice factoring business and secondly on product expansion to service a broader segment of the SME community.

CML has executed well on the first part of its growth strategy. Since commencing in invoice factoring in early 2012, the following milestones have been achieved;

- Through a combination of organic growth and acquisition, CML has built scale in invoice factoring, financing almost \$1.6 billion in FY19, representing 20% market share by volume for the product type.
- CML has advanced from early stage funding in the form of convertible notes, debentures and bonds, to warehouse funding in 2017 with a major Australian bank.
- Since 2017, reflecting CML's strong operating performance, the warehouse facility has increased in size from \$80m to \$140m, CML's equity contribution into the warehouse has reduced from 15% to 10%, and the margin charged by the bank has reduced.
- As CML's funding structure has matured, the average cost of funds has reduced, from 8.9% in FY17 to sub 6.0% in FY19, improving CML's profit before tax by \$3 million per annum.

⁴ CML holds 100% legal and economic interest in each of the entities listed in the CML group structure diagram.

Product expansion

CML has invested in product expansion, with the introduction of invoice discounting and equipment finance over the last 3 years.

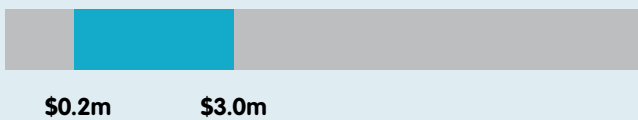
The rationale for product expansion is to service a much broader segment of the SME community and substantially increase the size of CML's addressable market.

The expansion to invoice discounting targets high credit quality, larger SMEs, with facility sizes offered up to \$14m.

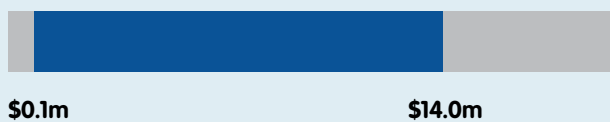
The graph below illustrates CML's addressable market for invoice finance, incorporating factoring and discounting.

Invoice Finance

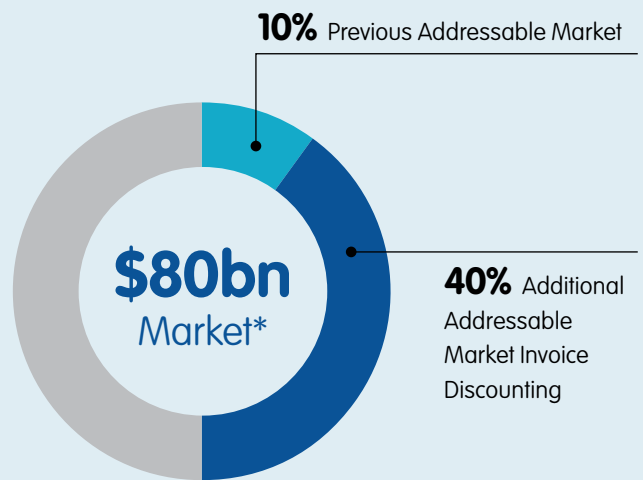
Existing



New



Addressable Market

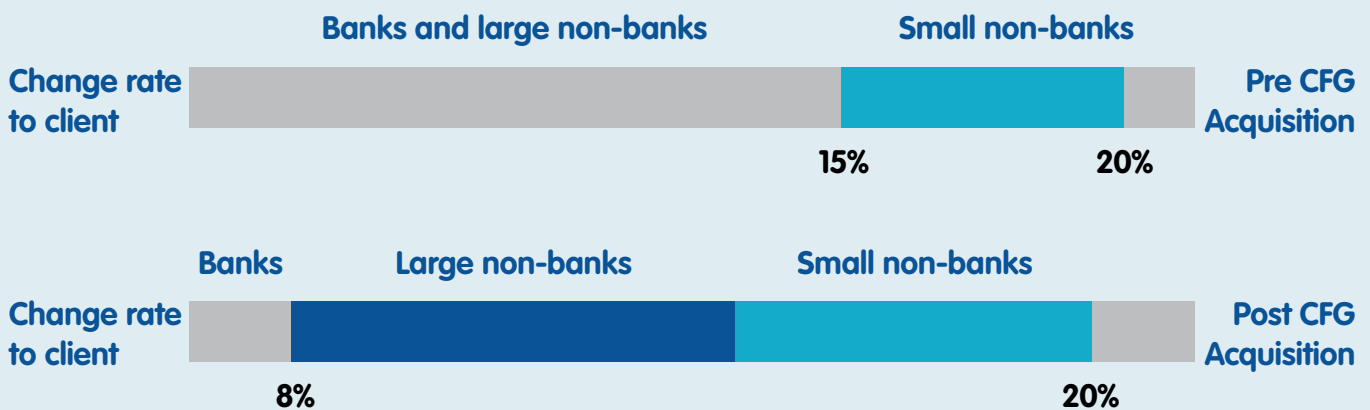


*Addressable market figures based on DIFA industry statistics from 2015 and CML management's interpretation of the current market.

CML's expansion into equipment finance has been accelerated with the acquisition of Classic Funding Group in November 2019.

The acquisition includes a funding warehouse provided by a major Australian bank which is expected to allow CML to compete for business against large non-bank lenders and increase its addressable market for this product.

Equipment Finance Addressable Market



6.3 CML Board and senior management

6.3.1 CML Board

The directors of CML are listed below. Further information on each of the CML directors who will be on the Merged Group Board is contained in section 8.9.

Name	Position
Greg Riley	Non-Executive Chairman and Director
Daniel Riley	Managing Director
Sue Healy	Non-Executive Director
Geoffrey Sam	Non-Executive Director
Ilkka Tales	Non-Executive Director

(a) **Greg Riley**

BSc, Dip ED, G Dip Ed Studies
Non-Executive Chairman

Greg founded CML Group in 2002 and the business was listed on the ASX in 2010. Since 2010, Greg has overseen the growth and transformation of CML to a wider services business including invoice factoring, invoice discounting and equipment finance. Greg was Managing Director from 2002 until late 2010, Director until November 2014 and Chairman to the present. Outside CML Group, Greg is a councillor on the Dungog Shire Council.

(b) **Daniel Riley**

BCom, CPA
Executive Director

Daniel is a passionate supporter of SME's and understands that businesses need reliable and flexible funding solutions to support their growth. Daniel joined CML Group in 2002 when the business was in its early development as a service provider to the recruitment industry and was appointed CEO in 2010.

Operating under the name Cashflow Finance, Daniel launched the invoice finance business in 2011 and an Equipment Finance offering in 2017. During this period Daniel has managed an accelerated growth program which includes \$250m+ in debt and equity raisings, the acquisition of five key competitors and the simplification of CML's business structure through divestment of its historic business.

(c) **Sue Healy**

Fellow RCSA, MAICD
Non-Executive Director

Sue is an experienced Non-Executive Director, she is Deputy Chair of Ability Options and sits on 3 sub committees for this organisation, she is a Non-Executive Director of Olympus Solutions and has held previous Non-Executive Director roles

with The Recruiting and Consulting Services Association, Women and Management and The Ryde Business Forum. She also holds advisory roles with a number of private organisations. She was the founder and MD of a Talent and HR Consulting Business for 20 years.

She has also held Executive Leadership roles with the two of the largest ASX listed human capital companies in Australia.

(d) **Geoffrey Sam OAM**

BCom (UNSW), MHA (UNSW), MA (Econ&SocStudies)
(Manchester UK), FAICD
Non-Executive Director

Geoffrey has held numerous successful ASX-listed independent board positions including Chairman & Independent Director of Money 3, Independent Director of Hutchison's Childcare Services and Managing Director of Nova Health. Prior to his appointments to ASX-listed companies, Geoffrey undertook numerous Chief Executive positions at Adelaide based hospitals. He is currently the Co-Founder and Director of HealtheCare Australia Pty Ltd, a privately owned health care company comprising a portfolio of 35 hospitals and a community nursing and rehabilitation business.

(e) **Ilkka Tales**

BBus
Non-Executive Director

Ilkka is currently Managing Director at Greensill responsible for originating and structuring innovative financial solutions for clients across the Asia Pacific region. Prior to Greensill, Ilkka held senior global roles at MyriadGroup AG and Philips, having previously served as CEO for three Australian listed companies and growing businesses to a global scale across a number of industries. Ilkka is a recognised entrepreneur and sits on a number of private company boards as well as mentoring CEOs.

6.3.2 CML senior management

CML's current senior management comprises the following members. Further information on Mark Cleaver and Steven Shin who will be appointed as the key management personnel of the Merged Group, is provided in section 8.9.

Name	Position
Daniel Riley	Managing Director and CEO
Mark Cleaver	Executive General Manager, Invoice Finance
Steven Shin	Chief Financial Officer and Company Secretary

6.4 CML Directors' intentions

Each CML Director intends to vote in favour of the Scheme at the Scheme Meeting to be held on Wednesday 5 February 2020 in relation to the CML Shares held or controlled by them in the absence of a binding Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of CML Shareholders. Details of the Relevant Interests of each CML Director in CML Securities are set out in section 6.10.1.

The Corporations Regulations require a statement by the CML Directors of their intentions regarding CML's business. If the Scheme is implemented, CML will become a wholly owned subsidiary of the Merged Group and subject to determination by the Merged Group Board, each of the current CML Directors will resign and will be replaced by a new board of CML selected by the Merged Group Board.

If the Scheme becomes Effective, COG will have 100% ownership and control of CML. The current intentions of COG in relation to the Merged Group are set out in section 8.8.

If the Scheme does not become Effective, the CML Directors intend to continue to operate CML's business in the ordinary course of the business.

6.5 Historical financial information

This section 6.5 sets out certain financial information in relation to CML for the purpose of this Scheme Booklet. The financial information has been extracted from CML's audited financial statements for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

The financial information contained in this section has been presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial statements prepared in accordance with the Corporations Act.

CML's complete financial statements, including all notes to those statements, can be found in:

- The CML Appendix 4E and 2019 Annual Financial Report (released to ASX on 22 August 2019).
- The CML Appendix 4E and 2018 Annual Financial Report (released to ASX on 23 August 2018).
- The CML Appendix 4E and 2017 Annual Financial Report (released to ASX on 23 August 2017).

CML's financial statements for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 were audited in accordance with Australian Auditing Standards. The audit opinions relating to those financial reports were unqualified.

These documents are available from:

- ASX on its website at www.asx.com.au; and
- CML on its website at <http://www.cml-group.com.au/>.

6.5.1 Consolidated Income Statement

The audited historical consolidated statement of profit or loss and other comprehensive income of CML for the years ended 30 June 2017, 30 June 2018 and 30 June 2019, which have been extracted from the relevant Annual Financial Reports of CML, are summarised below.

\$'000s	FY17	FY18	FY19
Revenue	40,007	46,749	47,675
Revenue	40,007	46,749	47,675
Agency fees	(1,034)	(1,566)	(1,463)
Allowance for expected credit losses	(829)	(1,590)	(1,055)
Depreciation and amortisation expense	(165)	(219)	(260)
Amortisation – Customer Relationships	(1,358)	(1,042)	(1,100)
Employee benefit expense (direct employees)	(7,475)	(9,196)	(10,457)
Employee benefit expense (on-hire employees)	(11,880)	(11,631)	(6,964)
Finance costs – product related	(5,867)	(6,688)	(6,804)
Finance costs – corporate	(2,126)	(3,006)	(468)
Insurance	(1,833)	(1,951)	(1,979)
Legal expenses	(717)	(1,678)	(1,431)
Marketing	–	(235)	(293)
Rent	(614)	(610)	(726)
Other expenses	(2,347)	(2,292)	(2,713)
Total expenditure	(36,245)	(41,704)	(35,713)
Profit before Income Tax	3,762	5,045	11,962
Tax	(1,273)	(1,859)	(3,562)
NPAT	2,489	3,186	8,400
Profit from discontinued operations	40	–	–
NPAT attributable to shareholders	2,529	3,186	8,400
Less: NCI	–	–	–
NPAT: attributable to shareholders	2,529	3,186	8,400
Add back:			
Amortisation – Customer Relationships	1,358	1,042	1,100
Non-recurring Expenses (Post Tax)*	–	2,294	–
NPATA attributable to shareholders	3,887	6,522	9,500

*Early repayment for FIIG notes and Convertible Notes

6.5.2 Consolidated Statement of Financial Position

The audited Consolidated Statement of Financial Position of CML as at 30 June 2017, 30 June 2018 and 30 June 2019, which have been extracted from the relevant Annual Financial Reports of CML, are presented below.

\$'000s	FY17	FY18	FY19
Cash & equivalents	14,927	15,678	21,082
Trade receivables – debtor finance	128,454	216,331	196,770
Trade & other receivables	3,272	2,422	685
Finance lease receivables	–	9,612	19,295
Provision for credit loss	(1,571)	(4,709)	(5,683)
Plant and equipment	367	443	399
Deferred tax assets	1,321	1,808	2,010
Other assets	2,183	2,304	1,023
Goodwill & intangibles	12,511	16,717	15,567
Total assets	161,464	260,606	251,148
Trade payables – debtor finance	55,613	86,057	87,772
Trade & other payables	–	3,535	3,067
Provisions	418	605	776
Interest bearing liabilities	87,267	128,439	112,969
Tax liability	1,536	1,614	1,619
Other liabilities	215	182	146
Total liabilities	145,049	220,432	206,349
Net assets	16,415	40,174	44,799
Less: non-controlling interests	–	–	–
Net assets attributable to CGR shareholders	16,415	40,174	44,799
Net tangible assets	3,904	23,457	29,232
Less: tangible non-controlling interests	–	–	–
Net tangible assets attributable to CGR shareholders	3,904	23,457	29,232

6.5.3 Consolidated cash flow statement

The audited Consolidated Statement of Cash Flows of CML for the years ended 30 June 2017, 30 June 2018 and 30 June 2019, which have been extracted from the relevant Annual Financial Reports of CML, are summarised below.

\$'000s	FY17	FY18	FY19
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	51,351	47,733	52,059
Payments to suppliers and employees	(39,340)	(31,461)	(30,837)
Interest received	169	135	214
Finance costs	(7,387)	(7,647)	(6,934)
Income tax paid	(194)	(2,268)	(3,579)
Net cash provided by operating activities	4,599	6,492	10,923
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	(308)	(147)	(166)
Payments for IT Development	(27)	(10)	–
Proceeds from/(payment to) client receivables	(8,231)	(17,990)	23,496
Payment to client receivables – 1st Cash	–	(34,912)	–
Payment to equipment lease receivables	–	(9,611)	(9,685)
Payment for subsidiary, net of cash acquired	–	(2,750)	–
Sale of Investment	1,800	–	–
Net cash provided by/(used in) investing activities	(6,766)	(65,420)	13,645
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	693	13,168	166
Cost of capital raising	(27)	(480)	–
(Payment to)/proceeds from borrowings	14,282	99,496	(15,809)
Payments of borrowings	(11,817)	(50,000)	–
Dividends paid to Company's shareholders	(1,315)	(2,505)	(3,521)
Net cash (used in)/provided by financing activities	1,816	59,679	(19,164)
Net increase in cash held	(351)	751	5,404
Cash at the beginning of the financial year	15,278	14,927	15,678
Cash at the end of the financial year	14,927	15,678	21,082

6.5.4 Acquisition of CFG

On 9 September 2019, CML announced the acquisition of Classic Funding Group and its controlled entities (CFG) for cash consideration of \$11 million. As announced on 4 November 2019, CML has completed the acquisition of CFG and the transaction was funded by a loan facility and CML's existing equity on balance sheet.

The changes to financial position on acquisition of CFG are summarised in the table below:

\$'000s	CML	CFG	Adj	Total
Cash & equivalents	21,082	531	–	21,613
Trade receivables – debtor finance	196,770	30,477	–	227,247
Trade & other receivables	685	229	–	914
Finance lease receivables	19,295	106,786	–	126,081
Provision for credit loss	(5,683)	–	–	(5,683)
Plant and equipment	399	228	–	627
Investments	–	4,286	–	4,286
Deferred tax assets	2,010	323	–	2,333
Other assets	1,023	–	–	1,023
Goodwill & intangibles	15,567	1,712	5,500	22,779
Total assets	251,148	144,571	5,500	401,219
Trade payables – debtor finance	87,772	–	–	87,772
Trade & other payables	3,067	1,117	–	4,184
Provisions	776	410	–	1,186
Interest bearing liabilities	112,969	134,335	11,000	258,304
Tax liability	1,619	–	–	1,619
Other liabilities	146	3,182	–	3,328
Total liabilities	206,349	139,044	11,000	356,393
Net assets	44,799	5,527	(5,500)	44,826
Less: non-controlling interests	–	–	–	–
Net assets attributable to CGR shareholders	44,799	5,527	(5,500)	44,826
Net tangible assets	29,232	3,816	(11,000)	22,048
Less: tangible non-controlling interests	–	–	–	–
Net tangible assets attributable to CGR shareholders	29,232	3,816	(11,000)	22,048

6.6 Capital structure

As at the Last Practicable Date, CML had 217,572,057 shares are on issue, plus 10 million unlisted options.

6.7 CML's substantial shareholders

As at the Last Practicable Date, the following persons have given notice to CML pursuant to section 671B of the Corporations Act that they hold 5% or more of CML's total issued share capital, and as such are taken to be substantial shareholders of CML:

Substantial Shareholder	Number of CML Shares	% of Total CML Shares on Issue
First Samuel	38,655,653 (as at 23/05/19)	19.20
NAOS Asset Management Limited	28,526,693 (as at 23/12/19)	13.11
Mr Gregory B Riley	17,211,163	7.91

6.8 Financing arrangements

As at the Last Practicable Date, CML had financing facilities with a total size of approximately \$397 million, with \$297 million drawn down. The following table set out a summary of these facilities:

	Funding	Facility Size
Invoice Finance		
Warehouse Facility 1	Wholesale Facility	\$140m
Warehouse Facility 2	Wholesale Facility	\$35m
<i>FIIG Bond</i>	Corporate Bond #1	\$25m
Equipment Finance		
Warehouse Facility 3	Wholesale Facility	\$100m
<i>Mezzanine</i>	Mezzanine Debt	\$22m
<i>Separate secured facility</i>	Alternative Finance Provider	\$25m
Corporate		
Bond	Corporate Bond #2	\$20m
<i>CML balance sheet</i>	Equity	~\$30m
Total Funds Available		\$397m
Current headroom		~\$100m

6.9 CML's dividend policy and the Special Dividend

CML does not have a formal dividend policy, but it has historically paid approximately 50% of NPATA in fully franked dividends in the last five financial years. CML will also pay a Special Dividend to all CML Shareholders on the CML Share Register on the Special Dividend Record Date, which is currently expected to be on 18 February 2020, conditional upon the Scheme becoming Effective as described in section 4.5.4.

6.10 Information relating to CML Directors

6.10.1 Relevant interests of CML Directors in CML securities

The following table outlines the Relevant Interests of each CML Director in CML securities.

Director	Fully Paid Ordinary Shares	% of Total CML Shares on Issue	Unlisted Options
Greg Riley	17,211,163	7.91	Nil
Daniel Riley	2,050,181	0.94	10,000,000
Sue Healy	636,980	0.29	Nil
Geoffrey Sam	2,314,490	1.06	Nil
Ilkka Tales	Nil	N/A	Nil
Total	22,212,814	10.2	10,000,000

6.10.2 Dealing of CML Directors in CML Shares

The following CML Directors acquired a Relevant Interest in CML Shares in the period since 30 June 2019:

Director	Number of CML Shares acquired		Transaction
Greg Riley	–		N/A
Daniel Riley	160,420	CML Rights Issue on 5 December 2019	
Sue Healy	85,693	CML Rights Issue on 5 December 2019	
Geoffrey Sam	100,000	On-market purchase on 11 September 2019	
	301,890	CML Rights Issue on 5 December 2019	
Mr Ilkka Tales	–		N/A

Other than as set out in the table above, no CML Director has acquired or disposed of a Relevant Interest in any CML shares in the period since 30 June 2019.

6.10.3 Interests of CML Directors in COG securities

As at the date of the Scheme Booklet, no CML Director has any interest in COG securities.

6.10.4 Dealings of CML Directors in COG securities

No CML Director has acquired or disposed of a Relevant Interest in any COG shares in the period since 30 June 2019.

6.10.5 Benefits and agreements

Benefits in connection with retirement from office

No payment or other benefit is proposed to:

- be made or given to any director, company secretary or executive officer of CML as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in CML or in a Related Body Corporate of CML; or
- be made or given to any director, company secretary or executive officer of any Related Body Corporate of CML as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in that Related Body Corporate of CML or in CML,

in connection with the Scheme.

Remuneration in connection with appointment to the Merged Group Board

In respect of those CML Directors who are appointed to the Merged Group Board post implementation of the Scheme, it is anticipated that those Non-Executive Directors will each receive \$80,000 per annum in line with their current remuneration. Remuneration for Executive Directors will be recommended by the Remuneration Committee and approved by the Non-Executive Directors on the Merged Group Board following

the business review of the Merged Group after implementation of the Scheme.

Agreements connected with or conditional on the Scheme

Other than as set out in section 4.6 of this Scheme Booklet in relation to options issued to Daniel Riley, there are no agreements or arrangements made between any CML Director and any other person in connection with, or conditional on, the outcome of the Scheme.

Interests of CML Directors in contracts with COG

None of the CML Directors has any interest in any contract entered into by COG or any Related Body Corporate of COG.

6.11 Material changes to CML's financial position since 30 June 2019

Other than disclosed in section 6.5.4 in this Scheme Booklet, within the knowledge of CML, the financial position of CML has not materially changed since 30 June 2019, being the date of the CML full year 2019 financial report.

A copy of the CML full year 2019 financial report was released on the ASX announcements platform on 19 September 2019 and is available free of charge on the ASX's website at <https://www.asx.com.au/asx/share-price-research/company/CGR> or by contacting the CML Shareholder Information Line on 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia).

6.12 Litigation

As at the date of this Scheme Booklet, CML is not aware of any material contractual disputes or litigation in respect of CML, including with its customers or other third parties.

6.13 Recent share price history

The closing price of CML Shares on ASX on 12 November 2019 (being the last trading day prior to the announcement that CML had entered into the Scheme Implementation Agreement with COG) was \$0.46. The closing price for CML Shares on ASX on the Last Practicable Date was A\$0.485.

During the three months preceding the Last Practicable Date:

- the highest recorded daily closing price for CML Shares on ASX was \$0.495 on 26 November 2019 and 18 September 2019;
- the lowest recorded daily closing price for CML Shares on ASX was \$0.43 on 4 November 2019; and
- the volume weighted average ASX share price of CML Shares was \$0.474.

6.14 Publicly available information about CML

CML is a listed disclosing entity for the purposes of the Corporations Act and is admitted to the official list of ASX, as such, CML is subject to regular reporting and disclosure obligations. Specifically, as a listed company, CML is subject to the Listing Rules which require continuous disclosure of any information CML has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, as well as periodic disclosure in accordance with both the Corporations Act and Listing Rules.

Information disclosed to ASX by CML is available on the ASX's website at <https://www.asx.com.au/asx/share-price-research/company/CGR> or CML's website at <http://www.cml-group.com.au/>.

Alternatively, CML's financial information can be obtained free of charge by contacting Steve Shin, Chief Financial Officer of CML, on 1300 666 177.

In addition, CML is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by CML may be obtained from a search of ASIC's records.

7.1 Introduction

This section contains information in relation to COG as at the date of the Scheme Booklet. This section forms part of the COG Information and has been prepared by, and is the responsibility of, COG.

7.2 Overview of operations

The COG Group is a company listed on the ASX whose principal activities are in the equipment finance sector. The investment objective of COG is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance, broking, finance aggregation and commercial leases for essential business assets.

COG operations are split into two segments, namely:

- Commercial equipment finance; and
- Finance broking and aggregation.

The commercial equipment finance business is carried on by COG's wholly owned subsidiary, TL Rentals Pty Ltd (**TLR**). TLR focuses on writing new equipment finance rental contracts

that provide a high net interest margin in line with a non-prime level of credit risk. TLR benefits from the support of the COG brokernetwork, who distribute its products to SME clients. Funding is obtained from a panel of lenders, including an in-house debenture program that is managed by a wholly owned subsidiary, Secured Finance Limited, with independent trustee oversight. TLR's revenue is comprised of finance lease income and the estimated value of any unguaranteed end of term earnings (secondary income).

The finance broking and aggregation segment is comprised of business units focused on finance broking in relation to motor vehicle and equipment finance, commercial mortgages, and insurance contracts. Commission and fee revenue is earned from this activity. Revenue in the form of volume bonus income is also derived from the aggregate of broker volumes with bank and non-bank funders.

In addition to these two operating segments, COG has an 'other' segment whose activities include the head office function for the COG Group, and non core IT businesses operated by a wholly owned subsidiary, HAL Group Pty Ltd. The non core IT businesses are being sold.

Revenue earned by each of the above 3 segments for the year ended 30 June 2019 is shown in the table below:

	Finance Broking & Aggregation \$'000	Commercial Equipment Leasing \$'000	Other/ Intersegment \$'000	Total Revenue ¹ \$'000
COG Group Segment Revenue for the year ended 30 June 2019				
Revenue	184,439	23,864	8,935	217,238

¹ Revenue excludes interest income of \$209,000.

Further information in relation to COG's operating segments and revenues is contained in the COG's Annual Financial Report for the year ended 30 June 2019.

COG is now focusing on the next stage of its strategy for the expansion of its commercial equipment finance business and funding sources through:

- Investment in infrastructure to support growth in lease originations;
- Expansion of products to include consumer motor vehicle finance and SME chattel mortgages;
- Reduction in funding costs;
- Establishment of bank warehouse facilities and securitisation program; and
- Ongoing organic growth of current portfolio.

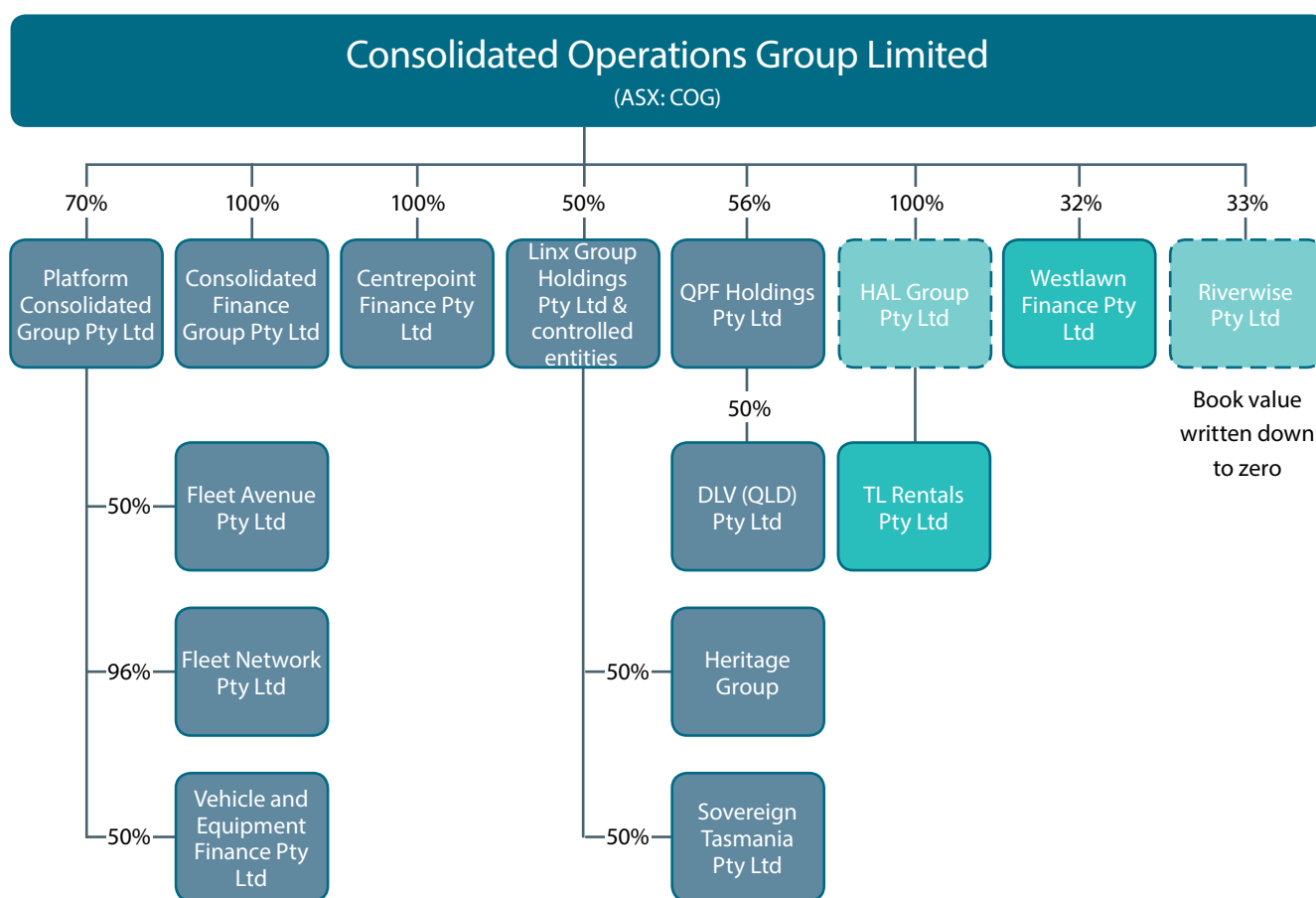
The finance broking and aggregation business provides financial broking services to a wide range of SMEs, and broking aggregation services to a wide range of finance brokers. Over the last four years COG has acquired 13 brokers and three aggregation platforms. This level of scale represents a significant distribution network that is able to leverage distribution of COG

financial products, and further diversify COG’s earnings between broker fee and commission income and net interest margin from lending activities.

COG’s strategy is to grow this segment both organically and through ongoing acquisitions of well managed asset finance brokers. COG currently has approximately 16% market share of net asset finance (NAF). COG is targeting to increase its market share of NAF to 20%, representing an annual NAF of A\$5.0bn to A\$6.0bn.

The COG Group structure, as at the date of this Scheme Booklet, is shown in the diagram below (key subsidiaries and associates only).

COG Group Structure (Key Subsidiaries & Associates)



Legend



Notes:

1. Refer to note “E5 – Group Structure” in the COG Annual Financial Report for the year ended 30 June 2019 for a complete list of COG controlled entities.
2. For additional information about COG, please visit COG’s website at www.coglimited.com.au.

7.3 COG Board and senior management

7.3.1 COG Board

The directors of COG are listed below. Further information on the COG directors who will be appointed to the Merged Group Board is contained in section 8.9.

Name	Position
Patrick Tuttle	Chairman, Independent non-executive director
Bruce Hatchman	Independent non-executive director
Steve White	Independent non-executive director
Cameron McCullagh	Executive director
Mark Crain	Executive director

(a) Patrick Tuttle

Bachelor Economics (Accounting and Finance), CA Non-Executive Chairman

Patrick has more than 30 years' experience in the financial services sector, having initially qualified as a Chartered Accountant with Price Waterhouse. Prior to joining Pepper Group Limited in 2001 as finance director, he was a divisional finance director for a range of operating businesses within Macquarie Bank Limited (ASX: MBL), including the Banking & Property, Corporate Finance, and Project & Structured Finance Groups. As finance director for Pepper Group, Patrick was responsible for all aspects of the non-bank lender's financial, treasury, wholesale funding and securitisation activities.

In 2008 he became CEO of Pepper's Australian mortgage lending and asset finance business, before being appointed as Co-Group CEO of the group's global consumer lending and asset management activities in 2012, spanning eight countries (including the UK, Ireland, Spain, South Korea, and China) with assets under management (AUM) in excess of \$50 billion and over 2,000 employees. He ceased employment with Pepper in March 2017. Patrick is a former Deputy Chairman of the Australian Securitisation Forum, Inc. and was recognised as a Lifetime Member (Fellow) of the ASF in 2014 in recognition of services to the Australian securitisation industry. He was also awarded Australian Financial Services Executive of the Year (2014) by CEO Magazine.

(b) Bruce Hatchman

FCA, MAICD, JP Independent Non-Executive Director

Bruce Hatchman is an experienced leader in the financial services sector, including professional services generally. As the former Chief Executive of Crowe Horwath, Mr Hatchman has over 40 years' experience in providing corporate finance, strategic planning including acquisitions and integration

of businesses, and audit and assurance services to listed companies and large private enterprises, including the acquisition and integration of financial services firms. He is a Chartered Accountant and a member of the Australian Institute of Company Directors.

(c) Steve White

Master of Management, GAICD Independent Non-Executive Director

Steve has had over 30 years of experience in Investment Banking, including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. For 10 years he held a position as a Principal of a boutique risk advisory firm which concentrated on assisting C-suite executives to manage significant financial market risks. This experience is combined with significant Corporate Governance experience including as a Responsible Manager for a Wholesale Australian Financial Services Licence for 10 years. Steve continues to be engaged in providing advice and assistance to businesses across a number of industries. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Master of Management from MGSM.

(d) Cameron McCullagh

Bachelor Business Executive Director

Cameron has over 30 years' experience in the finance sector, having trained as a Chartered Accountant at KPMG. Cameron was a partner at Moore Stephens Sydney and founded and grew White Outsourcing to an entity with back office administration of over \$30 billion. Cameron was CEO of Employers Mutual until 2010, having grown it from \$30 million of annual premium under management to over \$1 billion. As COO, Cameron took operational responsibility for the successful listing on the ASX of the insurance broking accumulator Steadfast

Group. Cameron is Chairman of AS White Global Pty Limited, which has over 900 employees in Australia and Asia providing offshore teams to Australian businesses.

(e) Mark Crain

Bachelor International Business, Diploma Finance & Mortgage Broking Management

Executive Director

Mark has over 20 years' experience in banking and finance, with the last 15 years specialising in commercial asset finance. After completing his International Business degree, Mark held roles at NAB and Mercedes-Benz Finance. In 2008, Mark joined QPF (now a 50% owned finance broking business of COG) and has since developed a strong client base and established a number of broker partnership models with national vendors and financiers. Mark has been heavily involved in various acquisitions since QPF joined COG in 2016 and has recently joined the COG Board as an executive director.

7.3.2 COG Senior Management

COG's current senior management comprises the following members. Further information on all of the following members, who will be appointed as the key management personnel of the Merged Group, is provided in section 8.9.

Name	Position
Andrew Bennett	Group Chief Executive Officer
John McRae	Group Chief Financial Officer
Philip McLeod	Group General Counsel
Marc Vujnovich	Chief Executive Officer – TL Rentals Pty Limited

7.4 Corporate Governance

COG is committed to ensuring that its obligations and responsibilities to its various stakeholders are fulfilled through appropriate corporate governance practices. These practices are based on COG's corporate philosophy, vision, code of conduct and corporate governance policies and are designed to ensure that COG's directors and executive officers perform their duties with transparency, integrity, care and diligence and in a manner which reflects the standards of COG's business.

COG's Corporate Governance Statement for financial year ended 30 June 2019 is dated as at 20 August 2019 and was approved by the Board on 20 August 2019. The Corporate Governance Statement is available on COG's website at www.coglimited.com.au

Indemnity of directors and officers

COG has entered into deeds of indemnity to indemnify each COG director and the company secretary against liability incurred in or arising out of the conduct of the business of COG or the discharge of the duties of that COG director or company secretary.

COG has also paid insurance premiums to insure against legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the COG Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings (other than where such

liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to themselves or someone else to cause detriment to COG).

COG Board committees

Key components of the COG Board's governance structure are the following COG Board committees:

- (i) Audit & Risk Committee; and
- (ii) Nomination & Remuneration Committee.

Ethical conduct

COG has a Code of Conduct which applies to all directors, officers, employees, contractors and consultants within the COG Group and is designed to ensure a high standard of honest and ethical corporate and individual behaviour. The Code of Conduct is available on COG's website www.coglimited.com.au.

Risk Management

The COG Board recognises the effective management of risk is an integral part of sound management and is vital to the continued growth and success of COG. The Audit & Risk Committee is responsible for monitoring risk and reporting to the COG Board.

Market Disclosure

The COG Board is committed to keeping its shareholders and the market fully informed of major developments that may have an impact on COG.

Procedures are in place to identify matters that are likely to have a material effect on the price of COG's securities and to ensure matters that are notified to the ASX are factual and made in a timely manner in accordance with the ASX Listing Rules requirements. COG has a Disclosure and Communications Policy which is made available to all employees and is available on COG's website www.coglimited.com.au.

Trading securities by directors and employees

COG has a Share Trading Policy that complies with the requirements of the ASX Listing Rules and is available on COG's website www.coglimited.com.au.

Additional policies

COG has also implemented additional corporate governance policies and practices as at the date of this Scheme Booklet. Further details of the COG corporate governance framework are available on COG's website at: www.coglimited.com.au/investor-relations/.

7.5 Historical financial information

This section 7.5 sets out certain financial information in relation to COG for the purpose of this Scheme Booklet. The financial information has been extracted from COG's audited financial statements for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

The financial information contained in this section has been presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

COG's full financial accounts, including all notes to those accounts, can be found in:

- The COG Appendix 4E and 2019 Financial Report (released to ASX on 20 August 2019)
- The COG Appendix 4E and 2018 Financial Report (released to ASX on 28 August 2018)
- The COG Appendix 4E and 2017 Financial Report (released to ASX on 29 August 2017)

COG's financial reports for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 were audited in accordance with applicable Australian Accounting Standards. The audit opinions relating to those financial reports were unqualified.

These documents are available from ASX on its website at www.asx.com.au and COG on its website at <http://www.coglimited.com.au/>. Alternatively, COG's financial information can be obtained free of charge by contacting David Franks, Company Secretary, on 02 8072 1400.

7.5.1 Consolidated Statement of Comprehensive Income

The audited historical Consolidated Statement of Comprehensive Income of COG for the years ended 30 June 2017, 30 June 2018 and 30 June 2019, which have been extracted from the relevant Annual Financial Reports of COG, are summarised below.

	FY17⁽²⁾	FY18⁽¹⁾	FY19
	\$'000	\$'000	\$'000
Revenue from continuing operations	81,952	164,949	217,447
Cost of sales	(13,195)	(48,610)	(60,632)
Commissions paid	(30,455)	(48,227)	(71,749)
Employee benefits expense	(17,187)	(28,330)	(35,909)
Administration expenses	(6,627)	(12,137)	(15,489)
Occupancy expenses	(1,175)	(2,653)	(3,151)
Finance costs	(1,480)	(8,473)	(9,531)
Depreciation and amortisation	(3,849)	(5,678)	(6,914)
Acquisition-related expenses	(837)	(562)	(862)
Significant item – disposal of non-core assets	–	–	(794)
Other expenses	(740)	(228)	(392)
Share of results from equity accounted associates	(2,845)	144	(24)
Profit before income tax	3,562	10,195	12,000
Income tax expense	(3,141)	(2,706)	(3,512)
Profit after tax for the year	421	7,489	8,488
Other comprehensive income			
<i>Items that may be reclassified subsequently to the statement of profit or loss:</i>			
Foreign currency translation differences	–	(107)	67
Gain on revaluations by associate	–	–	24
Total comprehensive income for the year	421	7,382	8,579
Profit/(loss) after tax attributable to:			
Members of Consolidated Operations Group Limited	(1,732)	3,833	4,300
Non-controlling interests	2,153	3,656	4,188
Total profit after tax for the year	421	7,489	8,488
Total comprehensive income/(loss) attributable to:			
Members of Consolidated Operations Group Limited	(1,732)	3,726	4,391
Non-controlling interests	2,153	3,656	4,188
Total comprehensive income for the year	421	7,382	8,579
Basic and diluted earnings/(loss) per share from continuing operations, attributable to members	(0.2)	0.29	0.32

(1) This includes the impact of implementing *AASB 9 Financial Instruments* on 1 July 2018, to the Group's existing financial performance and position; including restatement of the prior year comparative information (refer to the COG Annual Financial Report for the year ended 30 June 2019).

(2) Prior period comparatives have been restated for adjustments to provisional acquisition accounting and equity accounted associates (refer to the COG Annual Financial Report for the year ended 30 June 2018).

7.5.2 Consolidated Statement of Financial Position

The audited Consolidated Statement of Financial Position of COG as at 30 June 2017, 30 June 2018 and 30 June 2019, which have been extracted from the relevant Annual Financial Reports of COG, are presented below.

	FY17 ⁽²⁾ \$'000	FY18 ⁽¹⁾ \$'000	FY19 \$'000
Assets			
Current			
Cash and cash equivalents	39,837	36,246	26,037
Trade and other receivables	11,651	14,040	12,349
Contract assets	1,209	1,697	2,647
Financial assets – lease receivables	23,212	35,620	36,088
Other financial assets	732	1,205	1,361
Inventories	505	191	13
Assets classified as held for sale	–	–	885
Total current assets	77,146	88,999	79,380
Non-current			
Contract assets	3,628	4,336	6,402
Trade and other receivables	–	–	163
Financial assets – lease receivables	45,814	64,975	73,699
Other financial assets	4,227	6,533	3,003
Equity accounted associates	749	1,487	15,536
Property, plant and equipment	2,385	1,383	1,155
Intangible assets	143,121	145,407	159,129
Total non-current assets	199,924	224,121	259,087
Total assets	277,070	313,120	338,467
Liabilities			
Current			
Trade and other payables	10,514	12,352	12,098
Customer salary packaging liability	5,748	5,796	5,131
Interest bearing liabilities	29,973	37,511	44,566
Current tax liabilities	2,538	1,935	1,903
Provisions	2,460	2,105	3,480
Liability directly associated with the assets held for sale	–	–	685
Total current liabilities	51,233	59,699	67,863
Non-current			
Trade and other payables	–	426	1,208
Interest bearing liabilities	30,583	55,077	60,015
Deferred tax liabilities	9,177	7,543	9,884
Provisions	300	496	523
Total non-current liabilities	40,060	63,542	71,630
Total liabilities	91,293	123,241	139,493
Net assets	185,777	189,879	198,974

	FY17 ⁽²⁾ \$'000	FY18 ⁽¹⁾ \$'000	FY19 \$'000
Equity			
Share capital	216,216	215,670	220,905
Reserves	36,437	40,372	38,564
Accumulated losses	(81,369)	(81,369)	(81,369)
Non-controlling interests	14,493	15,206	20,874
Total equity	185,777	189,879	198,974

(1) This includes the impact of implementing *AASB 9 Financial Instruments* on 1 July 2018, to the Group's existing financial performance and position; including restatement of the prior year comparative information (refer to the COG Annual Financial Report for the year ended 30 June 2019).

(2) Prior period comparatives have been restated for adjustments to provisional acquisition accounting and equity accounted associates (refer to the COG Annual Financial Report for the year ended 30 June 2018).

7.5.3 Consolidated Statement of Cash Flows

The audited Consolidated Statement of Cash Flows of COG for the years ended 30 June 2017, 30 June 2018 and 30 June 2019, which have been extracted from the relevant Annual Financial Reports of COG, are summarised below.

	FY17 \$'000	FY18 \$'000	FY19 \$'000
Cash flows from operating activities			
Receipts from customers	92,207	203,233	278,182
Payments to suppliers and employees	(80,996)	(155,422)	(210,894)
Financial costs paid	(1,480)	(8,304)	(9,169)
Income taxes paid	(3,044)	(5,055)	(4,534)
Net cash inflow from operating activities	6,687	34,452	53,585
Cash flows from investing activities			
Payments for investors	(25,269)	(6,112)	(26,642)
Payments for deferred consideration	–	(315)	(100)
Payments for equipment – financial leases	(31,433)	(58,675)	(51,805)
Payments for property, plant and equipment	(548)	(264)	(368)
Payments for intangibles	(328)	(1,089)	(1,739)
Proceeds from sale of property, plant and equipment	275	95	1
Loan payments received	–	31	99
Loan advanced to investee companies	(5,148)	–	–
Receipts from redemption of term deposit	1,500	–	–
Proceeds from sale of business	45	–	–
Net cash sold on disposal of controlled entities	(18)	–	–
Net cash (outflow) from investing activities	(60,924)	(66,329)	(80,554)

	FY17 \$'000	FY18 \$'000	FY19 \$'000
Cash flows from financing activities			
Proceeds from issue of shares	62,996	961	–
Costs of raising capital and share buy back	–	(1,333)	(174)
Proceeds from funding of finance leases	14,293	–	–
Proceeds from interest bearing liabilities	19,695	57,627	65,775
Repayments of interest bearing liabilities	(1,141)	(25,551)	(47,886)
Dividends paid by subsidiaries to non-controlling interests	(1,780)	(3,418)	(4,278)
Non-controlling interest acquisition contribution	–	–	3,323
Net cash inflow from financing activities	94,063	28,286	16,760
Net (decrease) in cash and cash equivalents	39,826	(3,591)	(10,209)
Cash and cash equivalents, beginning of the financial year	11	39,837	36,246
Cash and cash equivalents, end of the financial year	39,837	36,246	26,037
Non-cash investing and financing activities			
Scrip consideration issued for acquisition of investments	24,586	787	5,409

7.6 Capital structure and ownership

7.6.1 COG securities

As at the Last Practicable Date, the issued securities of COG are as follows:

Type of security	Number on issue
COG Shares	1,571,736,123
COG Options⁽¹⁾	10,082,949

(1) Held by COG's Chief Executive Officer, Andrew Bennett.

7.6.2 COG Options

COG has granted the following unlisted options to its Chief Executive Officer, Andrew Bennett:

- (a) 6,857,143 long term incentive options at an exercise price of \$0.105 per option, expiring at the earlier of cessation of his employment by COG and 30 June 2021; and
- (b) 3,225,806 long term incentive options at an exercise price of \$0.104763 per option, expiring at the earlier of cessation of his employment by COG and 30 June 2022.

COG has not granted any other options that remain on issue.

7.6.3 Rights attaching to New COG Shares

Set out below is a summary of some of the key provisions in the COG Constitution in relation to the rights and liabilities attached to COG Shares. A full copy of the COG Constitution is available on COG's website.

Meeting and voting rights

COG must hold an Annual General Meeting at least once every calendar year within five months of the end of its financial year. By resolution of the COG Board, a general meeting may be called in the manner determined by the COG Board and a meeting will be required to be called on the requisition of members with at least 5% of the votes that may be cast at the general meeting.

On a show of hands, each COG Shareholder present has one vote and on a poll, each COG Shareholder present in person, by proxy or attorney has one vote for each COG Share at any meeting of COG Shareholders which is to be decided in the first instance by a show of hands.

Where a general meeting is convened and a quorum is not present within 30 minutes of the time specified in the notice of meeting, the meeting is dissolved unless the COG Board adjourns the meeting to a date, time and place determined by it. If no quorum is present at any adjourned meeting

within 30 minutes after the time for the meeting, the meeting is dissolved.

An ordinary resolution requires the affirmative vote of COG Shareholders present in person or by proxy or attorney and holding shares conferring in the aggregate at least a majority of the votes cast on the ordinary resolution. In the case of an equality of votes, the Chairman has a casting vote.

A special resolution requires the affirmative vote of COG Shareholders present in person or by proxy or attorney and holding shares conferring in the aggregate at least 75% of the votes cast on the resolution.

Meetings are convened on advance notice of at least 28 days. Notices are required to be given to all COG Shareholders.

Directors

There must be no less than three and no more than ten COG Directors. The COG Board has the power to appoint, at any time, a person as a COG Director either to fill a casual vacancy or as an addition to the COG Board. Any COG Director appointed in such manner may only hold office until the end of the next Annual General Meeting and is eligible for election at that meeting. Questions arising at any meeting of the COG Board are decided by a majority of votes and, in the case of an equality of votes, the Chairman of the meeting has a second or casting vote.

Preference shares

COG Preference Shares may be issued with certain obligations or restrictions in regard to dividends, voting, return of share capital, payment of calls or otherwise, in accordance with the COG Constitution, subject to the Corporations Act and any special rights previously conferred on holders of existing shares. There are currently no COG Shares with preferential rights on issue.

Dividends

The COG Board may determine that a dividend (including an interim dividend on account of the next forthcoming dividend) is payable to eligible COG Shareholders and fix the amount, time for payment and method of payment. No dividends have been paid by COG in the previous 3 financial years.

Liquidation

If COG is wound up, whether voluntarily or otherwise, the liquidator may divide among all or any of the contributories as the liquidator thinks fit in kind, any part of the assets of COG, and may vest any part of the assets of COG in trustees on any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

Pre-emptive rights

COG Shareholders do not have any pre-emptive rights under the COG Constitution. However, under the ASX Listing Rules, certain restrictions apply to a listed company placing its ordinary shares otherwise than on a pro rata basis among its shareholders.

Alteration to share capital

Without affecting any special rights conferred on the holders of any COG Shares, the COG Board may determine, on any terms it considers appropriate, to issue shares or other securities.

7.7 Funding arrangements for the Aggregate Cash Consideration

This section 7.7 outlines how COG intends to fund the Scheme Consideration.

As noted in section 5:

- (a) CML Shareholders, other than Ineligible Foreign Shareholders, can make an Election to receive Consideration Option 1 in respect of the CML Shares held by them on the Scheme Record Date, which comprises:
 - 2.7 New COG Shares per each CML Share; and
 - \$0.24 in cash per CML Share up to the Cash Cap; or
- (b) CML Shareholders can make an Election to receive Consideration Option 2 in respect of the CML Shares held by them on the Scheme Record Date which is 5.4 New COG Shares for each CML Share.

The Aggregate Cash Consideration of up to \$20.0 million will be paid from COG's cash reserves, which have been obtained, in part, from a capital raising of \$20.2 million in the form of a non-renounceable rights issue that was completed in early December 2019.

On the basis of the arrangements described above, COG believes that it will be able to satisfy its obligations to provide the Scheme Consideration as and when it is due under the terms of the Scheme.

7.8 COG's substantial shareholders

As at the Last Practicable Date, the following persons have given notice to COG pursuant to section 671B of the Corporations Act that they hold in excess of 5% of COG's total issued share capital, and as such are taken to be substantial shareholders of COG:

Substantial Shareholder	Number of COG Shares	% of Total
NAOS Asset Management Limited	330,783,529	24.66%
GEGM Investments Pty Limited	296,484,461	18.86%
Sandon Capital Inv Ltd A/C	95,917,445	9.20%
Thorney Opportunities Ltd and Associates	78,988,222	5.32%

7.9 Financial arrangements

Funding Arrangements		Balance outstanding as at 31 October 2019	Purpose
Equipment Finance			
Debentures	Debentures program	\$42.2 million	Multiple debentures with repayment periods of up to 36 months used to fund finance lease receivables
Finance lease funding	Wholesale facilities	\$60.5 million	Facilities provided by a panel of lenders to fund finance lease receivables
Corporate			
Corporate debt facility	Amortising loan	\$3.0 million	Provided by Australian Bank and utilised for working capital purposes
Total		\$105.7 million	

7.10 COG's dividend policy

In the past three financial years, no dividends were paid by COG. On 15 October 2019, COG announced a dividend policy. Under this dividend policy, COG is to pay dividends of up to 50% of statutory net profit after tax, attributable to members of COG. This policy was announced on 15 October 2019. COG's goal is to pay fully franked dividends, subject to the availability of franking credits.

COG also announced on 15 October 2019 its intention to implement a Dividend Reinvestment Plan that will apply to the payment of any dividends from the commencement of FY20.

7.11 Interests in CML Shares

Voting power and Relevant Interest

As at the date of this Scheme Booklet, COG and its Associates did not have any voting power in CML, nor a Relevant Interest in any CML Shares.

Dealings in CML Shares in previous four months

Except in respect of the Scheme Consideration, during the period of four months before the date of this Scheme Booklet,

neither COG nor any of its Associates has provided or agreed to provide consideration for any CML Shares.

Benefits to holders of CML Shares

Except as disclosed elsewhere in this Scheme Booklet, during the four months before the date of this Scheme Booklet, neither COG nor any of its Associates has given or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

- vote in favour of the Scheme; or
- dispose of CML Shares,

and where the benefit was not offered to all CML Shareholders.

7.12 Recent share price history

COG is a public company limited by shares that has been admitted to the official list of ASX. COG is listed on ASX under the code "COG".

The Scheme was announced by COG to the market on 13 November 2019. The last recorded closing price for COG Shares on ASX before the public announcement of the Scheme was \$0.091 on 12 November 2019.

The closing price of COG Shares on ASX on 17 December 2019, being the Last Practicable Date before the date of this Scheme Booklet was \$0.090.

COG's highest and lowest recorded daily closing share prices within the 3 month period preceding the Last Practicable Date were, respectively \$0.096 on 4 November 2019 and \$0.086 on 9 October 2019.

COG's current share price can be found at the ASX's website at www.asx.com.au.

7.13 Litigation

As at the date of this Scheme Booklet, COG is not aware of any material contractual disputes or litigation in respect of COG, including with its customers or other third parties.

7.14 Disclosure of interests

Except as otherwise disclosed in this Scheme Booklet, no:

- (a) COG Director or proposed COG Director;
- (b) person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet for or on behalf of COG; or
- (c) promoter, stockbroker or underwriter of COG or the Merged Group,

(together, the **Interested Persons**) holds, or held at any time during the two years before the date of this Scheme Booklet any interests in:

- (d) the formation or promotion of COG or the Merged Group;
- (e) property acquired or proposed to be acquired by COG in connection with the formation or promotion of COG or the Merged Group or the offer of COG Shares under the Scheme; or
- (f) the offer of COG Shares under the Scheme.

7.15 Disclosure of fees and other benefits

Except as otherwise disclosed in this Scheme Booklet, COG has not paid or agreed to pay any fees, or provided or agreed to provide any benefit:

- (a) to a COG Director or a proposed COG Director to induce them to become or qualify as a COG Director; or
- (b) for services provided by any Interested Person in connection with:
 - (i) the formation or promotion of COG or the Merged Group; or
 - (ii) the offer of COG Shares under the Scheme.

7.16 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to a CML Shareholder's decision whether to approve the Scheme which is known to any COG Director, at the date of this Scheme Booklet, and which has not previously been disclosed.

7.17 Publicly available information about COG

COG is a listed disclosing entity for the purposes of the Corporations Act and is admitted to the official list of ASX, as such, COG is subject to regular reporting and disclosure obligations. Specifically, as a listed company, COG is subject to the Listing Rules which require continuous disclosure of any information COG has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, as well as periodic disclosure in accordance with both the Corporations Act and Listing Rules.

Information disclosed to ASX is available from ASX's website <https://www.asx.com.au/asx/share-price-research/company/COG> and on COG's website <http://www.coglimited.com.au/>.

In addition, COG is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by COG may generally be obtained from a search of ASIC's records.

08

Information about the Merged Group

8.1 Overview of the Merged Group

COG and CML have agreed to a proposed merger to establish a leading financial services group focusing on servicing small to medium sized businesses in Australia.

At the present time, COG operates in two segments, namely asset finance broking and aggregation and equipment financing. CML also operates in two segments, namely invoice financing and equipment financing.

The Merged Group will combine the two equipment financing businesses into a single business unit with greater scale and operating efficiencies. Thus, creating an entity that will have three segments, namely finance broking and aggregation, invoice financing and equipment financing.

8.2 Strategic rationale

The proposed Merger satisfies both groups' respective strategic objectives.

For COG, it expects to expand its existing in-house product capability and to broaden its funding sources.

For CML, the Merger is expected to deliver cross-selling opportunities that will accelerate volume growth and achieve improved scale for all its finance products.

Historically, invoice financing is not a finance product that has been actively distributed through the COG network because it is a relatively more complex product compared to a lease or chattel mortgage. It generally requires specialist skills to articulate the benefits of the product to potential clients. The Merged Group anticipates that the Merger would allow this specialist skill that currently sits within CML to be more readily accessible to the COG distribution network and will therefore see higher market penetration of this product through COG brokers. Equipment finance is already actively distributed through the COG asset finance distribution network (total value of assets financed being approximately \$4.5 billion per annum currently). The combination of the COG and CML finance businesses is believed to increase the product suite currently available to COG to distribute through its own distribution network.

8.3 Combined capability

The Merged Group is expected to have the following capabilities:

- asset finance broking and aggregation;
- equipment finance;

- invoice finance; and
- insurance broking.

8.4 Customers

The customers of the Merged Group are expected to primarily be Australian small to medium sized enterprises.

8.5 Combined financials

Section 9 sets out the pro forma historical financial information for the Merged Group based on each of COG's and CML's audited financial statements for the year ended 30 June 2019. It also includes financial information relating to CFG, a business acquired by CML in November 2019.

The information presented is provided for information purposes only to illustrate the impact of the Transaction on the Merged Group's financial performance for the year ended 30 June 2019 as if the Transaction had taken place on 1 July 2018. It does not represent a forecast with respect to the financial performance of the Merged Group.

8.6 Operating model

The Merged Group will continue to operate in a similar fashion as each of COG and CML do today. It will use wholesale debt funding facilities to provide equipment and debtor financing to SMEs. These products will be distributed through COG's finance broker and aggregation network.

8.7 Cost synergies

Cost synergies in the Merged Group are expected to be achieved as follows:

- Corporate costs – By moving from two listed entities to one listed entity certain corporate costs are expected to be reduced, including ASX listing fees, directors' fees, share registry fees, accounting and consulting fees, and property rental costs.
- Operational costs – By amalgamating the equipment finance businesses, the Merged Group plans to move to a single credit and lease management system, which will reduce IT costs.
- Occupancy Costs – By combining and reducing the number of offices occupied by COG and CML, the occupancy costs are expected to be reduced.

8.8 Intentions in relation to CML and the Merged Group

8.8.1 Introduction

If the Scheme is implemented, COG and CML will form a merged group, with COG acquiring and holding all CML Shares on issue. Within the Merged Group CML will become a wholly owned subsidiary of COG. This section sets out the intentions of COG with respect to CML if the Scheme is implemented.

The statements of intention made in this section are statements of present intention only. These intentions are based on the facts and information concerning CML (including certain non-public information made available by CML to COG prior to the entry into the Scheme Implementation Agreement) and the general business environment that is known to COG at the time of preparation of this Scheme Booklet. COG does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all operational, commercial, taxation and financial implications of its current intentions. Final decisions on these matters will only be made by COG after having conducted a detailed review of CML's business after implementation of the Scheme. Accordingly, the statements set out in this section are statements of current intention only, which may change as new information becomes available or as circumstances change.

8.8.2 General business review

If the Scheme is implemented, COG intends to work with CML's leadership team to optimise the prospects and operating performance of the business that will be achieved through cross selling opportunities in the Merged Group.

In order to achieve these outcomes, following implementation of the Scheme, the Merged Group's management team intends to undertake a detailed review of the Merged Group's operations covering strategic, financial and commercial operating matters. Final decisions about the future operating plan and the management organisation for the Merged Group will be made following the completion of such review and based on the facts and circumstances at the relevant time.

Subject to the findings of the post-implementation review referred to above, COG's current intention is to continue the current strategic direction of CML. In addition, if the Scheme is implemented, COG will seek to grow CML's business in debtor and asset financing organically and through other opportunities

that may become available to it from time to time. COG intends to consider and actively pursue growth opportunities, which may involve the strategic acquisition of other businesses in this sector.

8.8.3 Delisting from ASX

If the Scheme is implemented, the quotation of CML Shares on ASX will be terminated and CML will be removed from the official list of ASX on or around the Business Day immediately following the Implementation Date. It is also intended that COG will apply to convert CML from a public company to a proprietary company.

8.8.4 Corporate office

If the Scheme is implemented, it is the current intention of COG that CML's corporate office will remain located in 201 Miller Street North Sydney, NSW, subject to the outcome of recommendations arising from the general business review noted above.

8.8.5 Internal corporate restructure

Following implementation of the Scheme, COG may undertake a corporate restructure pursuant to which, among other things, the shares in certain companies in the CML Group are transferred to existing or newly incorporated entities within the COG Group in order to optimise operating efficiency.

8.8.6 Employees

COG considers CML's employees to be critical to the future success of the business. Following implementation of the Scheme, COG will review CML's business operations and organisational structure to ensure CML has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

8.8.7 Changes to CML's constitution

COG intends to replace CML's constitution with a constitution appropriate for a proprietary company limited by shares (consistent with the intention expressed in section 8.8.3 to convert CML into a proprietary company limited by shares following implementation of the Scheme).

8.9 Board and senior management

8.9.1 Merged Group Board

The Merged Group will have a board of six directors including Patrick Tuttle as the Independent Non-Executive Chairman, Daniel Riley and Cameron McCullagh as Executive Directors, Sue Healy, Geoffrey Sam as Independent Non-Executive Directors and one further nominee to be appointed by COG after the Implementation Date following COG's normal board appointment process and overseen by the COG chairman.

Of the six directors, three will be existing directors of CML and three will be existing directors of COG. It is anticipated that the Non-Executive Directors who will be appointed to the Merged Group Board will each receive remuneration in line with current Non-Executive Directors on the COG Board. Remuneration for Executive Directors will be recommended by the Remuneration Committee and approved by the Non-Executive Directors on the Merged Group Board following the business review of the Merged Group after implementation of the Scheme. All existing directors of COG who are not continuing will resign as soon as practicable after the Implementation Date.

The Non-Executive Chairman of the Merged Group will receive \$150,000 per annum and the other Non-Executive Directors of the Merged Group will each receive \$80,000 per annum. There have been no discussions between COG and CML to date in relation to the remuneration of Executive Directors in the Merged Group. Remuneration for Executive Directors will be recommended by the Remuneration Committee and approved by the Non-Executive Directors on the Merged Group Board following the business review of the Merged Group after implementation of the Scheme. COG does not intend to replace any COG staff as a direct result of the Merger and, consequently, no termination payments are contemplated.

The board of directors of the Merged Group will comprise:

Director	Position
Patrick Tuttle	Independent Non-Executive Chairman
Daniel Riley	Executive Director
Cameron McCullagh	Executive Director
Sue Healy	Independent Non-Executive Director
Geoffrey Sam	Independent Non-Executive Director
COG nominee	to be confirmed as above

(a) Patrick Tuttle

Bachelor Economics (Accounting and Finance), CA Non-Executive Chairman

Patrick has more than 30 years' experience in the financial services sector, having initially qualified as a Chartered Accountant with Price Waterhouse. Prior to joining Pepper Group Limited in 2001 as finance director, he was a divisional finance director for a range of operating businesses within Macquarie Bank Limited (ASX: MBL), including the Banking & Property, Corporate Finance, and Project & Structured Finance Groups. As finance director for Pepper Group, Patrick was responsible for all aspects of the non-bank lender's financial, treasury, wholesale funding and securitisation activities. In 2008 he became CEO of Pepper's Australian mortgage lending and asset finance business, before being appointed as Co-Group CEO of the group's global consumer lending and asset management activities in 2012, spanning eight countries (including the UK, Ireland, Spain, South Korea, and China) with

assets under management (AUM) in excess of \$50 billion and over 2,000 employees. He ceased employment with Pepper in March 2017. Patrick is a former Deputy Chairman of the Australian Securitisation Forum, Inc. and was recognised as a Lifetime Member (Fellow) of the ASF in 2014 in recognition of services to the Australian securitisation industry. He was also awarded Australian Financial Services Executive of the Year (2014) by CEO Magazine.

(b) Daniel Riley

BCom, CPA Executive Director

Daniel is a passionate supporter of SMEs and understands that businesses need reliable and flexible funding solutions to support their growth. Daniel joined CML Group in 2002 when the business was in its early development as a service provider to the recruitment industry and was appointed CEO in 2010. Operating under the name Cashflow Finance, Daniel

launched the invoice finance business in 2011 and an Equipment Finance offering in 2017. During this period Daniel has managed an accelerated growth program which includes \$250m+ in debt and equity raisings, the acquisition of five key competitors and the simplification of CML's business structure through divestment of its historic business.

(c) Cameron McCullagh

Bachelor Business Executive Director

Cameron has over 30 years' experience in the finance sector, having trained as a Chartered Accountant at KPMG. Cameron was a partner at Moore Stephens Sydney and founded and grew White Outsourcing to an entity with back office administration of over \$30 billion. Cameron was CEO of Employers Mutual until 2010, having grown it from \$30 million of annual premium under management to over \$1 billion. As COO, Cameron took operational responsibility for the successful listing on the ASX of the insurance broking accumulator Steadfast Group. Cameron is Chairman of AS White Global Pty Limited, which has over 900 employees in Australia and Asia providing offshore teams to Australian businesses.

(d) Sue Healy

Fellow RCSA, MAICD Non-Executive Director

Sue is an experienced Non-Executive Director, she is Deputy Chair of Ability Options and sits on 3 sub committees for this organisation, she is a Non-Executive Director of Olympus Solutions and has held previous Non-Executive Director roles with The Recruiting and Consulting Services Association, Women and Management and The Ryde Business Forum. She also holds advisory roles with a number of private organisations. She was the founder and MD of a Talent and HR Consulting Business for 20 years. She has also held Executive Leadership roles with the two of the largest ASX listed human capital companies in Australia.

(e) Geoffrey Sam OAM

BCom (UNSW), MHA (UNSW), MA (Econ&SocStudies) (Manchester UK), FAICD Non-Executive Director

Geoffrey has held numerous successful ASX-listed independent board positions including Chairman & Independent Director of Money 3, Independent Director of Hutchison's Childcare Services and Managing Director of Nova Health. Prior to his appointments to ASX-listed companies, Geoffrey undertook numerous Chief Executive positions at Adelaide based hospitals. He is currently the Co-Founder and Director of HealthCare Australia Pty Ltd, a privately owned health care company comprising a portfolio of 35 hospitals and a community nursing and rehabilitation business.

8.9.2 Key Management Personnel

The key management personnel of the Merged Group will comprise:

Director	Position
Andrew Bennett	Group Chief Executive Officer
John McRae	Group Chief Financial Officer
Cameron McCullagh	Executive Director
Daniel Riley	Executive Director
Mark Cleaver	Executive General Manager, Invoice Finance
Marc Vujnovich	Chief Executive Officer, TL Rental
Philip McLeod	Group General Counsel
Steve Shin	Chief Financial Officer, Business Lending

Profiles for Daniel Riley and Cameron McCullagh are set out in section 8.9.1 above. Profiles for the remaining Merged Group key management personnel are below:

(a) Andrew Bennett**Group Chief Executive Officer**

Andrew joined COG in June 2018 responsible for funding and management across the business. He has been involved in the non-bank finance sector for 20 years, including establishing the wholesale funding arrangements for zipMoney (ASX: ZIP) and Think Tank Commercial Property where he was CFO and CIO respectively. Prior to this, Andrew was a Chartered Accountant with KPMG, and Corporate Treasurer for Peabody Resources Ltd.

(b) John McRae

**FCA, GAICD, BA (Accounting), Master of Commerce (Banking and Financial Management), Graduate Diploma – Marketing Management
Group Chief Financial Officer**

John is an experienced CFO, and over the past 25 years has held senior finance roles in ASX listed and multinational companies. His industry experience is extensive and includes investment banking, financial services, consumer products and retail. Prior to joining COG he was employed by David Jones Limited undertaking a number of roles including CFO, Executive Director and Company Secretary. John is a Fellow of Chartered Accountants – ANZ and a graduate member of the Australian Institute of Company Directors.

(c) Mark Cleaver**Executive General Manager, Invoice Finance**

Mark spent 18 years with Bibby Financial Services (BFS), the UK's largest independent provider of Invoice Finance funding to SME's, with over 10,000 clients globally. Roles with BFS included:

- Managing Director, UK for 4 years, CEO Europe for 6 years, Managing Director, Australia & NZ for 3 years, prior to the acquisition of this business by Scotpac in 2015.
- Mark will drive CML's growth strategy, leveraging all channels to market to capture greater market share for the core business, invoice factoring, plus product extension to win larger transactions in invoice discounting.

(d) Marc Vujnovich**Chief Executive Officer and Managing Director, TL Rentals**

Marc joined TL Rentals in April 2019 and has more than 20 years' experience in the Financial Services Industry, specialising in Asset Finance. Marc has a diverse range of skills across sales, operations, risk management, technology and product as well as a strong track record in delivering complex business transformation programs. Marc has held senior management positions at BOQ Finance, Alleasing (now Maia Financial) and Oracle Corporation.

(e) Philip McLeod**BA(Hons), LLB, LLM, DEA
Group General Counsel**

Philip is an experienced corporate lawyer with particular expertise in M&A in the financial services sector including several years in London with a major UK firm and a partner in a Sydney firm prior to moving to an in-house role. Philip was the external lawyer for TL Rentals from 2002 and has worked within the COG Group since 2009. He has been heavily involved in all acquisitions and restructuring made by the COG Group in the past 5 years. He is the senior lawyer across the group and company secretary for the principal subsidiary entities.

(f) Steve Shin**Chief Financial Officer, Business Lending**

Steve joined CML Group as CFO in April 2015 with more than 15 years of experience as a key executive in ASX listed companies and top-10 accountancy firm. Steve also has 9 years of experience in fin-tech and media companies.

8.10 Corporate Governance

COG and CML fully endorse the ASX Corporate Governance Principles, 3rd Edition.

If the Scheme is implemented COG's Corporate Governance framework, as outlined in section 7, will continue to apply. Ongoing enhancements to COG's corporate governance policies will be implemented as appropriate.

The fourth edition of the Corporate Governance Principles and Recommendations was released by the ASX Corporate Governance Council on 27 February 2019 and becomes effective for financial years beginning on or after 1 January 2020. COG will adopt the 4th edition of the Corporate Governance Principles and Recommendations for its first full financial year commencing on or after 1 January 2020, being for the year ended 30 June 2021.

8.11 Capital structure and ownership

8.11.1 Share capital

As at the Last Practicable Date, COG had 1,571,736,123 ordinary shares on issue. Should the Scheme be approved by CML Shareholders, the amount of COG Shares that COG will issue to acquire a 100% interest in CML pursuant to the Scheme will depend on the total number of CML Shareholders who make an Election to receive Consideration Option 1 subject to any Scaleback Mechanism as explained in section 5.5.

The table below sets out the capital structure of the Merged Group upon the implementation of the Scheme under different scenarios depending on the total number of CML Shareholders who make an Election to receive Consideration Option 1.

% Shareholders electing Consideration Option 1	Nil	5%	15%	20%	50%	80%	100%
COG Shares on issue as at the Last Practicable Date	1,571,736,123	1,571,736,123	1,571,736,123	1,571,736,123	1,571,736,123	1,571,736,123	1,571,736,123
New COG Shares to be issued as Aggregate Scrip Consideration*	1,228,673,108	1,197,950,880	1,136,506,425	1,075,061,969	991,495,415	991,495,415	991,495,415
% of COG Shares held by CML Shareholders post the Implementation Date	43.9%	43.3%	42.0%	40.6%	38.7%	38.7%	38.7%
Total	2,800,409,231	2,769,987,003	2,708,242,548	2,646,798,092	2,563,231,538	2,563,231,538	2,563,231,538

* We have assumed that the 10 million options over CML Shares held by Daniel Riley will be exercised prior to the Implementation Date.

8.11.2 Options

Following implementation of the Scheme, the Merged Group will have 10,082,949 options on issue. For further details on these options, please refer to section 7.6.2.

8.12 Financing arrangement

Provided that various financier consents are obtained, the financing arrangements of the Merged Group, with effect from the Implementation Date, will be comprised of those arrangements shown in sections 6.8 and 7.9. If any financier does not consent to the change of control of CML, or agree to waive certain acceleration events that can occur on a change of control of CML, then the Merged Group may need to seek to re-finance that finance facility following the implementation of the Scheme. If this was to occur both COG and CML are of the current opinion that obtaining alternative finance at reasonable commercial rates should be possible.

8.13 Dividend policy

If the Scheme is implemented, COG's dividend policy outlined in section 7.10 will continue to apply.

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Pro Forma Historical Financial Information of the Merged Group

9.1 Merged Group Financial Information

This section contains the following pro forma historical financial information of the Merged Group, which has been prepared to illustrate:

- the unaudited Merged Group pro forma statement of comprehensive income for the year ended 30 June 2019 (the **Pro Forma Historical Income Statements**); and
- the unaudited Merged Group pro forma statement of financial position as at 30 June 2019 (the **Pro Forma Historical Statement of Financial Position**),

(collectively, the **Pro Forma Historical Financial Information**).

The Pro Forma Historical Financial Information in this section should also be read in conjunction with the Risk Factors set out in section 10 and other information included in this Scheme Booklet.

In preparing the Pro Forma Historical Financial Information, CML and COG have been subject to certain limitations. In particular:

- COG management has had only limited access to financial information of CML and no access to the supporting documentation and systems from which that financial information has been derived; and
- COG has not had an opportunity to assess the fair values of the identifiable assets and liabilities of CML, and therefore has not been able to ensure that the Transaction has been accounted for in accordance with AASB 3 *Business Combinations*.

The Pro Forma Historical Financial Information is not intended to reflect the financial performance or the financial position that would have actually resulted had the Scheme been completed on the dates indicated, or the results that may be obtained in the future. If the Transaction had occurred in the past, the Merged Group's financial performance and financial position would likely have been different from that presented in the Pro Forma Historical Financial Information. Due to the nature of the Pro Forma Historical Financial Information, it may not give a true picture of the Merged Group's financial performance and financial position. The Pro Forma Historical Financial Information is not represented as being indicative of COG's and CML's view on its future financial performance or future financial position. All amounts disclosed in the tables are rounded to the nearest

thousand dollars (unless otherwise noted) and totals may be subject to rounding.

The Pro Forma Financial Information excludes:

- the financial effect of cost savings and revenue synergies that may be realised by the Merged Group once the Scheme is implemented; and
- the financial effect of transaction costs relating to the Scheme and Entitlement Offers made by CML and COG,

on the basis that the impact of these matters remain sufficiently indefinite and providing adjustments for those matters could be misleading for CML Shareholders. Both CML and COG agree that it is not appropriate to provide prospective financial information with respect to these matters.

9.2 Basis of Preparation

The Pro Forma Historical Financial Information is provided for illustrative purposes and has been presented in an abbreviated form, insofar as it does not contain all the presentation and disclosures required by the Australian Accounting Standards applicable to annual financial reports and has not been prepared in accordance with the Corporations Act.

i) Pro Forma Historical Statements of Comprehensive Income

The Pro Forma Historical Statements of Comprehensive Income have been compiled by CML and COG to illustrate the impact of the Transaction on the Merged Group's financial performance for the year ended 30 June 2019 as if the Transaction had taken place on 1 July 2018.

The Pro Forma Historical Statements of Comprehensive Income are based on the following information:

- COG audited financial statements for the full year ended 30 June 2019;
- CML audited financial statements for the full year ended 30 June 2019;
- CFG audited financial statements for the full year ended 30 June 2019; and
- Supplementary information as was considered necessary to reflect the pro forma adjustments (discussed below).

Certain elements of CML and CMG's Historical Statement of Comprehensive Income have been reclassified to conform to the financial statement presentation used

by COG. Items reclassified on CML's and CFG's historical statement of comprehensive income are disclosed in the notes to the unaudited Pro Forma Historical Statement of Comprehensive Income.

ii) Pro Forma Historical Statements of Financial Position

The Pro Forma Historical Statements of Financial Position have been compiled by CML and COG to illustrate the impact of the Transaction on the Merged Group's financial position as at 30 June 2019 as if the Transaction had taken place on 30 June 2019.

The Pro Forma Historical Statement of Financial Position is based on the following information:

- COG audited financial statements for the full year ended 30 June 2019;
- CML audited financial statements for the full year ended 30 June 2019;
- CFG audited financial statements for the full year ended 30 June 2019; and
- Other supplementary information as was considered necessary to reflect the pro forma adjustments (discussed below).

Certain elements of CML's and CFG's Historical Statement of Financial Position have been reclassified to conform to the financial statement presentation used by COG. Items reclassified on CML's and CFG's Historical Statement of Financial Position are disclosed in the notes to the unaudited Pro Forma Historical Statement of Financial Position.

9.3 Pro Forma Adjustments

The Pro Forma Historical Financial Information has been prepared for illustrative purposes only, to show the impact of the Transaction as follows:

- CML's issue of 361,305 shares under its dividend reinvestment plan on 8 October 2019;
- CML's Entitlement Offer in the form of a rights issue of 15,831,764 CML shares at \$0.48 per share;
- Exercise of 10 million options granted to CML's CEO (exercisable at \$0.27 per option);
- CML payment of a fully franked dividend of \$0.03 per share to CML shareholders immediately prior to the Scheme implementation date;
- COG's Entitlement Offer in the form of a rights issue of 1 share for each existing 6 shares at \$0.09 per COG Share, which will be used to fund the Aggregate Cash Consideration; and
- the issue of COG shares to CML shareholders for the Aggregate Scrip Consideration.

The Pro Forma Financial Information also shows the impact of CML's acquisition of 100% of CFG (refer to CML's ASX

announcement on 9 September 2019 and 4 November 2019 and the information in section 6.5.4). CML used a new debt facility to fund the acquisition of CFG. Relating to that debt facility, interest costs (annualised) of \$663,000 are shown as a pro forma adjustment in the Pro Forma Historical Statements of Comprehensive Income.

Since the completion of the CFG acquisition on 4 November 2019, CML has initiated a restructuring plan, which has resulted in annualised cost savings of \$2.7 million being achieved in the period from the date of acquisition up to the date of the Scheme Booklet. These cost savings are shown as a Pro Forma adjustment in the Pro Forma Historical Statements of Comprehensive Income.

Whilst further cost savings may be achieved by CML under its CFG restructuring plan, the amount of these estimated future cost savings has not been included in the Pro Forma Historical Financial Information for the Merged Group.

9.3.1 Adjustments relating to the impact of acquisition accounting

The Pro Forma Historical Financial Information has been accounted for using acquisition accounting methods required by AASB 3 – *Business Combinations*, except as noted in the assumptions below. AASB 3 requires that all identifiable assets (including intangible assets and deferred tax balances) and liabilities that meet certain recognition criteria should be recognised separately in the consolidated financial statements of the Merged Group.

On completion, the excess of the cost of the acquisition over and above the net fair value of the identifiable assets and liabilities should be recognised as goodwill. This goodwill amount will only be measured and recognised once the Transaction occurs. Similarly, the identification and valuation of other identifiable intangible assets will not be possible until after the completion of the acquisition. Australian Accounting Standards allow a period of 12 months to finalise the accounting adjustments from the date of acquisition.

For the purposes of calculating the intangible assets and goodwill for the Merged Group on consolidation, the book value of CML's assets and liabilities (together with the assets and liabilities of CFG), as reported in the audited financial statements as at 30 June 2019, is assumed to be equal to their fair value at the date of acquisition.

The amount of total intangible assets, including goodwill and the recognition of any deferred tax assets or liabilities which may arise as a result of the fair value adjustments, is subject to CML and COG finalising its fair value assessment of all assets and liabilities as at the acquisition date.

For the purposes of the Pro Forma Historical Statement of Comprehensive Income, as the fair value of the acquired intangible assets of CML (including those of CFG) have not been established, it has not been possible for CML and COG

to perform an accurate assessment of the amortisation charge relating to those intangible assets as required by AASB 138 *Intangible Assets*. As such, no adjustments have been made to reflect the impact of acquisition accounting. The expected impact of adopting acquisition accounting on the Pro Forma Historical Statement of Comprehensive Income of the Merged Group may include a non-cash amortisation charge for the intangible assets with a finite life.

The Scheme Consideration is detailed in section 5. For the purposes of the Pro Forma Historical Financial Information, the value of the consideration issued to CML is measured as follows:

- Scrip Consideration – the value of COG shares at close of trading on the Implementation Date. For the purposes of the Pro Forma Historical Financial Information, a value of \$0.09 per COG Share has been assumed; (refer to section 7.12 for information on the recent share price performance of COG Shares) and
- Cash Consideration – the value of the total Cash Consideration is assumed to be at the maximum amount of \$20.0 million.

The ultimate value of the Scheme Consideration for accounting purposes as at the Implementation Date may differ from the amount assumed for the purposes of the Pro Forma Historical Financial Information.

9.3.2 Accounting Policies

In preparing the Pro Forma Historical Financial Information, CML and COG have undertaken a review to identify accounting policy differences where the impact was potentially material to the Merged Group and could be reliably estimated. No such material differences have been identified by CML and COG, however, further accounting policy differences may be identified after the Implementation of the Scheme.

9.3.3 Scheme Consideration

COG has provided CML Shareholders with the option to elect to receive either all of their Scheme Consideration in New COG Shares, or to receive their Scheme Consideration partly in New COG Shares and partly in cash, subject to the Cash Cap. Ineligible Foreign Shareholders will receive all of their Scheme Consideration in cash. The Pro Forma Historical Financial Information has been prepared assuming sufficient CML Shareholders make Elections such that the Aggregate Cash Consideration of \$20.0 million is reached, with the balance of the Scheme Consideration being made through the issue of COG Shares.

9.4 Pro Forma Historical Statements of Comprehensive Income

\$'000	COG statutory consolidated statement of comprehensive income for the year ended 30 June 2019	CML statutory consolidated statement of comprehensive income for the year ended 30 June 2019	CFG statutory consolidated statement of comprehensive income for the year ended 30 June 2019	Pro forma adjustments	Note	Merged Group's Pro forma statement of comprehensive income for the year ended 30 June 2019
Commission, trail, fee and volume bonus incentive	124,617	–	1,613	–		126,230
Sales of goods	66,611	–	–	–		66,611
Finance lease income	22,752	3,393	8,754	–		34,899
Invoice finance income	–	35,796	4,460	–		40,256
Interest income	209	214	–	–		423
Other operating revenue	3,258	8,272	5,537	–		17,067
Revenue from continuing operations	217,447	47,675	20,364	–		285,486
Cost of sales	(60,632)	–	–	–		(60,632)
Commissions paid	(71,749)	(8,427)	–	–	1	(80,176)
Employee benefits expense	(35,909)	(10,457)	(5,883)	2,100	2	(50,149)
Administration expenses	(15,489)	(4,758)	–	–	1	(20,247)
Occupancy expenses	(3,151)	(726)	(486)	–		(4,363)
Finance costs	(8,969)	(6,804)	(13,293)	600	2	(28,466)
Acquisition-related expenses	(862)	–	–	–		(862)
Significant item – disposal of non-core assets	(794)	–	–	–		(794)
Other expenses	(392)	(2,713)	(2,596)	–		(5,701)
EBITDA	19,500	13,790	(1,894)	2,700		34,096
Depreciation	(817)	(260)	(144)	–		(1,221)
Amortisation	(6,097)	(1,100)	–	–		(7,197)
Interest (non-receivables related)	(538)	(468)	–	(663)	3	(1,669)
Reported profit/(loss) before income tax	12,048	11,962	(2,038)	2,037		24,009
Income tax expense	(3,512)	(3,562)	–	–	4	(7,070)
Reported profit/(loss) for the year	8,536	8,400	(2,038)	2,037		16,935
(-) Less Non-controlling interest	(4,188)	–	–	–		(4,188)
Reported profit/(loss) for the period attributable to shareholders	4,348	8,400	(2,038)	2,037		12,747

Reclassifications and Pro Forma adjustments

1. Reclassifications of CML's Historical Statement of Comprehensive Income to conform to the Historical Statement of Comprehensive Income presentation used by COG include:

- 'Agency fees' and 'employee benefits expense (on-hire staff)' which have been reclassified as 'commissions paid'; and

- 'Insurance', 'legal expenses', 'marketing' and 'allowance for expected credit losses' which have been reclassified as 'administration expenses'.
2. Pro Forma adjustments of \$2.7 million in relation to annualised finance and employment cost savings achieved under CML's CFG restructuring plan in the period from the date of acquisition of CFG to the date of the Scheme Booklet are reflected in the Pro Forma Historical Statements of Comprehensive Income.
 3. Incremental interest costs (annualised) relating to additional net debt obtained by CML for the acquisition of CFG.
 4. Income tax expense has not been recognised as a pro forma adjustment due to the existence of CFG carried forward tax losses. The utilisation of carried forward tax losses is dependent on the Merged Group (and CFG) complying with the loss recoupment rules for companies, as stipulated by the relevant legislation. Should the relevant legislation not be complied with, tax will be payable by CFG at the corporate tax rate of 30 per cent.

Acquisition accounting

For the purposes of the Pro Forma Historical Statement of Comprehensive Income, as the fair value of the acquired intangible assets of CML has not been established, it has not been possible for CML and COG to perform an accurate assessment of the amortisation charge relating to those intangible assets as required by AASB 138 Intangible Assets. As such, no adjustments have been made to reflect the impact of acquisition accounting. The expected impact of adopting acquisition accounting on the Pro Forma Historical Income Statement of the Merged Group may include a non-cash amortisation charge for intangible assets with a finite life.

9.5 Pro Forma Historical Statements of Financial Position

\$'000	COG statutory consolidated statement of financial position as at 30 June 2019	CML statutory consolidated statement of financial position as at 30 June 2019	CFG statutory consolidated statement of financial position as at 30 June 2019	Pro forma adjustments	Note	Merged Group's Pro forma statement of financial position as at 30 June 2019
Current assets						
Cash and cash equivalents	26,037	21,082	531	2,792	2	50,442
Trade receivables – debtor finance	–	191,573	31,147	–		222,720
Trade and other receivables	12,349	685	320	–		13,354
Contract assets	2,647	–	–	–		2,647
Financial assets – lease receivables	36,088	4,809	38,174	–		79,071
Other financial assets	1,361	–	229	–		1,590
Other current assets	–	1,023	–	–		1,023
Inventories	13	–	–	–		13
Assets classified as held for sale	885	–	–	–		885
Total current assets	79,380	219,172	70,401	2,792		371,745
Non-current assets						
Contract assets	6,402	–	–	–		6,402
Trade and other receivables	163	–	2,246	–		2,409
Financial assets – lease receivables	73,699	14,000	65,376	–		153,075
Other financial assets	3,003	–	–	–		3,003
Equity accounted associates	15,536	–	4,286	–		19,822
Property, plant and equipment	1,155	399	228	–		1,782
Intangible assets	159,129	15,567	1,712	67,801	3	244,209
Total non-current assets	259,087	29,966	73,848	67,801		430,702
Total assets	338,467	249,138	144,249	70,592		802,446

\$'000	COG statutory consolidated statement of financial position as at 30 June 2019	CML statutory consolidated statement of financial position as at 30 June 2019	CFG statutory consolidated statement of financial position as at 30 June 2019	Pro forma adjustments	Note	Merged Group's Pro forma statement of financial position as at 30 June 2019
Current liabilities						
Trade payables – debtor finance	–	87,772	179	–		87,951
Trade & other payables	12,098	3,067	938	–		16,103
Customer salary packaging liability	5,131	49	–	–		5,180
Interest bearing liabilities	44,566	68,464	67,953	10,200	2	191,183
Current tax liabilities	1,903	1,619	–	–		3,522
Provisions	3,480	693	310	–		4,483
Liabilities directly associated with the assets held for sale	685	–	–	–		685
Total current liabilities	67,863	161,664	69,380	10,200		309,107
Non-current liabilities						
Trade and other payables	1,208	–	2,246	–		3,454
Interest bearing liabilities	60,015	44,505	67,318	–	1	171,838
Deferred tax liabilities	9,884	(2,010)	(323)	–	1	7,551
Provisions	523	180	100	–		803
Total non-current liabilities	71,630	42,675	69,341	–		183,646
Total liabilities	139,493	204,339	138,721	10,200		492,753
Net assets	198,974	44,799	5,528	60,392		309,693
Equity						
Share capital	220,905	39,954	18,179	52,586		331,624
Accumulated earnings / (losses)	(81,369)	4,404	(12,651)	8,247		(81,369)
Reserves	38,564	441	–	(441)		38,564
Total equity attributable to member of the Group	178,100	44,799	5,528	60,392		288,819
Non-controlling interests	20,874	–	–	–		20,874
Total equity	198,974	44,799	5,528	60,392		309,693

Notes to the Pro Forma Historical Statements of Financial Position

Reclassifications and Pro Forma adjustments

1. Reclassifications of CML's Historical Statement of Financial Position to conform to the Historical Statement of Financial Position presentation used by COG include reclassification of:

- 'Deferred tax assets' have been reclassified and presented on a net basis as 'deferred tax liabilities'; and
- 'Borrowings' have been reclassified as 'interest bearing liabilities'.

2. The pro forma adjustment for the net cash movement of \$2.8 million is comprised of:

	\$ millions
CML Entitlement Offer proceeds	7.6
CML options exercised at \$0.27 per option	2.7
COG Entitlement Offer proceeds	20.1
Total cash inflows	30.4
CML payment of fully franked dividend of \$0.03 per share	(6.8)
COG cash consideration for CML Shares	(20.0)
Total cash outflows	(26.8)
Net cash inflows – COG merger with CML	3.6
CFG drawdown of new debt facility	19.2
Total cash inflows	19.2
CFG repayment of B & D notes	(9.0)
CML cash consideration for CFG Shares	(11.0)
Total cash outflows	(20.0)
Net cash flows – CML acquisition of CFG	(0.8)
Pro forma adjustment – Total net cash movement	2.8

CML has established a new debt facility, of which \$10.2 million has been used to partially fund the CFG acquisition and \$9 million has been used to repay the B & D notes.

3. The Pro Forma Historical Balance Sheet of the Merged Group is presented as if the Transaction had occurred on 30 June 2019. The acquisition adjustments assume:

- a COG share price of \$0.09;
- the total number of CML Shares to be acquired is 227,572,057 representing the totality of CML Shares on issue at the Implementation Date, and has been determined as follows:

	Shares
CML shares on issue at 30 June 2019 (per audited financial statements)	201,378,988
CML shares issued on 8 October 2019 under dividend reinvestment plan	361,305
CML shares issued under Entitlement Offer	15,831,764
CML share options exercised by CML CEO	10,000,000
Total number of CML issued shares at Transaction date	227,572,057

- CML Shareholders elect to receive the Aggregate Cash Consideration of \$20 million;
- For the balance of Scheme Shares not subject to the Aggregate Cash Consideration, Scheme Shareholders receive COG Shares for their consideration at an exchange ratio of 5.4 COG Shares for each CML Share.

The calculation of intangible assets and goodwill is as follows:

COG Acquisition of CML

	\$ millions
Number of CML shares on issue at Transaction date (millions)	227.6
Exchange ratio of shares in CML to COG shares (ratio)	5.4
COG share price (\$)	0.09
Total consideration	110.6
Cash component	20.0
Scrip component	90.6
Total consideration	110.6
CML net assets as at 30 June 2019	44.8
CML Entitlement Offer – 15,831,764 shares issued at \$0.48 per share	7.6
CML share options – 10 million exercised by CML CEO at \$0.27 per option	2.7
CML dividend payment – \$0.03 per share x 227,572,057 outstanding CML shares	(6.8)
Adjusted pro forma historical CML net assets	48.3
Goodwill and intangibles on CML acquisition (excluding CFG)	62.3

CML acquisition of CFG completed on 4 November 2019

	\$ millions
Cash consideration paid for 100% of CFG	11.0
Total consideration	11.0
CFG net assets as at 30 June 2019	5.5
Adjusted pro forma historical CFG net assets	5.5
Goodwill and intangibles on CFG acquisition	5.5
Pro forma adjustment – Total increase in goodwill and intangible assets	67.8

* CML has undertaken a rights issue of 3 shares for each existing 20 shares at \$0.48. For the purposes of the Pro Forma Historical Financial Information, it has been assumed the shareholder participation rate will be 52%, resulting in a total cash raised of \$7.5 million.

A 1% movement in COG's share price equates to a change in value of Scheme Consideration by approximately \$1.1 million.

If CML Shareholders do not elect to receive any of the Cash Consideration alternative under Consideration Option 1, COG will increase its Aggregate Scrip Consideration by approximately 217.4 million shares (based on an assumed share price of \$0.09 and the amount of All Cash Consideration to be paid to Ineligible Foreign Shareholders being minimal), increasing the value of the Aggregate Scrip Consideration by \$20.0 million and increasing the amount of cash reserves shown in the Pro Forma Historical Statements of Financial Position by \$20.0 million.

9.6 Pro Forma Historical Underlying Net Profit After Tax and Amortisation

The Pro forma historical underlying net profit after tax (**UPATA**) is based on the following information:

- COG audited financial statements for the full year ended 30 June 2019;
- CML audited financial statements for the full year ended 30 June 2019; and
- CFG audited financial statements for the full year ended 30 June 2019.

UPATA attributable to COG Shareholders excludes certain items, as determined by COG's Board and management, that are either significant by virtue of their size and impact on statutory NPAT attributable to COG Shareholders, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of the COG Group. UPATA has been calculated in accordance with the AICD/FINSIA principles for reporting underlying profit and ASIC's Regulatory

Guide 230 – Disclosing non-IFRS financial information. UPATA has not been audited. However, the adjustments to UPAT have been extracted from the books and records that have been audited.

Pro Forma Historical Underlying Net Profit After Tax and Amortisation

\$'000	COG underlying	CML underlying	CFG underlying	Pro forma adjustments	Note	Merged
	NPATA for the year ended 30 June 2019	NPATA for the year ended 30 June 2019	NPATA for the year ended as at 30 June 2019			Groups's Pro forma underlying NPATA for the year ended 30 June 2019
Reported profit/(loss) after income tax	8,536	8,400	(2,038)	2,037		16,935
Amounts attributable to minority interest holders	(4,188)	–	–	–		(4,188)
Reported profit/(loss) for the year attributable to shareholders	4,348	8,400	(2,038)	2,037		12,747
Amortisation	2,511	1,100	–	–		3,611
Acquisition-related expenses	519	–	–	–		519
Significant item – disposal of non-core assets	556	–	–	–		556
Underlying net profit/(loss) after tax and amortisation (UPATA)	7,933	9,500	(2,038)	2,037		17,432

Pro Forma adjustments

Pro Forma adjustments of \$2.0 million relate to CFG and are detailed in sections 9.3 and 9.4 above.

UPATA adjustments

Amortisation

- **COG and CML** – Amortisation of intangible assets arising from acquisitions. The intangible assets are being amortised over their useful lives. The amortisation has no cash flow impact.

Acquisition-related expenses

- **COG** – One-off payments to external advisers in pursuit of a successful acquisition and are not part of recurring operations.

Significant item – disposal of non-core assets

- **COG** – The COG Group is actively seeking to divest its 100% owned, non-core, IT managed services business units, Hal IT and Business Works based in Sydney and Melbourne respectively (the divestment of these businesses will ensure there is ongoing focus on the Group's core business, as they provide the greatest opportunity for value accretion). The change in value of the business units that is expected to be realised required the Group to write down assets and liabilities held in those business units to the lower of their cost and recoverable amount. This resulted in a one-off non-cash loss. This significant item is comprised of an impairment of goodwill held in relation to the business units of \$885k (pre-tax), offset by loan forgiveness benefit of \$91k (pre-tax).

10

Risk Factors

10.1 Introduction

The Scheme presents a number of potential risks that CML Shareholders should consider when deciding how to vote on the Scheme. In making your decision, you should carefully read this Scheme Booklet in its entirety. You should also carefully consider the risk factors outlined in this section and your personal circumstances. This section 10 is general in nature only and does not take into account your individual objectives, financial situation, tax position or particular needs.

The outline of risks in this section 10 is a summary only and should not be considered exhaustive. This section 10 does not purport to list every risk that may be associated with an investment in CML now or in the future, or which may prevent the Scheme from becoming Effective or being implemented. The occurrence or consequences of some of the risks described in this section 10 may be partially or completely outside the control of CML or COG or their respective directors and senior management teams.

The risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of CML Shareholders. Before making any Election, you should have a sufficient understanding of these matters having regard to your own individual risk profile, portfolio strategy, investment objectives, financial circumstances and taxation position.

You should carefully consider the risk factors discussed in this section 10, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

10.2 Risks relating to CML if the Scheme does not proceed

10.2.1 Implications

If the Scheme does not become Effective:

- CML will remain listed on ASX as a stand-alone entity;
- CML Shareholders will retain their CML Shares; and
- the benefits anticipated from the Merger will not be realised.

10.2.2 Risks for CML as a standalone entity

If the Scheme does not become Effective, CML Shares and future distributions made to CML Shareholders will be influenced by a number of macroeconomic factors including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels, house prices, retail sales and consumer demand;
- changes in government fiscal, monetary and regulatory policies;
- natural disasters and catastrophes, whether on a global, regional or local scale; and
- accounting standards which affect the financial performance and position reported by CML.

10.2.3 Costs and Break Fee associated with the Scheme

If the Scheme does not become Effective, there may be costs payable by CML including legal, accounting and professional fees associated with the Scheme, as well as, in certain circumstances outlined in the Scheme Implementation Agreement, payment of the CML Break Fee. For the avoidance of doubt, the CML Break Fee will not be payable in circumstances where CML Shareholders do not approve the Scheme. For further information on the CML Break Fee, and the circumstances in which it may be payable, please refer to section 12.1.3.

10.3 Risks relating to the Scheme and the creation of the Merged Group

The following risks will apply to the Merged Group if the Scheme proceeds. They do not currently apply to either CML or COG as

standalone entities or businesses, but will be relevant if the Scheme is implemented.

10.3.1 Integration risks and realisation of anticipated synergies

The success of the Merged Group will depend, among other things, on the ability to integrate the businesses of CML and COG, including the operations, technology and personnel of each entity. It should also be noted that CML recently acquired Classic Funding Group. The successful integration of the businesses, including Classic Funding Group, will depend on a range of factors, including organisational and cultural compatibility and operational integration.

If integration is not achieved in an effective manner, the full benefits of the combination of the two businesses, including any anticipated synergies, may not be achieved in full or, indeed, at all. This could adversely impact the Merged Group's financial performance and position and the future prospects of the Merged Group. This may be a result of unexpected or unintended delays, challenges, liabilities and costs in relation to, but not limited by, integrating operating and management systems such as IT, information or accounting systems and the loss of key personnel of the Merged Group.

10.3.2 The exact value of the Scheme Consideration is not certain

If the Scheme is implemented, CML Shareholders (other than Ineligible Foreign Shareholders, who will receive All Cash Consideration) will receive New COG Shares irrespective of whether they elect to receive Consideration Option 1 or Consideration Option 2 as the Scheme Consideration.

The implied value of the Scheme Consideration will vary over time depending on the prevailing COG Share price and as a result, the implied value of the Scheme Consideration is likely to change, including between the date of this Scheme Booklet, the date of the Scheme Meeting and the date on which the Scheme Consideration is issued to Scheme Shareholders on implementation.

Following implementation of the Scheme, the price of COG Shares will continue to rise or fall based on market conditions and the Merged Group's financial and operating performance.

10.3.3 Accounting risk

Each of CML and COG, as standalone entities, have particular accounting policies and methods which are fundamental to how they record and report their financial position and results of operations. The CML Directors and COG Directors may have exercised their judgement in selecting accounting policies or methods in respect of CML and COG (respectively), which might have been reasonable in the circumstances yet might have resulted in reporting materially different outcomes than would have been reported under the other company's policies and methods. The integration of CML's and COG's accounting

functions may lead to revisions of these accounting policies, which may adversely impact on the Merged Group's reported results of operations and/or financial position and performance.

10.3.4 Acquisition accounting

Australian Accounting Standards require an allocation of fair value of assets and liabilities acquired. Following completion of the Transaction, COG will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of CML. A purchase price allocation exercise will then be undertaken, which will identify and value amortisable intangibles and impact future depreciation and amortisation charges. The allocation exercise may give rise to material differences in values allocated to the Pro Forma Historical Statement of Financial Position as reflected in the Scheme Booklet.

10.3.5 Court approval and delays

There is a risk that the Court may not approve the Scheme, or that the approval of the Court may be delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, then the Court will have regard to that change in deciding whether to approve the Scheme. If such changes are so important that they materially alter the Scheme, there is a risk that the Court may not approve the Scheme at the Second Court Hearing.

10.3.6 Tax consequences for Scheme Shareholders

If the Scheme proceeds, there may be tax consequences for Scheme Shareholders. Scheme Shareholders should seek their own, independent professional advice regarding the individual tax consequences of the Scheme.

Further information on the taxation consequences of the Scheme is outlined in section 11 of this Scheme Booklet.

10.3.7 Change of control

Some contracts to which CML is a party contain change of control or deemed assignment provisions that could be triggered by the Scheme. If any such provision is triggered, this may allow the counterparty to review, adversely modify, exercise rights under or terminate the contract. If a counterparty to any such contract were to do so, this may have an adverse effect on the Merged Group, which may be material (depending on the materiality of the relevant contract).

As at the date of this Scheme Booklet, CML and COG have undertaken a process to identify those of CML's material contracts in respect of which consents or waivers may be required under such provisions (in connection with or as a consequence of the Scheme), and intend to seek those waivers and consents as soon as practicable.

10.3.8 Due diligence

Each of CML and COG has performed a due diligence process in respect of each other, which relied in part on the review of financial and other information provided by each other. While CML and COG consider the due diligence process undertaken to be appropriate, neither CML or COG is able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Each of CML and COG has relied upon the limited financial and other information provided by each other for the purpose of preparing (and made assumptions in the preparation of) financial information included in this Scheme Booklet relating to CML or COG respectively on a stand-alone basis and relating to the Merged Group post-acquisition. Some of this information was unaudited. If any of the data or information provided to and relied upon by CML or COG in its due diligence process and its preparation of the financial information in this Scheme Booklet proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of the Merged Group may be materially different to the financial position and performance reflected in this Scheme Booklet.

There is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Transaction have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which might also have a material impact on the Merged Group (for example, the Merged Group may later discover liabilities or defects which were not identified through due diligence or for which there is no protection or recourse for the Merged Group). This might adversely affect the operations, financial performance or position of the Merged Group. Further, the information reviewed by the Merged Group includes forward-looking information. While CML and COG consider that they have a reasonable basis for the forward-looking information relating to the Merged Group, forward-looking information is inherently unreliable and based on assumptions that may change in the future.

10.3.9 Transaction costs

If the Scheme is implemented, external costs of approximately \$430,000 (excluding GST) are expected to be paid by CML. This includes financial advisory, legal, accounting, Independent Expert, tax and administration fees, Scheme Booklet design, printing and distribution, CML Share Registry and other expenses. In addition, external costs of approximately \$295,000 (excluding GST) are expected to be paid by COG. This includes financial advisory, legal, accounting and administration fees and other expenses. Therefore, total transaction costs of approximately \$725,000 are expected to be incurred by the Merged Group if the Scheme is implemented.

Further details of the estimated costs are set out in section 12.4 of this Scheme Booklet.

10.4 Risk factors relating to an investment in the Merged Group

10.4.1 Share market conditions

There are risks associated with any investment in securities. General factors that may affect the market price of shares include economic conditions in Australia and internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of inflation, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

These factors may materially affect the market price of COG Shares regardless of the Merged Group's performance. As such, the past performance of CML or COG is not necessarily an indication as to the future performance of the Merged Group.

COG will issue a significant number of New COG Shares under the Scheme. Some COG Shareholders may not intend to continue to hold their New COG Shares following implementation of the Scheme and may wish to sell them on the ASX. There is a risk that if a significant number of COG Shareholders seek to sell their New COG Shares, this may adversely impact the price of COG Shares.

There can be no guarantee that there will continue to be an active market for COG Shares or that the price of COG Shares will increase. Neither COG, CML nor the COG Board or CML Board make any warranty as to the future performance of the Merged Group or any return on an investment in the Merged Group.

10.4.2 Dividends

The payment of dividends by the Merged Group will be determined by the Merged Group Board from time to time at its discretion, and will be dependent upon factors including the profitability and cash flow of the Merged Group's business at the relevant time. Any dividends paid by CML if the Scheme is not successful will be subject to similar considerations.

10.4.3 Cash flow financing

The Merged Group will operate in the cash flow financing industry, which inherently exposes it to finance risk, including the risk of fraud from its clients. These risks can be mitigated through on-boarding processes for new clients, monitoring cash flow of its clients and the capacity of end-user debtors to repay, as well as holding appropriate insurance policies.

10 Risk Factors (continued)

10.4.4 Availability of funding

The Merged Group's ability to effectively implement its business strategy is dependent on its ability to secure sufficient funding. There can be no assurance that any such equity or debt funding will be available to the Merged Group on favourable terms.

10.4.5 Contractual risk

The Merged Group's ability to efficiently conduct its operations relies on the terms of its existing contractual arrangements. Certain material contracts of the Merged Group (including contracts with major customers) may contain provisions allowing for early termination or termination for convenience. If a party exercises its rights in relation to early termination, there is no guarantee a suitable replacement arrangement will be entered into by the Merged Group.

10.4.6 Insurance arrangements

The Merged Group expects to maintain insurance within ranges of coverage that it believes to be consistent with industry best practice and having regard to the nature of activities being conducted. However, no assurance can be given that the Merged Group will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

10.4.7 Ability to attract and retain skilled personnel

The responsibility of overseeing the day to day operations and the strategic management of the Merged Group will be substantially dependent upon its management and its key personnel. Whilst key personnel generally enter into service agreements, there may be a detrimental impact on the Merged Group if they cease their employment or involvement with the Merged Group. The future success of the Merged Group also depends upon its continuing ability to attract and retain highly qualified personnel. Generally, the failure to attract and retain the necessary personnel could have a material effect upon the Merged Group's business, results of operations and financial condition.

10.4.8 Regulatory risk and government policy

Changes in relevant taxation, interest rates and other legal, legislative and administrative regimes and government policies in Australia, may have an adverse effect on the assets, operations and ultimately the financial performance of the Merged Group and the market price of its securities.



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5 December 2019

The Directors
 CML Group Limited
 Level 1
 201 Miller Street
 NORTH SYDNEY NSW 2060

Dear Directors

Australian tax consequences for certain CML Group Limited Shareholders arising under the proposed merger of CML Group Limited with Consolidated Operations Group Limited

Consolidated Operations Group Limited (**COG**) has agreed to acquire all of the issued capital of CML Group Limited (**CML**) by means of a scheme of arrangement (**Scheme**) pursuant to Part 5.1 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

This tax summary has been prepared at the instruction of CML for inclusion in the Scheme Booklet.

Unless otherwise defined herein, terms defined in this tax summary shall have the meaning given to it in the Scheme Booklet.

1.0 Scope

This tax summary provides information of a general nature only, outlining the Australian income tax and Goods and Services Tax (**GST**) and duty implications for the shareholders of CML (**CML Shareholders**) in respect of the Scheme.

The comments set out in this tax summary are only relevant to those CML Shareholders who are Australian resident shareholders that hold their shares in CML (**CML Shares**) on capital account. The comments are not applicable for CML Shareholders who:

- are in the business of share trading, are dealing in securities or otherwise hold their CML Shares on revenue account or as trading stock;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) in relation to gains and losses in respect of their CML Shares;

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- acquired their CML Shares through an employee share plan or employee share scheme;
- are not residents of Australia for tax purposes;
- are dual residents (i.e., individuals or entities taken to be resident of Australia and another country for tax purposes) or are “temporary residents” as that term is defined in the *ITAA 1997*; or
- are financial institutions, insurance companies, partnerships, tax-exempt organisations, dealers in securities or shareholders who change their residency while holding shares, each of which may be subject to specific additional tax rules.

This tax summary is based on current Australian tax law and our understanding of how it will apply to CML and CML Shareholders based on established interpretations as at the date of this tax summary. Consequently, our view of the tax law, and its implications for CML and CML Shareholders, may differ from the view adopted by the Australian Taxation Office (**ATO**) or which is subsequently upheld in any court. In this regard, we cannot guarantee that our interpretation of the law will not be challenged by the ATO in the event of a review or an audit. Our tax summary does not take into account the implications of any proposed changes to the tax law or retrospective application of any tax law which has not received Royal Assent by the date of our tax summary. We do not undertake to update our tax summary in the event of any future changes to the tax law.

The information provided in this tax summary is general in nature and does not constitute taxation advice and cannot be relied upon as such by CML Shareholders. This tax summary is not intended to be an authoritative or exhaustive statement of the tax legislation applicable to all CML Shareholders. As the tax consequences for CML Shareholders will depend on each CML Shareholder’s own individual circumstances, all CML Shareholders are advised to seek independent professional advice regarding the tax consequences associated with the disposal of their CML Shares.

This tax summary has been prepared on the assumption that Capital Gains Tax scrip for scrip roll-over relief (**CGT roll-over relief**) should be available (where applicable) on the basis COG will acquire 100% of the issued share capital of CML pursuant to a Court order in accordance with Part 5.1 of the Corporations Act.

This tax summary has not addressed the taxation consequences for CML Shareholders in relation to the payment of dividends by CML to CML Shareholders nor in respect of the taxation implications associated with any rights issue by CML.

This tax summary is neither an endorsement of the Scheme nor a recommendation as to whether CML Shareholders should vote in favour or against the Scheme. Subject to the provision of this tax summary and Independent Expert Report, inserted at Section 11 and Annexure 4 of the Scheme Booklet respectively, RSM expresses no opinion in respect of the Scheme Booklet.

2.0 Background

2.1 Introduction

Details of the Scheme are set out in the Scheme Booklet and are therefore not repeated in detail here. This section summarises, for convenience only, our understanding of the Scheme. CML Shareholders’ rights depend on the Scheme Booklet in total and not on this section.

Under the Scheme, if the Scheme becomes Effective¹, COG will on the Implementation Date provide to each CML Shareholder the Scheme Consideration in respect of each CML Share acquired, subject to any Election made by the CML Shareholder in relation to receiving shares in COG (**New COG Shares**) or a mixture of Cash Consideration and Scrip Consideration (being New COG Shares) as follows:²

- Consideration Option 1: A\$0.24 plus 2.7 New COG Shares per CML Share; or
- Consideration Option 2: 5.4 New COG Shares per CML Share.

CML Shareholders that are eligible to make the Election may choose between Consideration Option 1 and Consideration Option 2. Eligible CML Shareholders that do not make a valid Election will be deemed to have elected for Consideration Option 1.

Ineligible Foreign Shareholders are not eligible to make the Election and are entitled to receive All Cash Consideration for the CML Shares held by that CML Shareholder amounting to A\$0.48 per CML Share. However, this tax summary does not apply to CML Shareholders that are not residents of Australia for tax purposes.

For the purposes of this tax summary, at all relevant times it is assumed that CML and COG are both residents of Australia for tax purposes.

In addition, for the purposes of our tax summary, it is assumed that CML Shareholders will not be eligible for indexation (i.e., it is assumed the CML Shares were acquired, or were deemed to have been acquired, after 11:45am Australian Eastern Standard Time on 21 September 1999). However, we have taken into account that CML Shareholders may be eligible to apply the CGT discount (refer Section 3.2 below for further details).

2.2 Capital proceeds

The capital proceeds for tax purposes for the disposal of CML Shares should be the aggregate of the amount of Cash Consideration received and the market value of the Scrip Consideration received, determined as at the Implementation Date (i.e., Scheme Consideration).

The capital proceeds for the disposal of CML Shares should not include the Special Dividend. However, the ATO may reach a different conclusion and include the Special Dividend in capital proceeds.

If the ATO concludes that the Special Dividend should be included in capital proceeds, CML Shareholders should take this into account in calculating any capital gain or capital loss. An 'anti-overlap' rule applies to reduce any capital gain made by a CML Shareholder to the extent the Special Dividend is included in assessable income of the CML Shareholder. However, if the CML Shareholder makes a capital loss, the 'anti-overlap' rule does not restore the capital loss that would otherwise have been made if the Special Dividend did not form part of capital proceeds.

Note that this tax summary has been prepared on the basis the Special Dividend should not be included in capital proceeds in relation to the disposal of CML Shares under the Scheme.

¹ 'Effective' in the Scheme Booklet means the coming into effect of the Court order made under paragraph 411(4)(b) of the Corporations Act.

² Note the Cash Consideration is capped at a total amount of A\$20 million in respect of the Scheme.



3.0 Australian tax implications

3.1 *Consideration Option 1 (Cash and Scrip Consideration) and Consideration Option 2 (Scrip Consideration)*

If a CML Shareholder, who is not an Ineligible Foreign Shareholder, elects either Consideration Option 1 or Consideration Option 2 (or if no valid Election is made, is taken to have chosen Consideration Option 1), the disposal of CML Shares by that CML Shareholder in these circumstances will constitute a CGT event.

The CGT event will happen at the time the CML Shareholder disposes of their CML Shares for the Scheme Consideration. The time of the CGT event will be the Implementation Date as set out in the Scheme Booklet.

CML Shareholders should:

- make a capital gain if the capital proceeds on disposal of their CML Shares are greater than the cost base of their CML Shares; or alternatively
- make a capital loss if the capital proceeds on disposal of their CML Shares are less than the reduced cost base of their CML Shares.

If a CML Shareholder elects to receive some of their Scheme Consideration as Scrip Consideration, capital proceeds received for tax purposes should be equal to the aggregate of the amount of Cash Consideration received and the market value of the New COG Shares received (determined as at the Implementation Date) in relation to the disposal of the CML Shares under the Scheme.

A CML Shareholder's cost base of their CML Shares should generally include the amount paid (or deemed to be paid) by the CML Shareholder to acquire the CML Shares plus any non-deductible incidental costs of acquisition or disposal of the CML Shares (e.g., brokerage fees). The reduced cost base is determined in a similar but not identical manner to the cost base calculation.

To the extent that CML Shareholders do not make the choice to apply CGT roll-over relief in relation to any Scrip Consideration received, the CML Shareholder may be eligible to apply the CGT discount (refer to Section 3.2 below for further details).

a) Overview of CGT roll-over relief

CML Shareholders, who are not Ineligible Foreign Shareholders, that receive some of their Scheme Consideration as Scrip Consideration and make a capital gain from the disposal of their CML Shares, should be able to choose to obtain CGT roll-over relief under Subdivision 124-M of the *ITAA 1997* in respect of the Scrip Consideration.

Broadly, CGT roll-over relief enables a CML Shareholder to choose to disregard the portion of the capital gain made upon the disposal of their CML Shares that is attributable to the Scrip Consideration.

CGT roll-over relief will not be available to the extent that a CML Shareholder receives Cash Consideration for the disposal of their CML Shares. CGT roll-over relief will also not be available if the CML Shareholder makes a capital loss from the disposal of their CML Shares.

We note the availability of CGT roll-over relief is based on COG acquiring 100% of the share capital of CML pursuant to a Court order obtained under Part 5.1 of the Corporations Act.

b) *Consequences if CGT roll-over relief is chosen*

If a CML Shareholder chooses to obtain CGT roll-over relief, the following general tax treatment should apply:

▪ *Capital Gain*

- That part of the capital gain that is referable to the receipt of COG Shares, and for which roll-over was obtained, should be disregarded. However, CML Shareholders should make a capital gain if the amount of Cash Consideration received is greater than the cost base of their CML Shares, reduced by the amount of the cost base of their CML Shares that is reasonably attributable to the Scrip Consideration received. The capital gain should be calculated as follows:

Capital gain	=	Cash Consideration	-	(Cash Consideration /Cash Consideration + Market Value of Scrip Consideration)	x	Cost base of CML Shares
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- For CML Shareholders that elect for Consideration Option 2 (i.e., Scrip Consideration only), all of the capital gain made in respect of the disposal of their CML Shares should be disregarded if CGT roll-over relief is chosen.

▪ *Cost base and reduced cost base of New COG Shares*

- Where a CML Shareholder receives a combination of Scrip Consideration and Cash Consideration and has applied CGT roll-over relief, the cost base of the New COG Shares received should be equal to the cost base of their original CML Shares disposed of as part of the Scheme, reduced by the amount of the cost base that is reasonably attributable to the Cash Consideration received.
- Where the CML Shareholder has applied CGT roll-over relief, the cost base of the New COG Shares should be calculated as follows:

Cost base of New COG Shares	=	Cost base of CML Shares	x	Market value of Scrip Consideration at Implementation Date	/	Cash Consideration + market value of Scrip Consideration at Implementation Date
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- Where a CML Shareholder receives Scrip Consideration only and has applied for CGT roll-over relief, the cost base of the New COG Shares received should be equal to the cost base of their original CML Shares disposed of as part of the Scheme.

▪ *Acquisition date of New COG Shares*

- The acquisition date of the New COG Shares for CGT discount purposes is taken to be the date when the CML Shareholder acquired their original CML Shares that were disposed of as part of the Scheme and for which roll-over was obtained. The acquisition date will be relevant for the purposes of determining whether any entitlement to the CGT discount is available in respect of any future disposal of New COG Shares.



The benefit of choosing CGT roll-over relief should depend upon the individual circumstances of each CML Shareholder.

A CML Shareholder does not need to inform the ATO or document their choice to claim CGT roll-over relief other than to complete their Australian income tax return in a manner that is consistent with their choice.

c) Consequences if CGT roll-over relief is not chosen or is not available

If a CML Shareholder receives an amount of Cash Consideration or does not choose to apply CGT roll-over relief in relation to any Scheme Consideration received (or CGT roll-over relief is not otherwise available), the following general tax treatment should apply:

- *Capital Gain or Capital Loss*
 - The CML Shareholder should make a capital gain if the capital proceeds on disposal of their CML Shares are greater than the cost base of their CML Shares. The CML Shareholder should make a capital loss if the capital proceeds on disposal of their CML Shares are less than the reduced cost base of their CML Shares.
 - The capital proceeds received for tax purposes should be equal to the aggregate of the amount of Cash Consideration received and the market value of the New COG Shares received (determined as at the Implementation Date).
- *Cost base and reduced cost base of New COG Shares*
 - The first element of the cost base (and reduced cost base) of the New COG Shares received by a CML Shareholder should be equal to the market value of the New COG Share determined as at the Implementation Date.
- *Acquisition date of New COG Shares*
 - The acquisition date of the New COG Shares for CGT discount purposes should be the issue date of the New COG Shares. This means that a CML Shareholder will need to hold their New COG Shares for at least 12 months after that date before the CGT discount (described below) can apply on a subsequent disposal of their New COG Shares.

3.2 Calculation of capital gain or loss

Where the CML Shareholder:

- receives an amount of Cash Consideration; or
- where the CML Shareholder receives Scrip Consideration and CGT roll-over relief is not chosen or is not available,

the CML Shareholder must calculate the relevant capital gain or loss on disposal of their CML Shares by reference to the capital proceeds and the cost base or reduced cost base of those shares.

Capital gains and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in a taxpayer's assessable income and is subject to income tax at the taxpayer's applicable tax rate.

If a taxpayer has a net capital loss in an income year, these losses may not be offset against other income for tax purposes but may be carried forward to offset future capital gains made by the taxpayer (subject to satisfying any loss recoupment requirements).

a) CGT discount

If a CML Shareholder has held, or is taken to have held, their CML Shares for at least 12 months (for CGT discount purposes) at the time of the disposal of their CML Shares, the CGT discount may be applicable.

Where the CGT discount rules apply, the rules should enable a net capital gain (i.e., after application of current and prior year capital losses) arising from the disposal of CML Shares to be calculated as follows:

- 50% for individuals and trusts; and
- 33 1/3% for complying superannuation funds.

The CGT discount concession is not available to companies (including corporate beneficiaries of trusts).

It is recommended that CML Shareholders seek their own independent professional tax advice to determine whether the CGT discount can be applied or whether capital losses can be applied against capital gains made by the CML Shareholder.

3.3 Future dividends from COG

a) Australian resident individuals, companies and complying superannuation funds

If dividends are paid in respect of the New COG Shares, holders of New COG Shares (**COG Shareholders**) who are Australian residents will generally be required to include the amount of any dividends received in their assessable income when paid (even if reinvested), together with any franking credits attached to the dividend (subject to certain conditions, outlined below).

COG Shareholders should be entitled to a tax offset equal to any franking credits attached to dividends paid by COG (subject to certain conditions, outlined below). Where the tax offset exceeds the tax payable on the COG Shareholder's taxable income, those COG Shareholders who are individuals or complying superannuation entities may be entitled to a tax refund for the amount of the excess.

b) Australian resident trusts

If dividends are paid to COG Shareholders who are trustees of an Australian resident trust (other than trustees that are deemed to be a corporate tax entity, or a trustee of a complying superannuation entity), the amount of the dividend, together with any franking credits received on the dividend, should be included in determining the net income of the trust for the income year in which the dividend is paid.

The applicable laws relating to the treatment of dividends, and in particular franked dividends, for trusts is complex but, providing that certain conditions are satisfied, both the liability to pay tax on the dividend (and any franking credits) and the tax offset in respect of the franking credits should be able to flow through to the beneficiaries.



c) Entitlement to utilise franking credits

The benefit of franking credits can be denied where a COG Shareholder does not satisfy the qualified person rules, in which case the COG Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, a COG Shareholder must satisfy the holding period rule or, if necessary, the related payments rule.

The holding period rule requires a COG Shareholder to hold their shares continuously 'at risk' for not less than 45 days in the period beginning the day after the day on which the COG Shareholder acquires their New COG Shares and ending on the 45th day after the day on which the New COG Shares become ex-dividend.

In the ordinary case, this means that the holding period rule should be satisfied provided that the new COG Shares have been held 'at risk' for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the New COG Shares.

Very broadly, New COG Shares should be held 'at risk' to the extent that no material 'positions' are adopted in relation to the new COG Shares which have the effect of diminishing the economic exposure associated with holding the New COG Shares (e.g., certain option and derivative agreements, or agreements to sell the New COG Shares).

Under the related payment rule, a different testing period applies where the COG Shareholder or an associate of the COG Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a COG Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payments rule requires the COG Shareholder to have held the New COG Shares 'at risk' for a continuous period of 45 days (not including the date of acquisition or disposal) during the period which commences on the 45th day before and ending on the 45th day after the day on which the New COG Shares become ex-dividend. Practically, the related payments rule should not impact COG Shareholders who do not pass the benefit of the dividend to another person. COG Shareholders should obtain their own tax advice to determine if the related payments rule may apply in the context of their particular circumstances.

In the event that no related payments have been made with respect to a particular dividend, an individual COG Shareholder (i.e., natural person) may satisfy the qualified person rules on an alternative basis where the COG Shareholder is entitled to franking credits (from all sources) of no more than A\$5,000 in the relevant year of income.

The qualified person rules can be particularly complex for distributions received by a COG Shareholder indirectly (e.g., via an interposed trust). It is recommended that COG Shareholders in such circumstances seek independent tax advice.

d) Dividend washing rules

Dividend washing rules can apply in certain cases such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received in respect of the New COG Shares. Broadly, the rules can apply where COG Shareholders seek to obtain additional franking benefits by disposing of their New COG Shares ex-dividend and re-purchasing a substantially equivalent parcel of shares in COG cum-dividend on a special market.

COG Shareholders should seek independent tax advice regarding the dividend washing rules, and consider the impact of these rules, having regard to their own personal circumstances.

3.4 Future disposal of New COG Shares

Where CML Shareholders receive some of the Scheme Consideration for the disposal of their CML Shares as Scrip Consideration, the subsequent disposal of their New COG Shares received will be a CGT event at the time of disposal. The capital gain or loss will be calculated with reference to the capital proceeds received and the cost base or reduced cost base of the New COG Shares. This, in turn, will depend on whether the CML Shareholder chooses CGT roll-over relief.

If an Australian resident COG Shareholder has held, or is taken to have held, their New COG Shares for at least 12 months (for CGT discount purposes) at the time of the disposal of their New COG Shares, the COG Shareholder may be eligible to apply the CGT discount (as discussed above in Section 3.2).

For the purposes of claiming the CGT discount in respect of any capital gain realised on the subsequent disposal of New COG Shares, the acquisition date of the New COG Shares should be:

- where CGT roll-over relief is available and is chosen by the CML Shareholder – the original acquisition date of the CML Shares that were disposed of for New COG Shares; or
- where CGT roll-over relief is either not available, or is available but is not chosen by the CML Shareholder – the issue date of the New COG Shares.

3.5 GST

CML Shareholders should not be liable for Australian GST in respect of the disposal of their CML Shares. Likewise, any future disposal of New COG Shares should not attract Australian GST.

However, the ability of CML Shareholders to claim input tax credits or reduced input tax credits, associated with GST included in the cost of acquisitions (if any) related directly or indirectly to the disposal of shares, may be restricted.

This is a complex area of the GST law and GST registered CML Shareholders should seek their own independent professional tax advice in this regard.

3.6 Stamp duty

There should not be stamp duty (including landholder duty) payable by CML Shareholders on the disposal of their CML Shares or on the acquisition of New COG Shares under the Scheme.

4.0 Disclaimer

This tax summary does not constitute financial product advice as defined in the *Corporations Act*. This tax summary is confined to tax issues and is only one of the matters a shareholder needs to consider when making a decision about their investments. CML Shareholders should consider taking advice from a licensed advisor before making a decision about their investments. RSM is not required to hold an Australian Financial Services Licence under the *Corporations Act* in order to provide CML Shareholders with this tax summary.



We consent to the inclusion of this tax summary in the Scheme Booklet. This consent has not been withdrawn at the date of this letter.

We have not caused and take no responsibility for the publication of any part of the Scheme Booklet in which this letter appears, other than the letter itself.

* * * * *

Yours sincerely

RSM Australia Pty Ltd

RSM AUSTRALIA PTY LTD

12.1 Summary of Scheme Implementation Agreement

On 13 November 2019, CML and COG entered into a Scheme Implementation Agreement under which, among other things, CML agreed to propose the Scheme. The Scheme Implementation Agreement contains terms and conditions that are common for these types of agreements, including in relation to the parties' obligations to implement the Scheme and CML's obligation to conduct its business in the ordinary course during the Scheme process.

A summary of the key elements of the Scheme Implementation Agreement is set out below. A full copy of the Scheme Implementation Agreement was lodged with ASX on 13 November 2019 and can be obtained from <https://www.asx.com.au/asx/share-price-research/company/CGR> or from <https://www.cashflowfinance.com.au/cml-group>.

12.1.1 Conditions Precedent

The completion of the Transaction is subject to the following conditions precedent which must be satisfied at or before 8.00 am on the Second Court Date or waived (where capable of waiver) on or before 30 April 2020 (or a later date agreed between CML and COG):

- **Regulatory Approvals:** Before 8.00am on the Second Court Date, all consents, approvals, waivers, relief, exemptions or other action required of any Regulatory Authority, for example the ASX, ACCC, ASIC, the Takeovers Panel, APRA and AUSTRAC, (including any Regulatory Approvals) or other third party (including any financier of CML) in connection with, required as a result of, or required to permit, the announcement or consummation of the Transaction having been obtained or received, and remaining in full force and effect, on terms that are not Materially Adverse to either CML or COG;
- **Independent Expert's Report:** The Independent Expert issues an Independent Expert's Report which contains an opinion from the Independent Expert that the Scheme is fair and reasonable and in the best interests of CML Shareholders;
- **CML Shareholders:** CML Shareholders approve the Scheme;
- **Court Approval:** The Court approves the Scheme in accordance with paragraph 411(4)(b) of the Corporations Act;
- **No restraint:** There being no:
 - injunction, order, judgment or decree issued by any Court, the Takeovers Panel or any body of competent jurisdiction being in effect at 8.00 am on the Second Court Date;
 - proceeding of a judicial or administrative nature or otherwise being brought by or before any Regulatory Authority in progress at 8.00 am on the Second Court Date that, if successful; or
 - law being proposed, enacted, promulgated or applied at any time prior to the Second Court Date,
 that:
 - prevents, or if enforced would prevent or would reasonably be expected to preclude completion of, or materially impair the benefits to be realised from, the Transaction in accordance with the terms of the Scheme Implementation Agreement; or
 - would be Materially Adverse to either CML or COG,
 unless such injunction, order, judgment, decree proceeding, action, investigation or law has been disposed of to the satisfaction of COG and CML (each acting reasonably), or is otherwise no longer effective or enforceable, by 8.00am on the Second Court Date;
- **Certified extract of Board resolution:** Each of COG and CML providing to the other a certified extract of the COG Board and CML Board (respectively) resolution evidencing that all necessary corporate action has been taken by that party to authorise the execution and delivery of this Scheme Implementation Agreement and the performance of that party's obligations under it;
- **No prescribed events:** No 'prescribed event' (described below) occurs in respect of CML or COG between the date of the Scheme Implementation Agreement and the Second Court Date;
- **Representations and warranties:** The representations and warranties of each of CML and COG under the Scheme Implementation Agreement are true and correct in all material respects (except where already qualified as to materiality or the absence of a Materially Adverse effect), on the date of Scheme Implementation Agreement and on the Second Court Date as if made on and as of such dates (except to the extent such representations and warranties are made solely in respect of an earlier date, in which event such representations and warranties shall be true and correct to such extent as of such earlier date, or except as affected by the Transaction), and each of CML and COG receiving

a certificate from the other party addressed to that other party and dated the Second Court Date, signed on behalf of the first party's senior officer (on the first party's behalf and without personal liability) confirming the same as at the Second Court Date;

- **Scheme Consideration:** Prior to the First Court Date, COG has sufficient funds or legally binding financial commitments in place to be in a position to provide clear funds to Aggregate Cash Consideration, as applicable up to the Cash Cap as and when required under the terms of the Deed Poll;
- **Options Arrangements:** Daniel Riley as the sole holder of options in CML:
 - exercises all of the options in CML registered in his name and the CML Shares issued upon such exercise are entered into the CML Share Register prior to 8.00am on the Second Court Date;
 - enters into a deed with a third party to sell his options, at any price, to a third party prior to the Second Court Date prior to 8.00am on the Second Court Date; or
 - enters into a deed with the CML regarding the options in CML held by him prior to 8.00am on the Second Court Date, under such deed CML agrees to cancel the options in CML and to pay him consideration equal to the difference between \$0.51 per Scheme Share and the exercise price of the options, being consideration of \$0.24 per option, less the amount of any loan provided to Daniel Riley in connection with the options; and
- **CRFT and CEFT facilities:** the financier providing to CML (or the relevant member of the CML Group) all necessary consents, approvals, exemptions or waivers in a form satisfactory to COG (acting reasonably) under each of CRFT Facility and CEFT Facility, such that the financier will not take any adverse action under each of the CRFT Facility and the CEFT Facility as a result of the implementation of the Transaction.

The term '**Prescribed Event**' means, other than with the prior written consent of the other party or as otherwise expressly contemplated or permitted by the Scheme Implementation Agreement, any entity in the CML Group or the COG Group (as applicable):

- a) converting all or any of its shares into a larger or smaller number of shares; or
- b) resolving to reduce its share capital in any way or re-classifying, or redeeming any of its shares; or
- c)
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act; or
- d) issuing shares, securities convertible into shares, or granting a performance right or an option over its shares, or agreeing

to make such an issue or grant such a performance right or an option, other than to a directly or indirectly wholly-owned Subsidiary; or

- e) except as contemplated under the Scheme Implementation Agreement, making, determining as payable or declaring any dividend or distribution (whether by way of dividend, capital reduction or otherwise, and whether in cash or in specie); or
- f) being the subject of an Insolvency Event; or
- g) disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; or
- h) granting, or agreeing to grant, a security interest in the whole, or a substantial part, of its business or property.

The term '**Materially Adverse**' means, with respect to an entity, any fact, circumstance, change, effect, occurrence, event or term that is or could reasonably be expected (whether individually or when aggregated with all other facts, circumstances, changes, effects, occurrences, events or terms) to materially and adversely affect the profitability, financial position, cashflow, operations, results of operations, business, assets, capital or prospects of the entity, other than any fact, circumstance, change, effect, occurrence, event or term:

- (a) required or permitted by this Scheme Implementation Agreement, the Scheme or the transactions contemplated by either party;
- (b) that have been disclosed to the other party;
- (c) agreed in writing between CML and COG;
- (d) arising as a result of any generally applicable change in accounting standards, law or governmental policy in Australia;
- (e) arising from changes in exchange rates, or interest rates, general economic, political or business conditions including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets, and acts of terrorism, war (whether or not declared) natural disaster or the like, that affect Australia and that impact on CML and its competitors in a similar manner; and
- (f) that CML or COG disclosed in an announcement it made to ASX in the 2 years prior to the date of the Scheme Implementation Agreement, or which would be disclosed in a search of ASIC records in relation to CML or COG, prior to the date of the Scheme Implementation Agreement.

Full details of the Conditions Precedent and the ability of CML and COG to rely on the various conditions and the provisions relating to the satisfaction or waiver of these conditions are set out in clause 4 of the Scheme Implementation Agreement, which was lodged with ASX on 13 November 2019.

12.1.2 Exclusivity

Exclusivity Obligations of CML

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of COG. These arrangements are in line with market practice in this regard, and include the following restrictions on CML:

- **No shop:** CML must not solicit, initiate, invite or facilitate any Acquisition Proposal, inquiry, negotiation, proposal, offer or discussion, expression of interest, in relation to an Acquisition Proposal;
- **No Talk:** CML must not participate in or continue any discussions or negotiations in relation to any Acquisition Proposal;
- **No recommendation:** CML must not recommend or approve any Acquisition Proposal;
- **No agreement:** CML must not negotiate, accept or enter into any agreement, arrangement or understanding related to any Acquisition Proposal;
- **No other acts:** CML must not do anything that may reasonably be expected to encourage or lead to an Acquisition Proposal;
- **No communication:** CML must not communicate an intention to do any of the foregoing things;
- **Termination of previous discussion:** CML must terminate any existing discussions or negotiations regarding any Acquisition Proposal, not waive or vary any agreement entered into regarding the consideration of any Acquisition Proposal and it must request the return of all information provided to such person;
- **Notification:** If CML is approached in relation to an Acquisition Proposal, CML must notify COG of any such approach, and provide details of the material terms of such Acquisition Proposal; and
- **Matching Right:** CML must give COG not less than five Business Days after its notification of the material terms of the Acquisition Proposal to provide a matching or superior proposal.

However, CML is not required to comply with its exclusivity obligations if, among other things, the CML Board acting in good faith and after receiving written advice from its external legal advisers, determines that the Acquisition proposal constitutes a Superior Proposal and complying with those provisions would constitute or be likely to constitute a breach of the fiduciary or statutory duties owed by the CML Directors.

The exclusivity arrangements are set out in full in clause 12 of the Scheme Implementation Agreement.

Exclusivity Obligations of COG

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of CML. These arrangements

are in line with market practice in this regard, and include the following restrictions on COG:

- **No shop:** COG must not solicit, initiate, invite or facilitate any Competing Proposal, inquiry, negotiation, proposal, offer or discussion, expression of interest, in relation to a Competing Proposal;
- **No Talk:** COG must not participate in or continue any discussions or negotiations in relation to any Competing Proposal;
- **No recommendation:** COG must not recommend or approve any Competing Proposal;
- **No agreement:** COG must not negotiate, accept or enter into any agreement, arrangement or understanding related to any Competing Proposal;
- **No other acts:** COG must not do anything that may reasonably be expected to encourage or lead to a Competing Proposal; and
- **No communication:** COG must not communicate an intention to do any of the foregoing things;
- **Termination previous discussion:** COG must terminate any existing discussions or negotiations regarding any Competing Proposal, not waive or vary any agreement entered into regarding the consideration of any Competing Proposal and it must request the return of all information provided to such person.

However, COG is not required to comply with its exclusivity obligations if, among other things, the COG Board acting in good faith and after receiving written advice from its external legal advisers, determines that the Competing Proposal constitutes a COG Superior Proposal and complying with those provisions would constitute or be likely to constitute a breach of the fiduciary or statutory duties owed by the COG Directors.

The exclusivity arrangements are set out in full in clause 12 of the Scheme Implementation Agreement.

12.1.3 CML Break Fee

In accordance with market practice, CML has agreed to pay COG the CML Break Fee in certain circumstances. Those circumstances and Break Fees are:

\$1,000,000 (plus GST) where:

- the CML Board announces, recommends or proceeds with an Acquisition Proposal, and the Acquisition Proposal is implemented, other than in circumstances where the Transaction is also implemented; or
- any director of CML or the CML Board, as a whole, makes a public statement after the date of the Scheme Implementation Agreement or makes a statement in this Scheme Booklet:

- withdrawing or adversely changing or modifying his, her or their recommendation that CML Shareholders vote in favour of the Scheme;
- recommending that CML Shareholders vote against the Scheme;
- that he or she or any other director of CML will not or intends not to vote (or procure the voting of) all CML Shares which he or she or the relevant director owns or in respect of which he or she or the relevant director controls the voting rights in favour of the Scheme; or
- that he or she or any director of CML will or intends to vote against the Scheme in respect of the CML Shares which he or she owns or in respect of which he or she controls the voting rights,

other than in circumstances where the Transaction is implemented or where the Independent Expert does not provide a Report which contains an opinion from the Independent Expert that the Scheme is fair and reasonable and in the best interests of CML Shareholders (other than where a Superior Proposal has been proposed or announced before the Independent Expert's Report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the Transaction).

\$500,000 (plus GST), where COG validly terminates the Scheme Implementation Agreement due to:

- material breach by CML of any term or warranty of this Agreement, except:
 - where the breach concerns CML's obligation to apply to:
 - the Court for an Interim Order and consult with COG on this application; or
 - ASIC for a letter on ASIC's stand in relation to this Scheme and a statement pursuant to section 411(17)(b) of the Corporations Act, within 4 weeks of the Scheme Implementation Agreement; or
 - any termination due to breach of COG's exclusivity obligations as set out in section 12.1.20 above and in more detail in clause 12.8 of the Scheme Implementation Agreement; or
- CML breaching or not fulfilling its conditions regarding Prescribed Events or its representations and warranties as set out in paragraphs (b) and (c) of Schedule 3 of the Scheme Implementation Agreement.

The CML Directors consider that the CML Break Fee is reasonable and appropriate in amount, structure and effect. The COG Break Fee is not payable if the Scheme becomes Effective or merely because CML Shareholders do not vote in favour of the Scheme in sufficient numbers to satisfy the legal requirements.

For full details of the CML Break Fee, see clause 11, and specifically clause 11.2, of the Scheme Implementation Agreement.

12.1.4 COG Break Fee

In accordance with market practice, COG has agreed to pay CML the COG Break Fee in certain circumstances. Those circumstances are:

\$1,000,000 (plus GST) where:

- COG's Board announces, recommends or enters into a Competing Proposal, and the Competing Proposal is implemented, other than in circumstances where the Transaction is also implemented.

\$500,000 (plus GST), where CML validly terminates the Scheme Implementation Agreement due to:

- COG being in material breach of any term or warranty of this Agreement (other than in a circumstance where the termination event being relied upon by CML results from a prior breach by CML of its exclusivity obligations as set out in section 12.1.20 above and as set out in more detail in clause 12.1 of the Scheme Implementation Agreement); or
- COG breaching or not fulfilling its conditions regarding Prescribed Events or its representations and warranties as set out in paragraphs (b) and (c) of Schedule 2 of the Scheme Implementation Agreement.

The COG Directors consider that the COG Break Fee is reasonable and appropriate in amount, structure and effect. The COG Break Fee is not payable if the Scheme becomes Effective or merely because CML Shareholders do not vote in favour of the Scheme in sufficient numbers to satisfy the legal requirements. For full details of the COG Break Fee, see clause 11, and specifically clause 11.3, of the Scheme Implementation Agreement.

12.1.5 Termination

The Scheme Implementation Agreement can be terminated in various circumstances, including:

- by mutual agreement in writing by COG and CML;
- in the event that a Condition Precedent is not satisfied, by the party which has the benefit of the Condition Precedent, as set out in clauses 4 and 13 of the Scheme Implementation Agreement;
- by either party, where there is a material breach by the other party of any term or warranty under the Scheme Implementation Agreement which cannot be remedied or which continues seven days after a notice of the breach is given;
- by either party, if the other party's Board announces, recommends or enters into a Competing Proposal or Acquisition proposal, as applicable, which is not a Superior Proposal;

- by either party, if ASX indicates that it will refuse to grant official quotation on the ASX of any or all of the New COG Shares;
- by either party, if the other party or the other party's Board accepts, approves, recommends or enters into an agreement to implement a Superior Proposal in accordance with clause 12.2(b) or 12.9(b), as applicable with no breach of exclusivity obligations;
- by COG, if the CML Board withdraws its recommendation of the Scheme due to a Superior Proposal or the Independent Expert Report not containing an opinion from the Independent Expert that the Scheme is fair and reasonable and in the best interests of CML Shareholders, with no breach of CML's exclusivity obligations;
- by either party, if the Takeovers Panel or a court determines that the Transaction is unlawful, involves a breach of directors' duties or constitutes unacceptable circumstances for the purposes of Subdivision B of Part 6.10 of the Corporations Act; and
- by COG, where any CML Director accepts, recommends or enters into an arrangement in respect of a Competing Proposal, any CML Director fails to recommend the Scheme or withdraws or modifies their recommendation that CML Shareholders vote in favour of the Scheme or publicly recommends another transaction, or the Scheme Meeting is cancelled in certain circumstances.

The Scheme Implementation Agreement is automatically terminated in the event the Scheme is not approved by the CML Shareholders or the Court or the Scheme does not become Effective on or before 30 April 2020 (or a later date agreed by CML and COG).

12.1.6 CML representations and warranties

Under the Scheme Implementation Agreement, CML and COG has represented and warranted to the other party that certain matters and statements concerning them are true and correct as at the date of the Scheme Implementation Agreement and at all times up to the Scheme Implementation Date. Such representations and warranties are set out in Schedules 5 and 6 to the Scheme Implementation Agreement.

12.1.7 Conduct of business

Pending implementation of the Scheme, CML and COG are required to continue to conduct their respective businesses in the ordinary course and make all reasonable efforts to preserve the value of their respective businesses. For full details of the CML obligation to its conduct of business, see clause 10 of the Scheme Implementation Agreement.

12.2 Indicative Scotpac Proposal

On 11 December 2019, CML received an unsolicited non-binding indicative and conditional offer from Scotpac to acquire 100% of the issued share capital of CML by way of a scheme of arrangement.

The Indicative Scotpac Proposal is subject to a number of assumptions and conditions including completion of satisfactory confirmatory due diligence. The material terms of the Indicative Scotpac Proposal are set out below.

Consideration

- cash consideration of A\$0.57 per CML Share; and
- payment by CML of a dividend to CML Shareholders of up to A\$0.03 per CML Share, prior to implementation of a scheme of arrangement.

Conditions

- completion of commercial, operational, financial and legal due diligence (with an expectation on the part of Scotpac to be completed within 3 to 4 weeks from obtaining access to the necessary information);
- entry into a confidentiality agreement; and
- fulfillment of any of the relevant requirements in clause 12 of the Scheme Implementation Agreement.

Scheme Implementation Agreement

- entry into a scheme implementation agreement between CML and Scotpac on terms comparable to the Scheme Implementation Agreement, including the following customary protections:
 - exclusivity;
 - break fee;
 - no shop, no talk provisions;
 - notification of rival proposals; and
 - matching rights.

Pursuant to its fiduciary and statutory obligations, the CML Board has resolved to engage with Scotpac to further understand the conditions associated with the Indicative Scotpac Proposal and to explore the potential to receive a binding offer that is capable of consideration by CML Shareholders. On 16 December 2019, CML and Scotpac entered into a confidentiality deed regarding the Indicative Scotpac Proposal being received from Scotpac that is capable of consideration by CML Shareholders, or that any binding offer received will be a Superior Proposal.

On 18 December 2019, COG confirmed that it has no current intention to increase the proposed consideration to be offered to CML Shareholders set out in the SIA.

As of the date of this Scheme Booklet, there is no certainty that the Indicative Scotpac Proposal will result in a binding offer. CML will keep the market updated as to further material developments.

12.3 Consents and disclaimers

The following parties have given, and have not withdrawn before the registration of this Scheme Booklet with ASIC, their written consent:

- (a) to be named in this Scheme Booklet in the form and context in which they are named; and
- (b) if applicable, to the inclusion of the information attributed to them in this Scheme Booklet in the form and context in which that information is included in this Scheme Booklet.

The following parties have not however caused or authorised the issue of this Scheme Booklet, and, other than any reference to their name, take no responsibility for any other part of this Scheme Booklet.

Name	Role
RSM Corporate Australia Pty Ltd	Independent Expert
RSM Australia Pty Ltd	Tax adviser to CML
Automic Legal Pty Ltd	Legal adviser to CML
Computershare Investor Services Pty Limited	CML Share Registry

RSM Corporate Australia Pty Ltd has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report contained in Annexure 4 of this Scheme Booklet.

RSM Australia Pty Ltd has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Tax Letter contained in section 11 of this Scheme Booklet.

12.4 Fees

In aggregate, if the Scheme is implemented CML expects to pay approximately \$430,000 (excluding GST) in transaction costs.

In addition, it is expected that approximately \$295,000 (excluding GST) in transaction costs will be incurred by COG, which will result in total transaction costs of approximately \$725,000 (excluding GST) being incurred by the Merged Group if the Scheme is implemented.

For clarity, this \$725,000 figure is on account of financial advisory, legal, accounting, Independent Expert, tax and administration fees, Scheme Booklet design, printing and distribution, CML Share Registry and other expenses associated with the Merger, but does not include the payments described in section 6.10.5 above.

In aggregate, CML expects to pay approximately \$430,000 (excluding GST) in transaction costs irrespective of whether the Scheme is implemented.

12.5 No unacceptable circumstances

The CML Directors consider that the Scheme does not involve any circumstances relating to the affairs of CML that could reasonably be characterised as amounting to 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

12.6 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, the CML Directors consider that, within the knowledge of any director of CML or of any member of the CML Group, there is no other information material to the making of a decision in relation to the Scheme that has not previously been disclosed to the Scheme Shareholders.

12.6 Supplementary information

If, between the date that this Scheme Booklet is lodged for registration by ASIC and the Effective Date, CML becomes aware that a material statement in this Scheme Booklet is false or misleading, or that there is a material omission from this Scheme Booklet, or that a significant change affecting a matter in this Scheme Booklet has occurred, or a significant new matter has arisen which would have required disclosure in this Scheme Booklet if it had arisen before the Scheme Booklet was lodged with ASIC for registration, CML will prepare a supplementary document to this Scheme Booklet.

The form of such supplementary document, and whether it will be sent to each CML Shareholder, will depend on the timing and nature of the circumstances giving rise to the need for a supplementary document.

In all cases, the supplementary document will be available from CML's website at www.cml-group.com.au.

12.7 Directors' Statement

The issue of this Scheme Booklet has been authorised by the CML Board.

The CML Board has given (and not withdrawn) its consent to lodgement of this Scheme Booklet with ASIC.

13

Definitions and Interpretations

13.1 Definitions

In this Scheme Booklet unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
ACCC	the Australian Competition and Consumer Commission.
Acquisition Proposal	any expression of interest, proposal or offer with respect to any transaction (whether by purchase, merger, amalgamation, arrangement, business combination, liquidation, dissolution, recapitalisation, takeover bid or otherwise) that would result in any person (whether alone or with others) other than COG (or any Related Body Corporate of COG) acquiring: <ul style="list-style-type: none"> (a) all or a substantial part of the assets of CML or any of its Related Bodies Corporate; (b) a Relevant Interest in 20% or more of the CML Shares or the shares of any Related Body Corporate of CML; or (c) Control of CML.
Agency	any Australian or foreign court, tribunal, federal, state, provincial or local government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, agency or authority or any elected or appointed public official and includes any minister, ASIC, the ACCC, the ATO, ASX and any regulatory organisation established under statute.
Aggregate Cash Consideration	the total cash consideration required to be paid to CML Shareholders as part of the Scheme Consideration.
Aggregate Scrip Consideration	the total cash consideration required to be paid to CML Shareholders as part of the Scheme Consideration, being up to a maximum of \$20 million.
All Cash Consideration	\$0.48 per Scheme Share.
APRA	the Australian Prudential Regulation Authority.
ASIC	the Australian Securities & Investments Commission.
Associate	has the meaning given in section 12 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market that it operates.
ATO	the Australian Taxation Office.
AUSTRAC	the Australian Transaction Reports and Analysis Centre.
Business Day	has the meaning given to that expression in the Listing Rules.
Cash Cap	\$20 million less the All Cash Consideration.
Cash Consideration	the amount of cash as described in Consideration Option 1 (subject to the Scaleback Mechanism) or All Cash Consideration.

Term	Meaning
CEFT Facility	the Classic Equipment Finance Trust Series as contemplated by paragraph (e)(ii) of Schedule 3 of the Scheme Implementation Agreement.
CFG	Classic Funding Group (ABN 84 057 766 551) and its controlled entities.
CHES	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
CML or the Company	CML Group Limited (ABN 88 098 952 277).
CML Board or your Board	the board of directors of CML.
CML Break Fee	has the meaning described in clause 1.3 of this Scheme Booklet.
CML Director or your Director	a member of the CML Board.
CML Group	CML and its Subsidiaries (and a reference to the " CML Group " is a reference to each entity within the CML Group as well as a reference to all such entities) and each of CML and its Subsidiaries and Solutions Pty Limited is an " CML Group Member " and a " member of the CML Group ".
CML Information	information regarding the CML Group prepared by CML for inclusion in the Scheme Booklet that explains the effect of the Scheme and sets out the information prescribed by the Corporations Act and the Corporations Regulations, and any other information that is material to the making of a decision by CML Shareholders whether or not to vote in favour of the Scheme, being information that is within the knowledge of each of the CML Board Members, which for the avoidance of doubt does not include the COG Information, the Joint Information, the Independent Expert's Report or the Tax Letter.
CML Share	a fully paid ordinary share in the capital of CML.
CML Share Register	the register of members of CML maintained by or on behalf of the CML in accordance with section 168(1) of the Corporations Act.
CML Share Registry or CML Registry	Computershare Investor Services Pty Limited of Level 3, 60 Carrington Street, Sydney New South Wales 2000.
CML Shareholder	a person who is registered as the holder of a CML Share in the Register.
CML Shareholder Information Line	the information line set up for the purpose of responding to enquires from CML Shareholders in relation to the Scheme, being 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia) on Monday to Friday between 9:00am and 5:00pm (AEDT).
COG	Consolidated Operations Group Limited (ABN 58 100 854 788).
COG Board	the board of directors of COG.
COG Break Fee	has the meaning described in clause 1.3 of this Scheme Booklet.
COG Directors	a member of the COG Board.

Term	Meaning
COG Group	COG and its Subsidiaries (and a reference to the "COG Group" is a reference to each entity within the COG Group as well as a reference to all such entities) and each of COG and its Subsidiaries is a " COG Group Member " and a " member of the COG Group ".
COG Information	information regarding the COG Group, and the Merged Group, provided by COG to CML in writing for inclusion in the Scheme Booklet, including: <ul style="list-style-type: none"> a) the letter from COG's Chairman; and b) information in section 7 of this Scheme Booklet. For the avoidance of doubt, the COG Information excludes the CML Information, the Joint Information, the Independent Expert's Report and the Tax Letter.
COG Share	a fully paid ordinary share in the capital of COG.
COG Share Register	the register of members of COG maintained by or on behalf of the COG in accordance with section 168(1) of the Corporations Act.
COG Shareholder	each holder at the relevant time of COG Shares.
COG Superior Proposal	a bona fide Competing Proposal, received by COG that the COG Board, acting in good faith and after having obtained written advice from COG's external legal and financial advisers, determines: <ul style="list-style-type: none"> (a) is capable of being valued and completed, taking into account all aspects of the Competing Proposal (including its conditions) and the person making it (including such person's identity, reputation and financial standing); and (b) would, if completed substantially in accordance with its terms, be more favourable to COG Shareholders than COG continuing to pursue the Transaction (if that were completed substantially in accordance with its terms), or be more favourable to COG Shareholders if it is pursued in conjunction with the Transaction, taking into account all the terms and conditions of the Competing Proposal.
Competing Proposal	any expression of interest, proposal or offer with respect to any transaction (whether by purchase, merger, amalgamation, arrangement, business combination, liquidation, dissolution, recapitalisation, takeover bid or otherwise) that would, if entered into or implemented substantially in accordance with its terms: <ul style="list-style-type: none"> (a) result in a third party (either alone or together with any Associate) acquiring (or having a right to acquire): <ul style="list-style-type: none"> (i) a legal, beneficial or economic interest in or control of, all or a substantial part of the assets of COG or any of its Related Bodies Corporate; (ii) a Relevant Interest in 20% or more of the CML Shares or the shares of any Related Body Corporate of COG; or (iii) Control of COG; or (b) would require COG to abandon or otherwise fail to proceed with the Transaction.
Conditions Precedent	each of the conditions precedent to the Scheme becoming Effective as set out in clause 4.1 of the Scheme Implementation Agreement.
Consideration Option 1	means: <ul style="list-style-type: none"> (a) \$0.24 per CML Share; plus (b) 2.7 New COG Shares per Scheme Share.

Term	Meaning
Consideration Option 2	5.4 New COG Shares per Scheme Share.
Control	has the meaning given to that term in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by CML and COG.
CRFT Facility	the Classic Receivables Finance Trust Series as contemplated by paragraph (e)(i) of Schedule 3 of the Scheme Implementation Agreement.
Deed Poll	the deed poll executed by COG, a copy of which is contained in Annexure 3.
Effective	when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
Election Date	means the date which is at least three Business Days prior to the Scheme Record Date or such other date as agreed between COG and CML in writing.
Election	means an election to receive either Consideration Option 1 or Consideration Option 2.
Election Form	means the form of election under which a CML Shareholder is offered the opportunity to make an Election for the Scheme Consideration.
First Court Date	means 20 December 2019, being the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date as agreed in writing by CML and COG.
Independent Expert	RSM Corporate Australia Pty Ltd (ABN 82 050 508 024).
Independent Expert's Report	the report in respect of the Scheme prepared and issued by the Independent Expert for inclusion in this Scheme Booklet (or any update or variation of that report), a copy of which report is contained in Annexure 4.
Indicative Scotpac Proposal	means the unsolicited non-binding indicative and conditional offer from Scotpac to acquire 100% of the issued share capital of CML dated 11 December 2019.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address shown in the CML Share Register at 7.00 pm on the Scheme Record Date is a place outside Australia and New Zealand and their external territories unless Bidder determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New COG Shares when the Scheme becomes Effective.

Term	Meaning
Insolvency Event	means, in relation to an entity: <ul style="list-style-type: none"> (a) a receiver, receiver and manager, administrator, trustee or similar official being appointed over any of the party's assets or undertaking; (b) the party suspending payments of its debts generally; (c) the party being or becoming unable to pay its debts when they fall due or being unable to pay its debts within the meaning of the Corporations Act; (d) the party entering into or resolving to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; (e) an order being made for the winding up or dissolution of, or the appointment of a provisional liquidator to the party; or (f) a resolution being passed or steps taken to pass a resolution for the winding up or dissolution of the party otherwise than for the purpose of an amalgamation or reconstruction.
Joint Information	means information in section 8, 9 and 10.4 of this Scheme Booklet.
Last Practicable Date	17 December 2019, being the trading day that is 7 days prior to the date of this Scheme Booklet.
Laws	all laws, statutes, by-laws, rules, regulations, orders, decrees, ordinances, protocols, codes, guidelines, policies, notices, directions and judgments or other requirements of any Agency, and includes the Listing Rules.
Listing Rules	the official listing rules of ASX.
Material Adverse Change	has the meaning given to the term 'Material Adverse Change' in clause 1.1 of the Scheme Implementation Agreement, a summary of which is set out in Section 9.3(a) of this Scheme Booklet.
Merged Group	the combination of the CML Group and the COG Group, as comprised by COG and its Subsidiaries following the implementation of the Scheme.
Merged Group Board	the board of directors of COG (as the entity controlling the Merged Group) after implementation of the Scheme.
Merger	the proposed acquisition of the Scheme Shares by COG through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.
New COG Shares	the COG shares to be issued to CML shareholders pursuant to the Scheme.
Notice of Scheme Meeting	the notice of Scheme Meeting which is contained in Annexure 1.
Option Agreement	means the executive option purchase agreement entered into by Daniel Riley and CML on 17 March 2017.
Prescribed Event	has the meaning given to the term 'Prescribed Event' in clause 1.1 of the Scheme Implementation Agreement, a summary of which is set out in Section 12.1.1 of this Scheme Booklet.
Register	the register of members of CML maintained by CML Registry in accordance with subsection 168(1) of the Corporations Act.

Term	Meaning
Regulatory Approval	any approval of a Regulatory Authority to the Scheme or any aspect of it which both parties agree are necessary or desirable to implement the Scheme.
Regulatory Authority	includes, in any jurisdiction: (a) a government or governmental, semi-governmental or judicial entity or authority; (b) a minister, department, office, commission, delegate, instrumentality, Agency, board, authority or organisation of any government; and (c) any regulatory organisation established under statute, and includes ASX, ACCC, ASIC, the Takeovers Panel, APRA and AUSTRAC.
Related Body Corporate	has the meaning given in the Corporations Act.
Relevant Interest	has the meaning given to that term by section 9 of the Corporations Act.
Requisite Majority or Requisite Majorities	Means a majority in number of CML Shareholders who vote on the Scheme Resolution (either in person or by proxy, attorney or corporate representative) and at least 75% of the total votes cast on the Scheme Resolution.
Scaleback Mechanism	means the scaleback mechanism as described in section 5.5.
Scheme or Scheme of Arrangement	the scheme of arrangement under Part 5.1 of the Corporations Act between CML and the Scheme Shareholders in respect of all Scheme Shares, the form of which is attached as Annexure 2, subject to any alterations or conditions as agreed between COG and CML in writing or made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by CML and COG.
Scheme Booklet	this booklet, including the annexures to it.
Scheme Consideration	means, depending on the election: (a) All Cash Consideration; (b) Consideration Option 1; or (c) Consideration Option 2.
Scheme Implementation Agreement	the Scheme Implementation Agreement between CML and COG dated 13 November 2019, a summary of which is set out in section 12.1 of this Scheme Booklet and a full copy of which can be obtained from CML's website at https://wcsecure.weblink.com.au/pdf/CGR/02172197.pdf .
Scheme Meeting	the meeting of CML Shareholders, ordered by the Court to be convened under subsection 411(1) of the Corporations Act in relation to this Scheme and includes an adjournment or postponement of that meeting.
Scheme Record Date	7.00pm (AEDT) on the fifth Business Day after the Effective Date or such other time and date agreed in writing by CML and COG.
Scheme Resolution	the resolution set out in the Notice of Scheme Meeting to agree to the terms of the Scheme.
Scheme Share	an CML Share on issue as at the Scheme Record Date.

Term	Meaning
Scheme Shareholder	each person who is registered on the Register as a holder of Scheme Shares as at the Scheme Record Date.
Scotpac	Scottish Pacific Group Limited (ABN 45 164 013 110)
Scrip Consideration	such number of New COG Shares as described in Consideration Option 1 or Consideration Option 2.
Second Court Date	the first day on which the Court hears the application for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned application or appeal is heard.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to paragraph 411(4)(b) of the Corporations Act approving the Scheme.
SMEs	small to medium sized enterprises.
Special Dividend	means a fully franked dividend of \$0.03 per CML Share which will be declared and paid by CML immediately prior to the Implementation of the Scheme conditional upon the Scheme becoming Effective.
Special Dividend Record Date	the same date as the Scheme Record Date.
Special Dividend Payment Date	the Business Day immediately prior to the Implementation Date.
Subsidiary	has the meaning given to that term in the Corporations Act.
Sunset Date	30 April 2020, or such later date as may be agreed in writing by CML and COG.
Superior Proposal	a bona fide Competing Proposal received by CML that the CML Board, acting in good faith and after having obtained written advice from CML's external legal and financial advisers, determines: <ul style="list-style-type: none"> (a) is capable of being valued and completed, taking into account all aspects of the Competing Proposal (including its conditions) and the person making it (including such person's identity, reputation and financial standing); and (b) would, if completed substantially in accordance with its terms, be more favourable to CML Shareholders than the Transaction (if that were completed substantially in accordance with its terms), taking into account all the terms and conditions of the Competing Proposal.
Tax Letter	means the tax letter provided by RSM Australia Pty Ltd as set out in section 11.
TLR	TL Rentals Pty Ltd (ACN 071 702 264).
Transaction	the transaction under which CML becomes a wholly-owned Subsidiary of COG pursuant to the terms of the Scheme Implementation Agreement and the Scheme.
Withheld Tax Amount	any such amount of Taxes which the ATO requires any COG Group member, by written notice(s) pursuant to section 255 of the <i>Income Tax Assessment Act 1936</i> (Cth) which is or are received by any CML Group member on the Implementation Date to pay to the ATO in respect of any Scheme Shareholder.

13.2 Interpretation

In this Scheme Booklet, unless the context otherwise appears:

- a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- b) words importing a gender include any gender;
- c) words importing the singular include the plural and vice versa;
- d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- e) a reference to a clause, attachment or schedule is a reference to a clause of and an attachment and schedule to this Scheme Booklet as relevant;
- f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by Laws issued under that statute;
- g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- h) a reference to time is a reference to Sydney, Australia time;
- i) a reference to writing includes facsimile transmissions; and
- j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Annexure 1 – Notice of Scheme Meeting



Annexure 1 – Notice of Scheme Meeting

Notice of Scheme Meeting

Notice is hereby given, that by an order of the Federal Court of Australia made on Tuesday, 24 December 2019 pursuant to subsection 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of shareholders of CML Group Limited ACN 098 952 277 (**CML**) will be held at Level 5, 126 Phillip Street, Sydney NSW 2000 on 5 February 2020 at 10.00am (AEDT).

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which CML and Consolidated Operations Group Limited ACN 100 854 788 (**COG**) agree) proposed to be made between CML and holders of its ordinary shares (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Business of meeting

The Scheme Meeting will be asked to consider, and, if thought fit, to pass the following resolution (**Resolution**):

“That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between CML Group Limited and the holders of its ordinary shares (as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part) is agreed to (with or without alterations or conditions as approved by the Federal Court of Australia to which CML Group Limited ACN 098 952 277 and Consolidated Operations Group Limited ACN 100 854 788 agree).”

Chairperson

The Court has directed that Mrs Sue Healy is to act as Chairperson of the Scheme Meeting (and that, if Mrs Sue Healy is unable or unwilling to attend, Mr Steve Shin is to act as Chairperson of the Scheme Meeting) and has directed the Chairperson to report the result of the Resolution to the Court.

Dated 24 December 2019

By order of the Court and the board of CML.

A handwritten signature in grey ink, appearing to read 'Steve Shin'.

Steve Shin

Company Secretary

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Explanatory Notes

1. General

This notice of meeting relates to the Scheme and should be read in conjunction with the Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Resolution.

A copy of the Scheme is set out in Annexure 2 to the Scheme Booklet.

Capitalised terms used but not defined in this notice, have the same meaning as set out in section 13 of the Scheme Booklet, unless the context otherwise requires.

2. Shareholder Approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Resolution must be approved by:

- unless the court orders otherwise, a majority in number (i.e. more than 50%) of CML Shareholders present and voting (either in person or by proxy, attorney or, in the case of CML Shareholders which are corporations, by body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Resolution (either in person or by proxy, attorney or, in the case of CML Shareholders which are corporations, by body corporate representative).

3. Court approval

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alterations or conditions required by Court to which CML and COG agree) is subject to the subsequent approval of the Court. If the Resolution is approved by the Requisite Majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, CML intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

4. Entitlement to attend and vote

The time for determining eligibility to vote at the Scheme Meeting is 7.00pm (AEDT) on 3 February 2020. Only those CML Shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting. You may vote by attending the Scheme Meeting in person or by proxy or attorney, or in the case of a CML Shareholder which is a corporation, by body corporate representative.

If you are attending in person, please bring your personalised proxy form to the Scheme meeting to assist with your registration.

The remaining comments in these explanatory notes are addressed to CML Shareholders entitled to attend and vote at the Scheme Meeting.

5. How to vote

Voting on the Resolution at the Scheme Meeting will be conducted by poll.

Annexure 1 – Notice of Scheme Meeting (continued)



If you are a CML Shareholder entitled to attend and vote at the Scheme Meeting, you may vote by:

- attending and voting in person;
- appointing a proxy to attend on your behalf, using the proxy form that accompanied this Scheme Booklet (or by using the online proxy lodgement facility);
- appointing an attorney to vote on your behalf, using a power of attorney; or
- in the case of a corporation which is a CML Shareholder, by appointing an authorised corporate representative to attend on your behalf using a certificate of appointment of body corporate representative.

6. Attendance

All persons attending the Scheme Meeting are asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence, so that either their shareholding may be checked against the Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

7. Jointly held securities

If the CML Shares are jointly held, only one of the joint shareholders is entitled to vote. However, if more than one shareholder votes in respect of jointly held CML Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

8. Voting

8.1 Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting at Level 5, 126 Phillip Street, Sydney NSW 2000, on Wednesday, 5 February 2020. The meeting will commence at 10.00am (AEDT).

Eligible CML Shareholders who wish to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

8.2 Voting by proxy

A CML Shareholder entitled to attend and vote at the Scheme Meeting is also entitled to appoint a proxy to vote on their behalf. The proxy form is enclosed with this Scheme Booklet. You may appoint not more than 2 proxies to attend and act for you at the Scheme Meeting. A proxy need not be a CML Shareholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes.

If no such number or proportion is specified, each proxy may exercise half of your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting.

A proxy will be admitted to the Scheme Meeting and given a voting card on providing (at the point of entry to the Scheme Meeting) written evidence of their name and address.

The sending of a proxy form will not preclude a CML Shareholder from attending in person and voting at the Scheme Meeting if the CML Shareholder is entitled to attend and vote.

CML Group

For the appointment of a proxy to be effective, the proxy form enclosed with this Notice of Scheme Meeting, together with any authority under which the proxy form was executed, or a certified copy of that authority, must be completed and:

- lodged online at www.investorvote.com.au;
- deposited at the CML Registry, Computershare Investor Services Pty Limited, located at Level 3, 60 Carrington Street, Sydney NSW 2000;
- sent by post to Computershare Investor Services Pty Limited to GPO Box 1282, Melbourne Victoria 3001;
- sent by facsimile to the CML Registry to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- for custodians that use Intermediary Online only, lodged on www.intermediaryonline.com.

Please note that proxy forms must be received by the CML Registry by no later than 10.00am (AEDT) on 3 February 2020.

CML Shareholders wishing to lodge electronic proxies online may do so by accessing the Investor Vote System on the CML Registry's website at www.investorvote.com.au and then inputting the shareholder's secure access information shown on the personalised proxy form to commence voting. Shareholders must lodge electronic proxies online no later than 10.00am (AEDT) on 3 February 2020.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote "for" or "against", or abstain from voting on, the Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on the Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on the Resolution, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chairperson of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the chairperson of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chairperson of the meeting intends to vote all valid undirected proxies which nominate the chairperson in favour of the Resolution, in the absence of a binding Superior Proposal.

Proxies of Eligible CML Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

8.3 Voting by attorney

For the appointment of an attorney to be effective, the instrument appointing the attorney and the power of attorney under which it was executed, or a certified copy of that power, must be deposited in the manner and within the time period set out above.



An attorney will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry of the Scheme Meeting written evidence of their appointment, their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a CML Shareholder from attending in person and voting at the Scheme Meeting if the CML Shareholder is entitled to attend and vote.

8.4 Voting by corporate representative

To vote at the Scheme Meeting (other than by proxy or by attorney), a corporation that is a CML Shareholder must appoint a person (either by name or position and whether a CML Shareholder or not) to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

9. CML Registry Address details

The address and details of the CML Registry are set out below:

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

10. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from CML's ASX Announcements page or by contacting the Company Secretary of CML or the CML Share Registry.

Annexure 2 – Scheme of Arrangement



Level 5, 126 Phillip Street
Sydney NSW 2000

p: +61 2 8072 1400 (AU)
e: hello@automicgroup.com.au
w: automicgroup.com.au

GPO Box 5193
Sydney NSW 2001

SCHEME OF ARRANGEMENT

CML Group Limited
ABN 88 098 952 277

Scheme Shareholders



Annexure 2 – Scheme of Arrangement (continued)



This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

PARTIES

- A **CML GROUP LIMITED** ABN 88 098 952 277 of Level 11, 201 Miller Street, North Sydney NSW 2060 (**Target**); and
- B **SCHEME SHAREHOLDERS** being each person who is registered as the holder of Target Shares recorded in the Target Share Register as at the Record Date (each a **Scheme Shareholder**, together the **Scheme Shareholders**)

RECITALS

- 1 Target is a public company limited by shares, incorporated in Australia and registered in New South Wales, and is admitted to the official list of the ASX.
- 2 Bidder is a public company limited by shares, incorporated in Australia and registered in New South Wales. Bidder is admitted to the official list of the ASX and its shares are officially quoted on the stock market conducted by ASX.
- 3 On 13 November 2019, Target and Bidder entered into the Implementation Agreement pursuant to which, amongst other things, Target has agreed to propose this Scheme to the Target Shareholders, and each of Target and Bidder have agreed to take certain steps to give effect to the Scheme.
- 4 As at the date of the Implementation Agreement:
 - (a) there were on issue 201,740,293 Target Shares, which are officially quoted on the stock market conducted by ASX;
 - (b) it is anticipated that Target will undertake a non-renounceable rights issue at an issue price of \$0.48 to raise up to \$14,525,300.64 in accordance with clause 7.2 of the Implementation Agreement, such that up to an additional 30,261,043 Target Shares will be issued prior to the Scheme becoming Effective; and
 - (c) it is anticipated that the Target Options may be exercised, in which event up to a further additional 10,000,000 Target Shares will be issued prior to the Scheme becoming Effective.
- 5 If this Scheme becomes Effective:
 - (a) in consideration for the transfer of each Scheme Share to Bidder, Bidder must provide, or procure the provision of, the Scheme Consideration to the Scheme Shareholders in accordance with, and subject to, the terms of this Scheme and the Deed Poll;
 - (b) all of the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder and Target will enter the name of Bidder in the Target Share Register in respect of the Scheme Shares; and

(c) it will bind Target and all Scheme Shareholders, including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting.

6 Target and Bidder have agreed, subject to the terms and conditions set out in the Implementation Agreement, to implement this Scheme.

7 The Scheme attributes actions to Bidder but does not of itself impose obligations on Bidder to perform those actions. Bidder has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including Bidder providing, or procuring the provision of, the Scheme Consideration to the Scheme Shareholders subject to the terms of the Deed Poll.

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

ACCC means the Australian Competition and Consumer Commission.

Aggregate Cash Consideration means the aggregate of the Cash Consideration payable to Scheme Shareholders under the Scheme (taking into account all valid Elections made by the Election Date and the terms of the Scheme).

Aggregate Scrip Consideration means the aggregate number of New Bidder Shares payable to Scheme Shareholders under the Scheme (taking into account all valid Elections made by the Election Date and the terms of the Scheme).

All Cash Consideration means \$0.48 per Scheme Share.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market that it operates.

APRA means the Australian Prudential Regulation Authority.

AUSTRAC means the Australian Transaction Reports and Analysis Centre.

Bidder means Consolidated Operations Group Limited (ABN 58 100 854 788).

Bidder Group means Bidder and its Subsidiaries (and a reference to the “Bidder Group” is a reference to each entity within the Bidder Group as well as a reference to all such entities).

Bidder Share Register means the register of members of Bidder maintained by or on behalf of the Bidder in accordance with section 168(1) of the Corporations Act.

Bidder Share means a fully paid ordinary shares in the capital of Bidder.

Annexure 2 – Scheme of Arrangement (continued)



Business Day has the meaning given to that expression in the Listing Rules.

Cash Cap means A\$20,000,000 less the aggregate amount of the All Cash Consideration.

Cash Consideration means such amount of cash as described in Consideration Option 1 or All Cash Consideration.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Consideration Option 1 means:

- (a) \$0.24 per Scheme Share; plus
- (b) 2.7 New Bidder Shares per Scheme Share.

Consideration Option 2 means 5.4 New Bidder Shares per Scheme Share.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Target and Bidder.

Deed Poll means the deed poll executed by Bidder under which Bidder has covenanted in favour of the Scheme Shareholders to perform the obligations attributed to it under this Scheme.

Effective means, when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

Election means an Election Option 1 or an Election Option 2.

Election Cash Consideration means the aggregate cash consideration elected by Scheme Shareholders under Election Option 1.

Election Date mean 7.00 pm on the date which is at least three Business Days prior to the Record Date or such other date as agreed between Bidder and Target in writing.

Election Form means the form of election under which a Target Shareholder is offered the opportunity to make an Election, in a form agreed with Bidder (acting reasonably).

Election Option 1 means an election by a Scheme Shareholder to receive the Consideration Option 1 for the Scheme Shares held by that Scheme Shareholder.

Election Option 2 means an election by a Scheme Shareholder to receive the Consideration Option 2 for the Scheme Shares held by that Scheme Shareholder.

Explanatory Memorandum means the explanatory memorandum to be prepared by the Target pursuant to section 412 of the Corporations Act in respect of the Scheme in accordance with the terms of the Implementation Agreement and to be dispatched to the Target Shareholders.

Implementation Date means the fifth Business Day after the Record Date, or such other date as agreed in writing by Bidder and Target.

Implementation Agreement means the scheme implementation agreement dated 13 November 2019 between Target and Bidder relating to the implementation of this Scheme.

Ineligible Foreign Shareholder means a Scheme Shareholder whose address shown in the Target Share Register at 7.00 pm on the Record Date is a place outside Australia and New Zealand and their external territories unless Bidder determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Bidder Shares when the Scheme becomes Effective.

Listing Rules means the official listing rules of ASX.

New Bidder Share means a fully paid ordinary share in Bidder to be issued to a Scheme Shareholder under this Scheme.

Record Date means 7.00 pm Sydney time on the fifth Business Day after the Effective Date or such other time and date agreed in writing between Target and Bidder.

Registered Address means in relation to a Target Shareholder, its address shown in the Target Share Register as at the Record Date.

Regulatory Authority includes, in any jurisdiction:

- (a) a government or governmental, semi-governmental or judicial entity or authority;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (c) any regulatory organisation established under statute,

and includes ASX, ACCC, ASIC, the Takeovers Panel, APRA and AUSTRAC.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions as agreed between Bidder and Target in writing or made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Target and Bidder.

Scheme Consideration means (depending on the Election and subject to the terms of this Scheme):

- (a) All Cash Consideration;
- (b) Consideration Option 1; or
- (c) Consideration Option 2.

Annexure 2 – Scheme of Arrangement (continued)



Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act in relation to this Scheme and includes any adjournment or postponement of that meeting.

Scheme Share means a Target Share on issue as at the Record Date.

Scheme Shareholder means each person who is registered on the Target Share Register as a holder of Scheme Shares as at the Record Date.

Scheme Transfer means for each Scheme Shareholder, one or more proper instruments of transfer in respect of their Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bidder as transferee, which may be or include a master transfer of all or part of all of the Scheme Shares.

Scrip Consideration means such number of New Bidder Shares as described in Consideration Option 1 or Consideration Option 2.

Second Court Date means the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned application or appeal is heard.

Subsidiary has the meaning given to that term in the Corporations Act.

Sunset Date means 30 April 2020, or such later date as may be agreed in writing by Bidder and Target.

Takeovers Panel means the Takeovers Panel continued in existence under the *Australian Securities and Investments Commission Act 2001* (Cth).

Target Group means Target and its Subsidiaries (and a reference to the “Target Group” is a reference to each entity within the Target Group as well as a reference to all such entities).

Target Options means the 10,000,000 options granted by Target on 17 March 2017 exercisable at \$0.27 each to subscribe for Target Shares.

Target Share means a fully paid ordinary share in the capital of Target.

Target Shareholder means a person who is registered as the holder of a Target Share in the Target Share Register.

Target Share Register means the register of members of Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

Target Share Registry means Computershare Investor Services Pty Ltd (ABN 48 078 279 277) or any replacement share registry services provider to Target.

Taxes means, with respect to a person, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, license taxes, withholding taxes or other withholding

obligations, payroll taxes, employment taxes, pension plan premiums, excise, severance, social security premiums, workers' compensation premiums, unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add on minimum taxes, goods and services tax, customs duties or other taxes of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such person or for which such person is responsible, and any interest, penalties, additional taxes, additions to tax or other amounts imposed with respect to the foregoing.

Withheld Tax Amounts means any such amount of Taxes which the Australian Taxation Office requires any Bidder Group entity, by written notice(s) pursuant to section 255 of the *Income Tax Assessment Act 1936* (Cth) which is or are received by any Target Group entity on the Implementation Date (for the purposes of clause 4.1(c) or clause 5.1(a)) to pay to the Australian Taxation Office in respect of any Scheme Shareholder.

1.2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included; and
- (c) the following rules apply unless the context requires otherwise:
 - (i) the singular includes the plural and the plural includes the singular;
 - (ii) words of any gender include all genders;
 - (iii) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
 - (iv) a reference to a person includes any corporation, trust, partnership, unincorporated body or other entity and any Regulatory Authority (whether or not it comprises a separate legal entity) as well as an individual;
 - (v) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Scheme;
 - (vi) a reference to any legislation or to a provision of legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
 - (vii) a reference to an agreement or document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that agreement or document, except to the extent prohibited by this document or that other agreement or document;
 - (viii) a reference to writing includes any method of representing or reproducing words, figures, drawings, or symbols in a visible and tangible form;

Annexure 2 – Scheme of Arrangement (continued)

- (ix) a reference to ‘\$’, ‘A\$’ or ‘dollar’ is to Australian currency;
- (x) a reference to any time is a reference to that time in Sydney, Australia;
- (xi) a word or expression defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme;
- (xii) a reference to a party to a document includes that party’s executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal representatives);
- (xiii) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision; and
- (xiv) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (A) which ceases to exist; or
 - (B) whose powers or functions are transferred to another body, is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2 CONDITIONS PRECEDENT

2.1 Conditions precedent to this Scheme

This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions precedent in clause 4 of the Implementation Agreement (other than the condition precedent in paragraph (e) of Schedule 1 of the Implementation Agreement) having been satisfied or waived in accordance with the terms of the Implementation Agreement by 8.00am on the Second Court Date or such other time specified in that condition precedent;
- (b) neither the Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target;

- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Bidder and Target having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act, on or before the Sunset Date.

2.2 Certificate

- (a) Each of Target and Bidder will provide to the Court on or before the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not:
 - (i) the conditions precedent in clause 4 of the Implementation Agreement (other than the condition precedent in paragraph (e) of the Schedule 1 of the Implementation Agreement) have been satisfied or waived as at 8.00am on the Second Court Date; and
 - (ii) the condition in clause 2.1(b) of this Scheme has been satisfied as at 8.00am on the Second Court Date.
- (b) The certificates referred to in clause 2.2(a) constitute conclusive evidence that the relevant conditions precedent were satisfied, waived or taken to be waived in accordance with, in the case of clause 2.2(a)(i), the terms of the Implementation Agreement, and in the case of clause 2.2(a)(ii), the terms of the Scheme.

2.3 Sunset Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the Sunset Date; or
- (b) the Implementation Agreement or the Deed Poll is terminated in accordance with its terms, unless Target and Bidder otherwise agree in writing.

3 IMPLEMENTATION

3.1 Lodgement of Court orders with ASIC

Target must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible, and in any event by 5:00pm on the first Business Day after the day on which the Court approves this Scheme.

3.2 Transfer of Scheme Shares

Subject to the Scheme becoming Effective, on the Implementation Date:

Annexure 2 – Scheme of Arrangement (continued)

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5 and Bidder having provided Target with written confirmation of that having occurred, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or any of its directors, officers and secretaries as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (i) Target delivering to Bidder a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Target as attorney and agent of each Scheme Shareholder, to transfer all the Scheme Shares to Bidder; and
 - (ii) Bidder duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Target for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 3.2(a)(ii), but subject to the stamping of the Scheme Transfer (if required), Target must enter, or procure the entry of, the name of Bidder in the Target Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

4 SCHEME CONSIDERATION

4.1 Bidder undertakings in relation to Scheme Consideration

Bidder undertakes to Target (in the Target's own right and separately as trustee for each of the Scheme Shareholders) that, if the Scheme becomes Effective, in consideration for the transfer to Bidder of Scheme Shares held by Scheme Shareholders under the term of the Scheme, the Bidder will on the Implementation Date:

- (a) accept that transfer;
- (b) provide, or procure the provision, to each Scheme Shareholder of the Scheme Consideration for each Scheme Share held by that Scheme Shareholder on the Record Date subject to, and in accordance with:
 - (i) any Election made by that Scheme Shareholder as contemplated by clauses 4.2 and 4.3;
 - (ii) clauses 4.4, 4.5 and 4.6; and
 - (iii) the terms of the Scheme;
- (c) by no later than the Business Day before the Implementation Date, pay, or procure payment of, to a trust account operated by or on behalf of Target, to be held on trust for Scheme Shareholders, an amount in cleared funds equal to the Aggregate Cash Consideration less any Withheld Tax Amounts; and
- (d) on the Implementation Date, procure the allotment of the Aggregate Scrip Consideration to applicable Scheme Shareholders,

in each case in accordance with the terms of the Scheme.

4.2 Election Mechanism

- (a) Each Target Shareholder (other than Ineligible Foreign Shareholders) will be entitled to make an Election. All Elections take effect in accordance with the Scheme to the extent any Target Shareholder who makes an Election qualifies as a Scheme Shareholder.
- (b) Target must ensure that the Explanatory Memorandum is accompanied by an Election Form.
- (c) The Election Form must state to the effect that:
 - (i) subject to clause 4.2(c)(iv), an Election must be made in accordance with the terms and conditions stated on the Election Form for it to be valid and must be completed and returned in writing to the address specified on the Election Form before the Election Date;
 - (ii) an Election will apply to all the Target Shares of the Target Shareholder as at the Election Date and, subject to clause 4.2(c)(iv), a Target Shareholder must only make one Election in relation to a particular holding;
 - (iii) once made, an Election may be varied, waived or revoked before the Election Date by notice in writing to the Target; and
 - (iv) in the manner considered appropriate by Bidder and Target (acting reasonably), a Target Shareholder who holds one or more parcels of Target Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections in relation to each of those parcels of Target Shares (subject to providing to Bidder and Target any substantiating information they reasonably require), and if it does so will be treated as a separate Target Shareholder in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holding), provided that if, at the Election Date, it holds fewer Target Shares than it held at the time it made the Election, then, unless, it has at the time of any sale of Target Shares notified the Target whether the Target Shares sold relate to any such separate Election (and if so, which separate Election the Target Shares sold relate to), it will be treated as not having made a valid Election in respect of any of its Target Shares (or will be treated in any other manner that Bidder and the Target agrees is fair to the Target Shareholder in all the circumstances acting reasonably).
- (d) The Target must ensure that, to the extent reasonably practicable, persons who acquire Target Shares after the date of the dispatch of the Explanatory Memorandum and until the Election Date are sent an Election Form upon these persons requesting one from the Target.
- (e) In order to facilitate the issue of the Scrip Consideration (if applicable), the Target must provide, or procure the provision, to Bidder, details of any Election made by a Target Shareholder, on the Business Day after the Election Date, including the name and address of each Target Shareholder who has made a valid Election and the number of New Bidder Shares that Bidder must issue to that Target Shareholder to meet its obligation under the Scheme in accordance with that Target Shareholder's Election.

Annexure 2 – Scheme of Arrangement (continued)

- (f) The parties agree that the terms and conditions that will be stated on the Election Form will include the following:
- (i) Ineligible Foreign Shareholders may not make an Election and that any purported Election by such persons will be of no effect;
 - (ii) if a Target Shareholder does not make a valid Election, that Target Shareholder will receive Consideration Option 1 in respect of the Scheme Shares held by that Target Shareholder; and
 - (iii) Target Shareholders who make a valid Election agree to become members of Bidder from the Implementation Date and become bound by the Bidder constitution, pursuant to the Scheme,
- and such other terms and conditions as Bidder reasonably requires to be stated on the Election Form.

4.3 Default Election

If a Target Shareholder (other than an Ineligible Foreign Shareholder) does not make a valid Election, that Target Shareholder will be deemed to have elected Election Option 1.

4.4 Scrip Consideration

If a Target Shareholder makes a valid Election:

- (a) the Target Shareholder will be entitled to receive the Scheme Consideration relevant to their Election (subject to the terms of the Scheme); and
- (b) if the number of New Bidder Shares to which that Target Shareholder is entitled is not a whole number:
 - (i) where the entitlement is to half of a New Bidder Share or more, the number of New Bidder Shares will be rounded up to the nearest whole number; and
 - (ii) where the entitlement is to less than half of a New Bidder Share, the number of New Bidder Shares will be rounded down to the nearest whole number.

4.5 Cash Cap

- (a) If a Target Shareholder has validly made an Election to receive Election Option 1, that Target Shareholder will be entitled to receive for each Scheme Share held by that Target Shareholder at the Record Date:
 - (i) if the Election Cash Consideration is equal to, or less than, the Cash Cap, Consideration Option 1; or
 - (ii) if the Election Cash Consideration is greater than the Cash Cap:

(A) an amount of cash per Scheme Share calculated as follows:

$$A \div B$$

Where:

A = the Cash Cap;

B = the total number of Scheme Shares held at the Record Date by all Scheme Shareholders who validly elect Consideration Option 1; plus

(B) a number of New Bidder Shares per Scheme Share calculated as follows:

$$(\$0.48 - X) \div B$$

Where:

X = the amount of cash per Scheme Share provided under clause 4.5(a)(ii)(A); and

B = \$0.09

4.6 Ineligible Foreign Shareholders

If a Target Shareholder is an Ineligible Foreign Shareholder that Target Shareholder will be entitled to receive All Cash Consideration for the Scheme Shares held by that Target Shareholder.

5 PROVISION OF SCHEME CONSIDERATION

5.1 Provision of Aggregate Cash Consideration

- (a) Bidder must, by no later than the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the Aggregate Cash Consideration less any Withheld Tax Amount payable to the Scheme Shareholders in an Australian dollar denominated trust account operated by Target or the Target Share Registry as trustee for the Scheme Shareholders and notified to Bidder at least 3 Business Days prior to the Implementation Date provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account.
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a), Target must pay or procure the payment, from the trust account referred to in clause 5.1(a), to each Scheme Shareholder of the cash component of the Scheme Consideration to which that Scheme Shareholder is entitled under this Scheme in accordance with that Scheme Shareholder's Election (or in the case of Ineligible Foreign Shareholders, in accordance with clause 4.6 of this Scheme).
- (c) To the extent that, following satisfaction of Target's obligations under clause 5.1(b), there is a surplus in the amount held by Target or the Target Share Registry as trustee for the Scheme Shareholders in the trust account referred to in that clause, that surplus shall be paid by Target to Bidder.

5.2 Provision of Aggregate Scrip Consideration

- (a) Subject to clauses 4.2, 4.3, 4.5, 4.6 and 5.5(b), Bidder must:
 - (i) on the Implementation Date, allot and issue the Aggregate Scrip Consideration to a Scheme Shareholder in accordance with that Scheme Shareholder's Election and procure that the name and address of each Scheme Shareholder is entered in the Bidder Share Register in respect of those New Bidder Shares; and
 - (ii) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New Bidder Shares issued to the Scheme Shareholder pursuant to the Scheme.

5.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the Scheme Consideration is payable to the joint holders of such Scheme Shares and any cheque required to be sent under this Scheme will be made payable to those joint holders and sent to either, at the sole discretion of Target, the holder whose name appears first in the Target Share Register as at the Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Target Share Register as at the Record Date or to the joint holders.

5.4 Unclaimed monies

- (a) Target may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or Target Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under clause 5.4(a).
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' as defined in section 7 of the *Unclaimed Money Act 1995* (NSW).

5.5 Orders of the Court or Regulatory Authority

If a written notice is given to Target (or the Target Share Registry) of an order or direction made by the Court or by any other Regulatory Authority that:

- (a) requires the Scheme Consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be provided to that Scheme Shareholder by Target in accordance with this clause 5, then Target will be entitled to provide the Scheme Consideration in accordance with that order or direction; or
- (b) prevents Target from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the provision is otherwise prohibited by applicable law, Target shall be entitled to:
 - (i) retain an amount, in Australian dollars, equal to the amount of Cash Consideration payable to that Scheme Shareholder in accordance with this clause 5;
 - (ii) direct Bidder not to issue, or to issue to a trustee or nominee, such number of New Bidder Shares that the Scheme Shareholder would otherwise be entitled to in accordance with this clause 5,

until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that order or direction or otherwise by law.

5.6 Status of New Bidder Shares

Subject to this Scheme becoming Effective, Bidder must:

- (a) issue the New Bidder Shares required to be issued by it under this Scheme on terms such that each such New Bidder Share will, from the date of its issue, rank equally in all respects with each existing Bidder Share;
- (b) ensure that each such New Bidder Share is duly and validly issued in accordance with all applicable laws and Bidder's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under Bidder's constitution); and
- (c) use all reasonable endeavours to ensure that such New Bidder Shares are, from the Business Day following the Effective Date (or such later date as ASX requires), approved for official quotation on ASX, and that trading in the New Bidder Shares on the ASX commences on the Business Day after the Effective Date on a deferred settlement basis, and then on an ordinary settlement basis on and from the Business Day after the Implementation Day.

6 DEALINGS IN TARGET SHARES

6.1 Determination of Scheme Shareholders

For the purposes of determining who is a Scheme Shareholder, dealings in Target Shares or other alterations to the Target Share Register will only be recognised if:

- (a) in the case of dealings of the type effected using CHESS, the transferee is registered in the Target Share Register as the holder of the relevant Target Shares on or before the Record Date; and

Annexure 2 – Scheme of Arrangement (continued)



- (b) in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by 5:00pm on the Record Date at the place where the Target Share Register is kept,

and Target must not accept for registration, nor recognise for any purpose, any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, other than a transfer to Bidder in accordance with this Scheme and any subsequent transfer by Bidder or its successors in title.

6.2 Register

- (a) Target must register any registrable transfers or transmission applications received in accordance with clause 6.1(b) by the Record Date.
- (b) If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Record Date, and any attempt to do so will have no effect and Target shall be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain, or cause the Target Share Registry to maintain, the Target Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Target Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Target Shares (other than statements of holding in favour of Bidder and any of its successors in title) will cease to have effect after the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Target Share Register (other than entries on the Target Share Register in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of Target Shares relating to that entry.
- (e) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Target Share Register are available to Bidder in the form that Bidder reasonably requires.

7 QUOTATION OF TARGET SHARES

- (a) Target must apply to ASX to suspend trading on the ASX in Target Shares with effect from the close of trading on the Effective Date, or such other time as agreed between Bidder and Target, on the one hand, and ASX, on the other hand.
- (b) On a date after the Implementation Date to be determined by Bidder, Target must apply:
 - (i) for termination of the official quotation of Target Shares on the ASX; and
 - (ii) to have itself removed from the official list of the ASX.

8 GENERAL SCHEME PROVISIONS

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions under section 411(6) of the Corporations Act:

- (a) Target may, by its counsel, consent on behalf of all persons concerned to those alterations or conditions to this Scheme to which Bidder has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Target has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Target Shares together with all rights and entitlements attaching to those Target Shares in accordance with this Scheme;
 - (ii) agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this Scheme;
 - (iii) acknowledges that this Scheme binds Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting);
 - (iv) to the extent applicable, agrees to become a holder of New Bidder Shares and to have its name entered in the Bidder Share Register, and accepts the New Bidder Shares issued to it under the Scheme on the terms and conditions of the Bidder's constitution, without the need for any further act by the Scheme Shareholder; and
 - (v) consents to Target doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder is taken to have warranted to Target and Bidder on the Implementation Date, and appointed and authorised Target as its attorney and agent to warrant to Bidder on the Implementation Date, that all their Target Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Target Shares to Bidder together with any rights and entitlements attaching to those shares. Target undertakes that it will provide such warranty to Bidder as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder, vest in Bidder free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Target of Bidder in the Target Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, and until Target registers Bidder as the holder of all Scheme Shares in the Target Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, its corporate representative to attend shareholders' meetings of Target, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution of Target;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 8.4(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to Target

Each Scheme Shareholder, without the need for any further act, on the Effective Date irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the Deed Poll against Bidder, and Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Target accepts each such appointment. Target as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Binding effect of Scheme

This Scheme binds Target and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target.

9 GENERAL

9.1 Stamp duty

Bidder will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to Target doing all things necessary for or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Target or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the Target Share Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in New South Wales, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

Annexure 2 – Scheme of Arrangement (continued)



9.5 Further action

Each Scheme Shareholder and Target must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 Inconsistencies

This Scheme binds Target and all Scheme Shareholders, and to the extent of any inconsistency, overrides the Target's constitution.

9.7 No liability when acting in good faith

Each Scheme Shareholder agrees that none of Target, Bidder nor any director, officer, secretary or employee of any of those entities shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure 3 – Deed Poll



Level 5, 126 Philip Street,
Sydney NSW 2000

GPO Box 5193
Sydney NSW 2001

p: +61 2 8072 1400 (AU)
e: hello@automicgroup.com.au
w: automicgroup.com.au

DEED POLL

Consolidated Operations Group Limited



Annexure 3 – Deed Poll (continued)

This deed poll is made 19th DECEMBER 2019

PARTIES

A CONSOLIDATED OPERATIONS GROUP LIMITED ABN 58 100 854 788 of Level 1, 72 Archer Street Chatswood NSW 2067 (Bidder);

in favour of

Each person registered as a holder of fully paid ordinary shares in CML Group Limited ABN 88 098 952 277 (Target) in the Share Register as at the Scheme Record Date.

RECITALS

- 1 Target and Bidder have entered into the Implementation Agreement.
- 2 Under the Implementation Agreement, Target has agreed to propose the Scheme in accordance with the Implementation Agreement.
- 3 In accordance with the Implementation Agreement, Bidder is executing this deed poll for the purpose of covenanting in favour of the Scheme Shareholders that it will perform the obligations contemplated of it under the Scheme.

This deed poll provides as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

(a) In this deed poll:

First Court Date means the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard;

Implementation Agreement means the scheme implementation agreement between Target and Bidder dated 13 November 2019 relating to the implementation of the Scheme; and

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, a copy of which is set out in the Schedule to this deed poll, subject to any alterations or conditions as agreed between Bidder and Target in writing or made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target.

(b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1.2 of the Scheme applies to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Bidder acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholder is not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder on behalf of that Scheme Shareholder.

2 CONDITIONS TO OBLIGATIONS AND TERMINATION

2.1 Conditions

This deed poll and the obligations of Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective on or before the Sunset Date, unless Bidder and Target otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder is released from its obligations under this deed poll, except those obligations under clause 7.1; and
- (b) each Scheme Shareholder retains any rights, powers or remedies that it has against Bidder in respect of any breach of this deed poll which occurred before it was terminated.

3 SCHEME OBLIGATIONS

3.1 Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to:

Annexure 3 – Deed Poll (continued)

- (a) provide, or procure the provision of, the Scheme Consideration in accordance with the terms of the Scheme; and
- (b) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme and the Implementation Agreement.

3.2 Bidder covenants in favour of each Scheme Shareholder that the New Bidder Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing Bidder Shares (from the date of issue of the New Bidder Shares); and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4 WARRANTIES

4.1 Bidder represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a public company validly existing under the laws of Australia;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law, judgment, ruling, order or decree binding on it; or
 - (ii) its constitution or other constituent documents.

5 CONTINUING OBLIGATIONS

5.1 This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until the earlier of:

- (a) Bidder having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 2.2.

6 NOTICES

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sender; and
- (b) addressed to Bidder in accordance with the details set out below (or any alternative details nominated by Bidder in writing).

Party	Address	Addressee	Email	Fax Number
Consolidated Operations Group Limited	Level 1, 72 Archer Street, Chatswood NSW	Chief Executive Officer	andrew.bennett@coglimited.com.au	n/a
Copied to: Mills Oakley	Level 7, Barrack Place, 151 Clarence Street, Sydney NSW 2000	Iain Laughland	ilaughland@millsoakley.com.au	n/a

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9:00am and 5:00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address.
By email to the nominated email address	The earliest to occur of: <ul style="list-style-type: none"> (i) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email; (ii) the time that the email is first opened or read by the intended recipient, or an

Annexure 3 – Deed Poll (continued)

	<p>employee or officer of the intended recipient; and</p> <p>(iii) two hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that two-hour period, an automated message that the email has not been delivered.</p>
By fax to the nominated fax number	On receipt by the sender of a transmission control report from the dispatching machine showing the relevant number of pages and the correct destination fax number or name of the intended recipient and indicating that the transmission has been made without error.

7 GENERAL

7.1 Stamp duty

- (a) Bidder must pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll.
- (b) Bidder must indemnify each Scheme Shareholder against any liability arising from any failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in New South Wales, Australia.
- (b) Bidder irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Bidder irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 No Waiver

No failure to exercise nor any delay in exercising any right, power or remedy under this deed poll operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

7.4 Variation

A provision of this deed poll may not be varied unless the variation is agreed to by Bidder and:

- (a) if before the First Court Date, the variation is agreed to by Target; or
- (b) if on or after the First Court Date, the variation is agreed to by Target and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights and obligations created by this deed poll are personal to Bidder and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Bidder must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Annexure 3 – Deed Poll (continued)

SCHEDULE 1 – SCHEME

EXECUTED AS A DEED POLL

EXECUTED by CONSOLIDATED OPERATIONS)
GROUP LIMITED ABN 58 100 854 788 in)
accordance with section 127 of the Corporations)
Act 2001:



Signature of Director

CMEBN SCOTT McCURAGH

Print Name



Signature of ~~Director~~/Secretary

DAVID JAMES FRANKS

Print Name

Annexure 4 – Independent Expert’s Report



CML GROUP LIMITED

Financial Services Guide and Independent Expert’s Report

24 December 2019

Overview

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Annexure 4 – Independent Expert’s Report (continued)

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (“AFCA”). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 2 of this report.

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24 December 2019

Shareholders
CML Group Limited
Level 11, 201 Miller Street
North Sydney, NSW, 2060

Dear Shareholders

INDEPENDENT EXPERT’S REPORT (“REPORT”)

1. Introduction

- 1.1 On 13 November 2019, CML Group Limited (“CML” or “Target”) and Consolidated Operations Group Limited (“COG” or “Bidder”) announced that the companies had entered into a Scheme Implementation Agreement (“SIA”) in relation to a proposal by COG to merge with CML via a scheme of arrangement (“the Scheme”) under Section 411 of the *Corporations Act 2001* (Cth) (“the Corporations Act” or “the Act”).
- 1.2 Under the terms of the Scheme, the eligible CML shareholders (“Shareholders”) may elect to receive the Scheme consideration under one of the following options:
 - Cash and scrip consideration of 2.7 COG shares plus \$0.24 for every 1 CML share held (capped at \$20 million) (“Option 1”); or
 - Scrip consideration of 5.4 COG shares for every 1 CML share held (“Option 2”),collectively referred to as the “Scheme Consideration” or “Consideration”.
- 1.3 Shareholders with an address outside of Australia and New Zealand as at the record date, 7.00pm (AEST) 11 February 2020, will receive \$0.48 per CML Share held (“Ineligible Foreign Shareholders”).
- 1.4 If the Scheme is implemented, CML and COG will become a merged entity under COG (“the Merged Entity”). CML and COG have executed the SIA to give effect to the Scheme if all Conditions Precedent are satisfied.
- 1.5 Subject to the Scheme becoming effective, CML will pay, immediately prior to the Scheme implementation date, a dividend (“Final Dividend”) of \$0.03 per share to all CML Shareholders (comprising both Shareholders and Ineligible Foreign Shareholders).
- 1.6 The Scheme is subject to the Court convening a meeting of Shareholders where Shareholders will consider a resolution seeking approval of the Scheme (“Scheme Meeting”). The Scheme Meeting is to be held on or about 29 January 2020 and, under the Act, it will be approved by the Shareholders if the resolution is passed by a majority of the Shareholders present (in person or by proxy) and voting at the Scheme Meeting, and by at least 75% of the votes cast on the resolution. If this occurs, a second Court hearing will be held to approve the Scheme which, if approved, will become binding on all CML Shareholders who hold CML shares as at the Scheme record date, irrespective of whether or not they voted for the Scheme, and CML and COG will merge, with the Shareholders receiving the Scheme Consideration as elected or, where no election has been made, under the default option, being Option 1 (“Default Option”).

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- 1.7 There is no regulatory requirement, under either the Corporations Act or the Australian Securities Exchange (“ASX”) Listing Rules, for an independent expert’s report to be prepared for Shareholders. However, a condition precedent of the Scheme requires an IER concluding that the Scheme is fair and reasonable and in the best interest of Shareholders.
 - 1.8 The Directors of CML have requested RSM Corporate Australia Pty Ltd (“RSM”), being independent and qualified for the purpose, to express an opinion as to whether the Scheme is in the best interests of Shareholders.
 - 1.9 Accordingly, we have prepared this independent expert’s report (“IER” or “Report”), for the purpose of stating, in our opinion whether or not the Scheme, and as such the offer under the Scheme, is in the best interests of the Shareholders and to set out the reasons for that opinion. Our Report is to be included in the Scheme Booklet and Notice of Meeting to be sent to Shareholders in respect of the Scheme Meeting.
 - 1.10 This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstances of Shareholders. The ultimate decision whether to approve the Scheme should be based on each Shareholders’ assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders should read and have regard to the contents of the Scheme Booklet and Notice of Meeting which have been prepared by the Directors and Management of CML. Shareholders who are in doubt as to the action they should take with regard to the Scheme and the matters dealt with in this Report, should seek independent professional advice.

2. Summary and Conclusion

Opinion

- 2.1 In the absence of any other relevant information, a superior binding offer in relation to the Indicative Scotpac Proposal and/or a superior proposal, RSM considers the Scheme to be **fair and reasonable** to Shareholders, and as such, that the Scheme **is in the best interests** of Shareholders. A summary of our reasons and the approach we have taken in assessing our opinion is set out in this Section of our Report.

Approach

- 2.2 In assessing whether the Scheme is ‘in the best interests’ of Shareholders, we have considered Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 – Content of Expert Reports (“RG 111”), which provides specific guidance as to how an expert is to appraise a Scheme of Arrangement.
- 2.3 Schemes of Arrangement can be used as an alternative to a takeover bid under Chapter 6 of the Act to achieve substantially the same outcome. In these circumstances, RG 111 suggests that the form of analysis to be undertaken by the expert should be substantially the same as for a takeover bid with certain exceptions, such as in the case of a merger.
- 2.4 RG111.31 states that, in the case of a merger of entities of equivalent value, when control of the merged entity will be shared equally between the ‘bidder’ and the ‘target’, the expert may be justified in using an equivalent approach to valuing the securities of the ‘bidder’ and the ‘target’. As the control of the Merged Entity will be shared by CML and COG, we have valued both CML and COG, prior to the Scheme, on a non-controlling basis.
- 2.5 The Scheme is structured with the intention to form a ‘merger of equals’ and is not intended to effect a change of control or provide a premium for control to Shareholders. The level of ownership in the Merged Entity of Shareholders is subject to Shareholders’ election regarding the Scheme Consideration. Assuming 100% of Shareholders elect for Option 2, the collective ownership of CML Shareholders in the Merged Entity will be approximately 44%. Assuming 100% of Shareholders elect for Option 1, taking into consideration the cash cap, the collective ownership of CML Shareholders in the Merged Entity will be approximately 39%. The Scheme provides for equal representation of both CML and COG on the board of directors of the Merged Entity, both having 3 representatives.
- 2.6 Consistent with the guidance set out in RG 111, and on the basis of the above and the further analysis as set out in Section 3, we have assessed the Scheme as a merger, and in assessing whether or not we consider the Scheme to be ‘in the best interests’ of Shareholders, we have considered whether the Scheme is “fair” to Shareholders by assessing and comparing:
- the Fair Value of a share in CML on a non-controlling basis prior to the Scheme; with
 - the assessed Fair Value of the Scheme Consideration offered for a share in CML under both Option 1 and Option 2, also on a non-controlling basis.
- 2.7 We have also considered whether the Scheme is “reasonable” to Shareholders by undertaking an analysis of the other factors relating to the Scheme which are likely to be relevant to Shareholders, in their decision of whether or not, to approve the Scheme.
- 2.8 Further information of the approach we have used in assessing whether the Scheme is in “the best interests” of the Shareholders is set out at Section 3 of this Report.

Is the Scheme Fair to Shareholders?

- 2.9 In assessing whether we consider the Scheme to be fair to Shareholders, we have assessed the Fair Value of a share in CML prior to the implementation of the Scheme and compared it to the Fair Value of the consideration received under both Option 1 and Option 2, to determine whether Shareholders would be better or worse off should the Scheme be approved.

2.10 Our assessment of the Fair Value of a CML Share prior to the Scheme has not incorporated the Final Dividend CML Shareholders will receive immediately prior to the Scheme implementation date. We have, therefore, included the Final Dividend as part of the Scheme Consideration CML Shareholders will receive as part of the transaction and have reduced the Fair Value of the Merged Entity to factor in the payment of the Final Dividend by CML upon, or immediately prior to, the merger.

2.11 Our assessment of the Fair Value of a CML share prior to the Scheme and the Scheme Consideration under Option 1 is set out in Table 1 below. In our assessment of Option 1, we have assumed the scenario that all Shareholders will elect to receive Option 1 (subject to the \$20m cap on cash consideration).

Table 1: Assessed Fair Value of a CML share prior to the Scheme and the Scheme Consideration under Option 1

Option 1	Low \$	High \$	Mid \$
Assessed Fair Value of Scheme Consideration, prior to payment of Final Dividend	\$0.482	\$0.506	\$0.494
Payment of Final Dividend	\$0.030	\$0.030	\$0.030
Assessed total Fair Value of Scheme Consideration	\$0.512	\$0.536	\$0.524
Assessed Fair Value of a CML Share prior to Scheme*	\$0.491	\$0.522	\$0.506
Amount by which the Scheme Consideration exceeds the Fair Value of a CML Share	\$0.021	\$0.015	\$0.018

* fully diluted, non-controlling basis

Source: RSM Analysis

2.12 Our assessment of the Fair Value of a CML Share prior to the Scheme and the Scheme Consideration under Option 2 is set out in Table 2 below. Consistent with the above assessment, in our assessment of Option 2, we have assumed the scenario that all Shareholders will elect to receive Option 2.

Table 2: Assessed Fair Value of a share in CML prior to the Scheme and the Scheme Consideration under Option 2

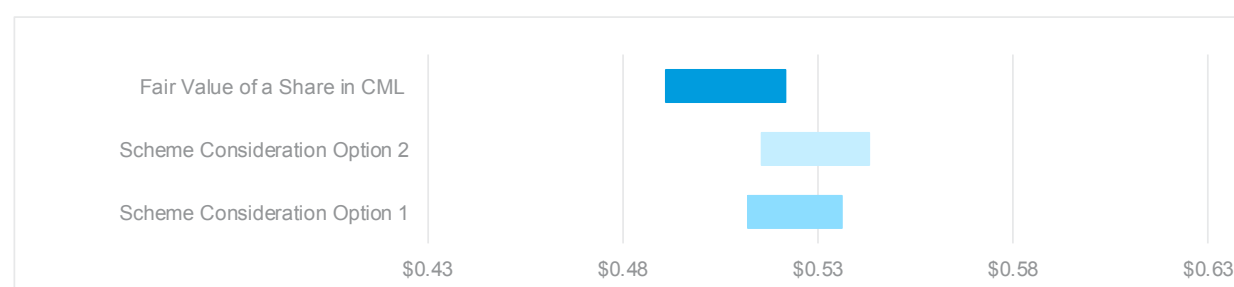
Option 2	Low \$	High \$	Mid \$
Assessed Fair Value of Scheme Consideration, prior to payment of Final Dividend	\$0.486	\$0.513	\$0.499
Payment of Final Dividend	\$0.030	\$0.030	\$0.030
Assessed total Fair Value of Scheme Consideration	\$0.516	\$0.543	\$0.529
Assessed Fair Value of a CML Share prior to Scheme*	\$0.491	\$0.522	\$0.506
Amount by which the Scheme Consideration exceeds the Fair Value of a CML Share	\$0.025	\$0.021	\$0.023

* fully diluted, non-controlling basis

Source: RSM Analysis

2.13 The above comparison is depicted graphically in Figure 1 below.

Figure 1: Assessed Fair Value of a CML share prior to the Scheme and assessed total Fair Value of the Scheme Consideration under Option 1 and Option 2



Source: RSM Analysis

2.14 As the assessed Fair Values of the Scheme Consideration, under both Option 1 and Option 2, are greater than the assessed Fair Value of a share in CML prior to the Scheme, and in the absence of any other relevant information, in our opinion, the Scheme is **fair** to Shareholders, and as such, **in the best interests** of Shareholders.

Consideration of other factors relating to Scheme

2.15 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid. Section 12 of this Report sets out our consideration of other factors relating to the implementation of the Scheme which are likely to be relevant to the decision of Shareholders as to whether or not to approve the Scheme. We set out a summary of these factors below.

Advantages of approving the Scheme

2.16 The key advantages for Shareholders approving the Scheme are:

- the Scheme is in the best interests of Shareholders;
- the rationale for the Scheme is to leverage the companies’ respective broking distributions and related financial products through cross selling, driving the strategic objectives of both CML and COG and increasing the scale of the CML business;
- the board of directors of the Merged Entity will bring increased knowledge and experience with complementary skillsets;
- combining the balance sheets and funding facilities of CML and COG provides the Merged Entity with a larger pool of funds to draw on and may provide greater negotiating power when seeking further funding; and
- the Merged Entity, as a result of its greater size, may have a greater ability to attract investors and raise equity capital which may also result in increased liquidity of shares.

Future Prospects of CML if the Scheme is not approved

2.17 We consider that the future prospects of CML are unlikely to be substantially impacted should the Scheme not be approved. We have formed this view after considering the following:

- in the event that the Scheme is not approved, CML will continue to pursue its stated business strategy; and
- as the CML share price has trended upwards since the announcement of the Scheme, in the event that the Scheme is not approved it is likely that CML’s share price would fall below pre-announcement levels in the short term.

2.18 Notwithstanding the above, we note, however, that CML has received an alternative indicative proposal dated 11 December 2019. Consideration of this proposal is set out in paragraphs 2.22 to 2.29.

Disadvantages of approving the Scheme

2.19 The key disadvantages of the Scheme are:

- subsequent to the implementation of the Scheme, Shareholders’ interests will be diluted to between 39% and 44% of the Merged Entity;
- based on the share registries received at 16 December 2019, a key substantial holder, National Nominees Ltd (“NNL”) held a 21.8% interest in CML and a 27.5% interest in COG. Based on the Merged Entity capital structure, NNL will hold between 21.9% and 26.8% in the Merged Entity (subject to changes as a result of Shareholders selecting either Option 1 or Option 2). Shareholdings of more than 10% may have significant influence in the blocking of special resolutions and a shareholding of 25% or more has the ability to block special resolutions;
- whilst we have valued both CML and COG on a non-controlling basis, Shareholders selecting Option 1 will be forgoing the opportunity to access a premium for control to the extent that their consideration is paid in cash. The extent of the cash consideration is subject to the number of Shareholders selecting Option 1 and can vary from a minimum of \$0.088 for every CML share held if all Shareholders select Option 1 to \$0.24 for every CML share if the Cash Cap is not reached. For the reasons set out in paragraphs 3.7 and 3.8, we do not consider that Shareholders are forgoing the opportunity to access a premium for control to the extent their consideration is paid in shares under Option 1 or Option 2; and

-
- the integration of CML and COG may give rise to unexpected costs.

The price of CML's shares after the announcement of the Scheme

- 2.20 The Scheme was announced to the ASX on 13 November 2019 prior to the commencement of trading for the day. On the next trading day there was a 2 cent drop in CML's share price. A movement of 1 to 2 cents is consistent with the daily movements in CML's share price over the last 12 months.
- 2.21 In the period since the Scheme was announced, CML's share price has trended upwards. CML's shares closed at \$0.475 on 18 December 2019, being the day prior to the announcement of the Indicative Scotpac Proposal.

Alternative proposals and likelihood of an alternative offer

- 2.22 On 11 December 2019, CML received an unsolicited non-binding indicative and conditional offer from Scottish Pacific Group Limited ("Scotpac") to acquire 100% of the issued share capital of CML, by way of a scheme of arrangement, for cash consideration of \$0.57 per CML Share and payment by CML of a dividend of up to \$0.03 per CML Share, prior to the implementation of the scheme of arrangement.
- 2.23 The Indicative Scotpac Proposal is subject to a number of assumptions and conditions including completion of satisfactory confirmatory due diligence.
- 2.24 Pursuant to its fiduciary and statutory obligations, the CML Board has resolved to engage with Scotpac to further understand the conditions associated with the Indicative Scotpac Proposal and explore the potential to receive a binding offer that is capable of consideration by Shareholders. As at the date of our Report, we have been advised by the CML Board that there is no certainty that the Indicative Scotpac Proposal will result in a binding offer that is capable of consideration by Shareholders, or that any binding offer received will be a superior proposal to the Scheme.
- 2.25 We make the following comments on the Indicative Scotpac Proposal:
- initial discussions between Scotpac and the CML Board have been undertaken to assess the Indicative Scotpac Proposal and to confirm CML's willingness to obtain a binding offer;
 - the CML Board has undertaken a comparison of the indicative cash consideration per CML share (consideration representing a controlling premium to acquire a 100% equity interest in CML), to the Scheme Consideration offered by COG, representing a value excluding a premium for control per CML share; and
 - there is an expectation on the part of Scotpac that completion of commercial, operational, financial and legal due diligence will be completed within 3 to 4 weeks from obtaining access to the necessary information.
- 2.26 On 18 December 2019, COG confirmed that it has no current intention to increase the proposed Consideration offered to Shareholders.
- 2.27 As of the date of this Report, we have been advised that the CML Board continues to believe the Scheme is in the best interests of CML Shareholders and has unanimously recommended that, in the absence of a binding superior proposal, CML Shareholders vote in favour of the Scheme.
- 2.28 Having regard to the above, we do not consider the position reached by the CML Board to be unreasonable. Due to the commercially sensitive nature of the Indicative Scotpac Proposal, we are unable to disclose any further information at this point in time.
- 2.29 In the event that a superior binding offer in relation to the Indicative Scotpac Proposal is provided before the Scheme Meeting or a superior proposal emerges prior to the Scheme Meeting, Shareholders will be entitled to reject the Scheme and pursue other proposals. In such circumstances, we reserve the right to change our Report.

Annexure 4 – Independent Expert’s Report (continued)

Conclusion

- 2.30 In the absence of any other relevant information, a superior binding offer in relation to the Indicative Scotpac Proposal, and/or a superior proposal, RSM considers the Scheme to be **reasonable** for Shareholders and as such, that the Scheme is **in the best interests** of Shareholders.
- 2.31 An individual shareholder’s opinion in relation to the Scheme may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

3. Scope of the Report

Purpose of this Report

- 3.1 There is no regulatory requirement, under either the Act or the ASX Listing Rules, for an IER to be prepared in relation to the Scheme. However, a Condition Precedent to the Scheme requires CML to obtain an IER that concludes that the Scheme is fair and reasonable and in the best interest of the Shareholders.
- 3.2 The Directors of CML have requested RSM, being independent and qualified for the purpose, to express an opinion as to whether the Scheme is in the best interests of Shareholders.

Regulatory guidance

- 3.3 It is relevant to note that the expression 'in the best interests' is not defined within either the Act or the Regulations. Therefore, in determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.
- 3.4 RG 111 prescribes that a key matter that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction represents a change of control. Where a Scheme would achieve substantially the same outcome as a takeover bid, RG 111 aligns "in the best interests" with the "fair and reasonable" test. While RG 111 does not define "fair and reasonable" it does provide some guidance as to how the terms should be interpreted in a range of circumstances. With respect to a takeover bid RG 111 applies the "fair and reasonable" test as two distinct criteria, stating:
 - a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 3.5 RG111.31 states that in the case of a merger of entities of equivalent value, when control of the merged entity will be shared equally between the 'bidder' and the 'target', the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.
- 3.6 In line with the guidance provided in RG 111, where a transaction represents a merger, the key consideration of the independent expert is whether the relative value contributed by each of the merging entities to the value of the merged entity is consistent with the terms of the transaction proposed under the scheme.
- 3.7 Having regard to the terms and intention of the Scheme, it is our opinion that the Scheme should be assessed as a merger, rather than a change of control transaction (consistent with a takeover bid). Our opinion is based on the following:
 - the Shareholders' collective ownership in the Merged Entity, assuming 100% of Shareholders elect for Option 1, taking into consideration the cash cap, will be approximately 39%;
 - the Shareholders' collective ownership in the Merged Entity, assuming 100% of Shareholders elect for Option 2, will be approximately 44%;
 - the expected synergy benefits from the transaction will be shared between CML and COG in the same proportions as noted above;

Annexure 4 – Independent Expert’s Report (continued)

- in assessing the cash component offered to Shareholders under Option 1, we consider that, the total cash payment, capped at \$20m (including \$19k ring-fenced in cash consideration to be paid to Ineligible Foreign Shareholders), comprises a relatively small percentage of total Consideration to be paid to Shareholders. Based on our analysis, the cash component represents a maximum of 17.4% to 18.2% of total Consideration under Option 1, and 17.8% at our preferred valuation range (assuming all Shareholders choose Option 1). In the event that the ceiling on the cash cap is not reached, the cash consideration component would decline from this maximum percentage of circa 18% to nil if all Shareholders select Option 2;
- Shareholders who select Option 1 would continue to participate in the future prospects of the Merged Entity on the basis that a maximum of circa 50% of the Consideration under Option 1 is payable in cash. In the event that all Shareholders select Option 1, the cash component falls to \$0.088 or circa 18% of the Scheme Consideration. Due to the nature of the cash cap, we consider that the significant majority of Consideration payable to Shareholders is payable in scrip;
- CML and COG will have equal representation on the board of directors in the Merged Entity;
- the relative value contribution of CML and COG to the value of the Merged Entity (assessed at 43% and 57% for CML and COG, respectively at our preferred valuation), is consistent with their respective collective ownership in the Merged Entity under Option 2; and
- based on the share registries received at 16 December 2019, a key substantial holder, NNL held a 21.8% interest in CML and a 27.5% interest in COG. Based on the Merged Entity capital structure, NNL will hold between 21.9% and 26.8% in the Merged Entity (subject to changes as a result of Shareholders selecting either Option 1 or Option 2). However, for the reasons set out above and in the below paragraph, we do not consider that Shareholders are foregoing the opportunity to access a premium for control.

3.8 We have also had regard to the intention behind the Scheme and consider that the Scheme should be assessed as a merger, rather than a control transaction. The intention of the Scheme is to:

- offer Shareholders a shared Board with complementary skills and a shared strategy;
- deliver mutual cross-selling opportunities and enhanced scale for CML;
- allow the Merged Entity to leverage the key strengths of each group and to drive potential revenue synergies; and
- allow the Merged Group to obtain cost synergies through reduced corporate overheads and compliance costs.

Adopted basis of evaluation

3.9 Having regard to the above, it is our opinion that the Scheme should be assessed as a merger. Therefore, consistent with the guidance set out in RG 111 as summarised above, in assessing whether or not we consider the Scheme to be in “the best interests” of the Shareholders we have considered whether the Scheme is “fair” by assessing and comparing:

- the Fair Value of a share in CML, assessed on a non-controlling basis prior to the Scheme; with
- the assessed Fair Value of the Scheme Consideration, also on a non-controlling basis, under both Option 1 and Option 2.

3.10 Our assessment of the Fair Value of both a share in CML and the Scheme Consideration has been prepared on the following basis:

“the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm’s length”

-
- 3.11 Our assessment of the Fair Value of a CML Share prior to the Scheme has not incorporated the Final Dividend CML Shareholders will receive immediately prior to the Scheme implementation date. We have, consequently included the Final Dividend as part of the Scheme Consideration CML Shareholders will receive as part of the transaction and have reduced the Fair Value of the Merged Entity to factor in the payment of the Final Dividend by CML upon, or immediately prior to, the merger.
- 3.12 In assessing whether the Scheme is in the “best interests” of Shareholders, in addition to considering whether or not the Scheme is “fair” to the Shareholders, we have also considered whether the Scheme is “reasonable” by undertaking an analysis of the following factors:
- potential advantages of the Scheme;
 - potential disadvantages of the Scheme;
 - the price of a CML share post the announcement of the Scheme;
 - the Indicative Scotpac Proposal;
 - the prospects of CML, if the Scheme is not implemented; and
 - any change in liquidity the Scheme may provide.
- 3.13 Our assessment of the Scheme is based on economic, market and other conditions prevailing at the date of this Report.

4. Summary of the Scheme

Overview

- 4.1 On 13 November 2019, CML and COG announced they had entered a SIA proposing that the two companies merge under the Scheme.
- 4.2 Under the terms of the Scheme, Shareholders have two options under which they may receive the Scheme Consideration, as follows:
 - Option 1, being consideration of 2.7 COG shares plus \$0.24 for every 1 CML share held (capped at \$20 million, less any amount paid to Ineligible Foreign Shareholders); or
 - Option 2, being consideration of 5.4 COG shares for every 1 CML share held.
- 4.3 Where no election has been made by a Shareholder in the required timeframe, a default election will be made in favour of Option 1.
- 4.4 Ineligible Foreign Shareholders will receive \$0.48 in cash as consideration for their shares in CML.
- 4.5 The cash cap is defined in the SIA as \$20 million, less the aggregate amount of the All Cash Consideration (“Cash Cap”), where the All Cash Consideration refers to the \$0.48 per share in cash consideration to be paid to Ineligible Foreign Shareholders as set out above.
- 4.6 If the aggregate cash consideration elected to be received by Shareholders under Option 1 plus cash consideration payable to Ineligible Foreign Shareholders exceeds the Cash Cap, all Shareholders who have made an election to receive Option 1 will have their cash consideration scaled back on a pro rata basis (so that the total amount of the aggregate cash consideration payable to Shareholders and to Ineligible Foreign Shareholders equals \$20 million). The reduction in cash consideration in this circumstance will be compensated for by a corresponding increase in the number COG shares received, based on a fixed COG share price of \$0.09.
- 4.7 Subject to the Scheme becoming effective, CML will, immediately prior to the Scheme implementation date, pay a dividend of \$0.03 to the CML Shareholders.

Key conditions of the Scheme

- 4.8 The implementation of the Scheme is subject to a number of Conditions Precedent. The Conditions Precedent which must be satisfied or waived are:
 - (a) **Regulatory Approvals:** All consents, approvals, waivers, relief, exemptions or other action required of any Regulatory Authority or other third party in connection with, required as a result of, or required to permit, the announcement of consummation of the implementation of the Scheme be obtained or received and remaining in full force and effect, on terms that are not materially adverse to either the Target or the Bidder before 8.00am on the Second Court Date, being the date on which the Court hears the application for an order under section 411(4)(b).
 - (b) **Independent Expert recommendation:** The Independent Expert issues a favourable Independent Expert Report before the time that the Scheme Document is registered with ASIC.
 - (c) **Shareholder approval:** Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act.
 - (d) **Target Options:** The CEO of the Target exercises all options registered in his name and is issued with shares registered in the Target, or enters into a deed with a third party regarding the sale and exercising of the Options or enters into a deed with the Target for the cancellation or procurement of the Options for the holder, prior to the Record Date for voting on the Scheme.

-
- (e) **Court approval:** The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
 - (f) **Restraints:** No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Scheme is in effect at 5.00pm on the day before the Second Court Date.
 - (g) **Bidder Funds:** Prior to the First Court Date, the Bidder has sufficient funds or legal binding financial commitments in place to be in a position to provide clear funds to pay the Aggregate Cash Consideration up to the Cash Cap as and when required under the terms of the Deed Poll.
 - (h) **Prescribed Events:** No Prescribed Event (as defined in the SIA) occurs at any time prior to the Second Court Date.
 - (i) **Representations and warranties:** The representations and warranties set out in the SIA are true and correct in all material respects (except where already qualified as to materiality or the absence of a Material Adverse effect), as of the date of the SIA and at all times up until the Second Court Date as if made on such dates (except to the extent such representations and warranties are made solely in respect of an earlier date, in which event such representations and warrants shall be true and correct to such extent as of such earlier date, or except as affected by the transaction).
 - (j) **Finance consents and approvals:** All necessary consents, approvals, exemptions or waivers in a form satisfactory to the Bidder under the respective facilities set out in the SIA.
 - (k) **Representations and warranties:** The representations and warranties set out in the SIA are true and correct in all material respects (except where already qualified as to materiality or the absence of a Material Adverse effect), as of the date of the SIA and at all times up until the Second Court Date as if made on such dates (except to the extent such representations and warranties are made solely in respect of an earlier date, in which event such representations and warrants shall be true and correct to such extent as of such earlier date, or except as affected by the transaction).

Break Fee

- 4.9 A break fee of up to \$1,000,000 (excluding GST) is payable by CML or COG in certain circumstances as specified in the SIA. This includes circumstances where there is a valid termination of the SIA by either party or a competing proposal is announced, recommended or implemented and the Scheme is not also implemented. We note that payment of the Break Fee is not contingent on approval of the Scheme by CML Shareholders. Therefore, we have not considered the Break Fee in our assessment of the Scheme.

5. Non-renounceable rights offer

- 5.1 Subsequent to the announcement of the Scheme, on 20 November 2019, CML opened a non-renounceable pro rata entitlement offer of 3 new shares in CML for every 20 existing shares at an offer price of \$0.48 per new share, raising up to \$14.5m before costs ("Rights Offer"). The Rights Offer closed on 29 November 2019 with 15.8m shares being issued under the Rights Offer, raising \$7.6m before costs, with the issue of the new shares completed on 5 December 2019 and commencement of trading on 6 December 2019.
- 5.2 COG also announced a non-renounceable pro rata entitlement offer of 1 new share for every existing 6 shares held for \$0.09 per new share, raising up to approximately \$20.2m before costs ("COG Rights Offer"). On 5 December 2019, COG announced to the ASX it had raised the full \$20.2m, with \$12.4m raised through the COG Rights Offer resulting in 138.0m shares that were expected to be issued on 6 December 2019 and \$7.8m raised through a shortfall placement with settlement of the shortfall placement expected to occur on 12 December 2019 and the respective shares expected to be issued on 13 December 2019.
- 5.3 On 6 December 2019, COG announced the issue of the 138.0m shares. On 13 December 2019, COG announced the issue of 86.4m in shortfall placement shares to complete the COG Rights Offer.

6. Profile of CML

Overview

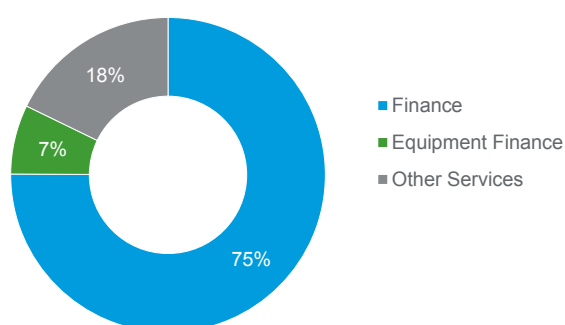
- 6.1 CML is an Australian based ASX listed public company. CML commenced trading as a service provider to the recruitment industry in 2002 and listed on the ASX as Careers Multilist Limited in February 2010. In 2013, CML expanded its operations into the finance sector, providing invoice financing to its existing and growing client base.
- 6.2 By the end of FY17, CML had grown its operations, both organically and through the acquisition of financing businesses, including:
- Earlypay Pty Ltd;
 - Cashflow Finance Australia Pty Ltd;
 - Cashflow Advantage Pty Ltd; and
 - 180 Group Pty Ltd.

The above businesses were collectively rebranded as Cashflow Finance in 2016.

- 6.3 In FY18, CML launched its equipment finance business, Cashflow Equipment Finance, providing loans primarily on second hand transport and yellow goods. CML further expanded its finance business in FY18 acquiring 1stCash Pty Ltd (“1stCash”), the trade and debtor finance division of Thorn Group Limited.
- 6.4 On 4 November 2019, CML completed the acquisition of Classic Funding Group which provides invoice discounting and equipment finance.
- 6.5 CML currently operates out of offices across Brisbane, Sydney, Melbourne and Perth, employing approximately 115 people with a primary focus on the provision of finance solutions and equipment finance. CML also provides employment solutions including (but not limited to) labour sourcing and project management.
- 6.6 CML operates under the trading names Cashflow Finance and Classic Funding offering services under the following segments:
- Finance, which includes invoice discounting, invoice factoring and trade finance;
 - Equipment Finance which includes funding for new and used equipment, including sale-back of owned or partially owned equipment, private sales and mid-term refinancing; and
 - Other Services relating to employment solutions including labour sourcing and projects management.

- 6.7 Figure 2 below illustrates the split of revenues across the business segments in FY19.

Figure 2: CML revenue split by business segment (FY19)



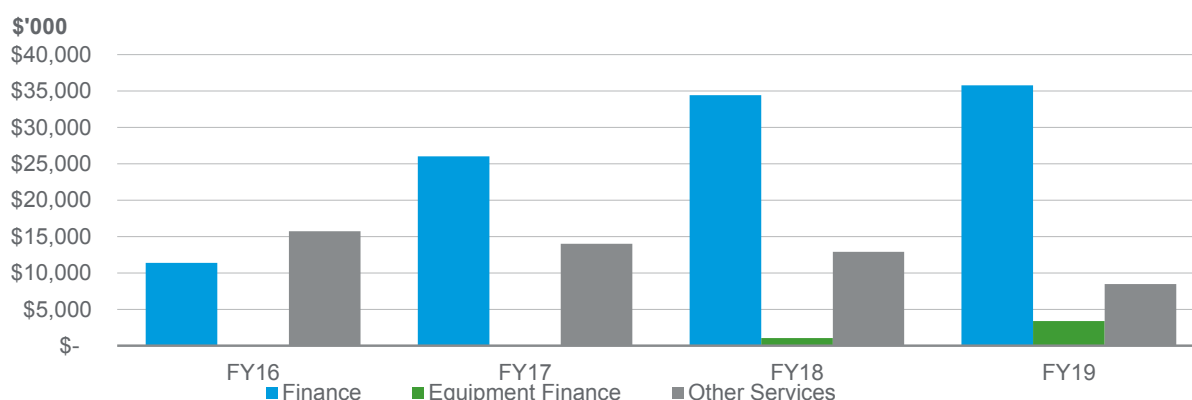
Source: CML Audited Financial Statements

6.8 Each business segment generates revenue as follows:

- Finance revenues include:
 - Invoice discounting – the provision of advance payments of up to 80% of client invoices, where a customer maintains its own in-house accounts receivables department;
 - Invoice factoring - also releases a payment of up to 80% of client invoices, but instead CML serves as an outsourced credit department where CML is responsible for the collection of a customer's payment; and
 - Trade finance - offered in conjunction with debtor finance to customers importing products from overseas. CML pays international suppliers upfront and converts the liability to a debtor finance product upon issuance of the customer invoice.
- Equipment Finance - interest is charged on outstanding loan balances, from \$20,000 to \$2,000,000, with finance extended to customers purchasing new and second-hand transport and yellow goods; and
- Other Services - fees charged from contracts with customers to provide on-hire services.

6.9 CML's revenue by segment for FY16, FY17, FY18 and FY19 is shown in Figure 3 below.

Figure 3: CML revenue by business segment



Source: CML Audited Financial Statements

Legal structure

6.10 CML is the ultimate holding company of the companies set out in Table 3 below.

Table 3: CML subsidiaries

Subsidiary	Country of Incorporation	Ownership
CML Payroll Pty Ltd	Australia	100%
Zenith Management Services Group Pty Ltd	Australia	100%
Cashflow Finance Australia Pty Ltd	Australia	100%
Lester Australia Ltd	UK	100%
Lester Payroll Services Pty Limited	Australia	100%
Cashflow Advantage Pty Ltd	Australia	100%
Lester Associates Good Migration Pty Limited	Australia	100%
Lester Associates Business Services Pty Limited	Australia	100%
180 Group Holdings Pty Limited	Australia	100%
180 Capital Funding Pty Limited	Australia	100%
1stCash Pty Limited	Australia	100%
LesterPlus Pty Limited	Australia	100%
Classic Funding Group Pty Ltd	Australia	100%

Source: CML

Directors and management

6.11 CML's current directors are:

▪ **Gregory Riley (Non-Executive Chairperson)**

Gregory is the founder of CML (formerly CareersMultilist Limited) and has been the Non-Executive Chairperson since November 2014. Prior to founding CML, Gregory was employed as a teacher by the NSW Education department for 16 years and sold a training business he started prior to entering the recruitment industry in 1994. He ran a recruitment business until 2002, when CareersMultilist Limited was launched. Gregory has a Bachelor of Science degree from Sydney University and post-graduate qualifications from Sydney Teachers College and Charles Sturt University.

▪ **Daniel Riley (CEO, MD & Executive Director)**

Daniel has been the Managing Director and Chief Executive Officer of CML since October 2010. Daniel also serves as Managing Director at Zenith Management Services Group Pty Ltd. He also served as Company Secretary of CareersMultilist Limited until October 2010.

▪ **Sue Healy (Independent Non-Executive Director)**

Sue has been an Independent Non-Executive Director of CML since November 2012. Sue also serves as a member of the Advisory Board at Centric Group Ltd. She is the owner and Managing Director of Staff & Exec Pty Limited, a niche recruitment business. Sue is a Fellow and Life Member of the Recruitment and Consulting Services Association (RCSA).

▪ **Geoffrey Joseph Sam (Independent Non-Executive Director)**

Geoffrey has been an Independent Non-Executive Director of CML since March 2015. Geoffrey is the Executive Chairman and co-founder of Health Care Australia Pty Ltd and serves on various other boards across a range of industries including, but not limited to, Healthcare and Finance. Geoffrey holds a Master of Arts in Economics and Social Science from the University of Manchester and a Master of Health Administration from the University of New South Wales. He is also a fellow of the Australian Institute of Company Directors.

▪ **Ikka Tales (Independent & Non-Executive Director)**

Ikka has been an Independent Non-Executive Director at CML since September 2017. He is the founder of Engin Pty Ltd and currently serves as Managing Director at Greensill Capital Australia. He has served on boards of telecommunications companies, including Axxis Technology Ltd and LookMobile. Ikka holds a Bachelor of Business degree, majoring in Accounting with a sub major in Law.

6.12 Key CML professionals (non-directors) are:

▪ **Steve Shin (CFO & Company Secretary)**

Steve has been Chief Financial Officer and Company Secretary of CML since July 2015 and April 2015 respectively. Prior to joining CML, he served as Financial Controller of InfoChoice Ltd and held various senior financial roles in other ASX listed companies. Steve holds a Bachelor of Commerce from Macquarie University and is a member of the Institute of Chartered Accountants of Australia.

▪ **Mark Cleaver (Executive General Manager, Invoice Finance)**

Mark spent 18 years with Bibby Financial Services (BFS). Mark's roles with BFS included:

- Managing Director, UK for 4 years,
- CEO Europe for 6 years,
- Managing Director, Australia & NZ for 3 years, prior to the acquisition of this business by Scotpac in 2015

▪ **Shannon Stelfox (Chief Operating Officer, Invoice Finance)**

Shannon has been the Chief Operating Officer at CML since 2018. She was previously employed as Head of Operations at CML. She has 25 years of experience in invoice factoring, most recently in a similar role at a large established industry competitor.

- **Sandy Fitzgerald (General Manager, Equipment Finance)**

Sandy joined CML in early 2017 to establish an Equipment Finance business

With 35 years in corporate finance specialising in large scale lending projects, Sandy has deep knowledge of Equipment Finance and has a diverse skill set across general management.

Financial Performance

6.13 Table 4 sets out a summary of the financial performance of CML for FY17, FY18 and FY19 (“Historical Period”), extracted from CML’s audited financial statements.

Table 4: CML financial performance for FY17, FY18 and FY19

\$'000	Ref	FY17	FY18	FY19
Revenue				
Finance	6.14.1	26,240	34,421	35,796
Equipment Finance	6.14.2	-	1,040	3,393
Other direct revenue	6.14.3	13,594	12,753	8,272
Other revenue	6.14.4	-	(1,600)	-
Total revenue		39,834	46,614	47,461
Employee benefits expense (direct employees)	6.14.5	7,475	9,196	10,457
Employee benefits expense (on hire)	6.14.5	11,880	11,631	6,964
Finance costs (product related)	6.14.6	5,867	6,688	6,804
Insurance	6.14.7	1,833	1,951	1,979
Legal expenses	6.14.8	717	1,678	1,431
Agency fees		1,034	1,566	1,463
Other expenses		3,790	4,727	4,787
Total operating expenses		32,596	37,437	33,885
EBITDA		7,238	9,177	13,576
Depreciation and Amortisation		165	219	260
Amortisation - Customer relationships		1,358	1,042	1,100
Interest received		173	135	214
Interest expense - corporate		2,126	3,006	468
Net profit / (loss) before tax		3,762	5,045	11,962
Income tax		1,273	1,859	3,562
Net profit / (loss) after tax		2,489	3,186	8,400

Source: CML Audited Financial Statements

6.14 We note the following in relation to CML’s historical financial performance:

6.14.1 The increase in revenue from the finance segment in FY18 is in part due to the acquisition of 1stCash Pty Ltd (“1stCash”) which contributed \$3.1m in revenue over the 4 months to 30 June 2018.

6.14.2 CML commenced the provision of equipment finance in July 2017. CML’s disclosed equipment finance revenue of \$1.0m and \$3.4m in FY18 and FY19, respectively.

6.14.3 Other direct revenue includes revenues from employment solutions, including labour sourcing and project management. In line with CML’s strategic direction, revenues from this segment have declined over the Historical Period, with CML focussing on the development and growth of the equipment finance and finance segments.

6.14.4 On 6 April 2018, CML repaid an 8%, \$40m Corporate Bond using funds obtained from a \$120m institutional funding facility. The repayment of this bond resulted in a comparative saving of \$2.5m with a reduced average cost of debt, however, the early redemption resulted in a one-off loss of \$1.6m reported through other revenue.

6.14.5 Employee benefits expense is split between direct employees, being employees of CML and ‘on hire’ employees being those under contract as part of the employment solutions and labour sources segment of CML. With the acquisition of 1stCash during the FY18 there was an increase in the employee headcount of CML with a

Annexure 4 – Independent Expert’s Report (continued)

consequential increase in the direct employment benefits expense. The decrease in employee benefits expense relating to ‘on hire’ employees is in line with the decrease in associated revenues and the strategic direction of CML.

6.14.6 Finance cost (product related) includes interest expenditure in relation to the provision of financing to customers.

6.14.7 CML has a trade credit insurance premium facility with an annual cost of circa \$1.9m.

6.14.8 Legal expenses largely relate to costs incurred in relation to the recovery of debt owed from customers that have gone into administration, liquidation or ceased business.

Financial Position

6.15 Table 5 below sets out a summary of the financial position of CML as at 30 June 2017, 30 June 2018 and 30 June 2019.

Table 5: Financial position of CML as at 30 June 2017, 2018 and 2019

\$'000	Ref	As at 30-Jun-17	As at 30-Jun-18	As at 30-Jun-19
Assets				
Cash and cash equivalents		14,927	15,678	21,082
Trade receivables	6.16.1	130,155	214,102	192,258
Finance lease receivables		-	2,330	4,809
Other current assets		2,183	2,304	1,023
Total current assets		147,265	234,414	219,172
Finance lease receivables		-	7,224	14,000
Plant & Equipment		367	443	399
Deferred tax asset		1,321	1,808	2,010
Intangibles	6.16.2	12,511	16,717	15,567
Total non-current assets		14,199	26,192	31,976
Total Assets		161,464	260,606	251,148
Liabilities				
Trade Payables	6.16.3	55,613	89,592	90,839
Other current liabilities		93	68	49
Borrowings	6.16.4	14,308	84,273	68,464
Current tax liabilities		1,536	1,614	1,619
Short term provisions - employees		364	538	693
Total current liabilities		71,914	176,085	161,664
Borrowings	6.16.4	72,959	44,166	44,505
Long term provisions - employees		54	67	83
Other liabilities		122	114	97
Total non-current liabilities		73,135	44,347	44,685
Total Liabilities		145,049	220,432	206,349
Net Assets		16,415	40,174	44,799
Equity				
Issued capital		16,711	39,787	39,954
Accumulated earnings / (Losses)		(735)	(54)	4,404
Reserves		439	441	441
Total Equity		16,415	40,174	44,799

Source: CML Audited Financial Statements

6.16 We note the following in relation to CML's financial position:

- 6.16.1 The trade receivables balance relates to the debtor finance business of CML net of allowance for expected credit losses.
- 6.16.2 Included in the balance for intangible assets are goodwill, trademarks and customer relationships identified as part of the acquisitions made, including \$3.6m of goodwill and \$1.65m of customer relationships acquired as part of the 1stCash acquisition.
- 6.16.3 Trade payables relate primarily to the trade receivable balance for the debtor financing segment.
- 6.16.4 A summary of current and non-current borrowings is set out in Table 6 below:

Table 6: Summary of interest-bearing borrowings

\$'000	As at 30-Jun-17	As at 30-Jun-18	As at 30-Jun-19
Current borrowings			
Receivables Financing Facility	2,849	82,798	68,431
Unsecured loans	11,459	1,475	33
Non-current borrowings			
Unsecured corporate bonds	-	19,547	19,630
Unsecured convertible notes	9,910	-	-
Senior secured corporate bonds	63,049	24,619	24,875
Total borrowings	87,267	128,439	112,969

Source: CML Audited Financial Statements

- 6.16.5 As at 30 June 2019, \$68.4m of the total receivables financing facility of \$140m was drawn down. This facility is used to fund the invoice discounting business. The average interest rate on this facility is 4.5%.
- 6.16.6 The unsecured corporate bond was raised in May 2018 for \$20m at a fixed interest rate of 7.95%.
- 6.16.7 In March and May 2016, CML issued fixed coupon secured corporate bonds totalling \$40m. The 8% secured corporate bonds were repaid in May 2018.
- 6.16.8 While there are significant borrowings disclosed on CML's balance sheet as at 30 June 2019, all of these borrowings relate to funding required to service customers.

Annexure 4 – Independent Expert’s Report (continued)

Capital Structure

6.17 The top 20 shareholders of CML as at 16 December 2019 are set out in Table 7 below.

Table 7: CML top 20 shareholders

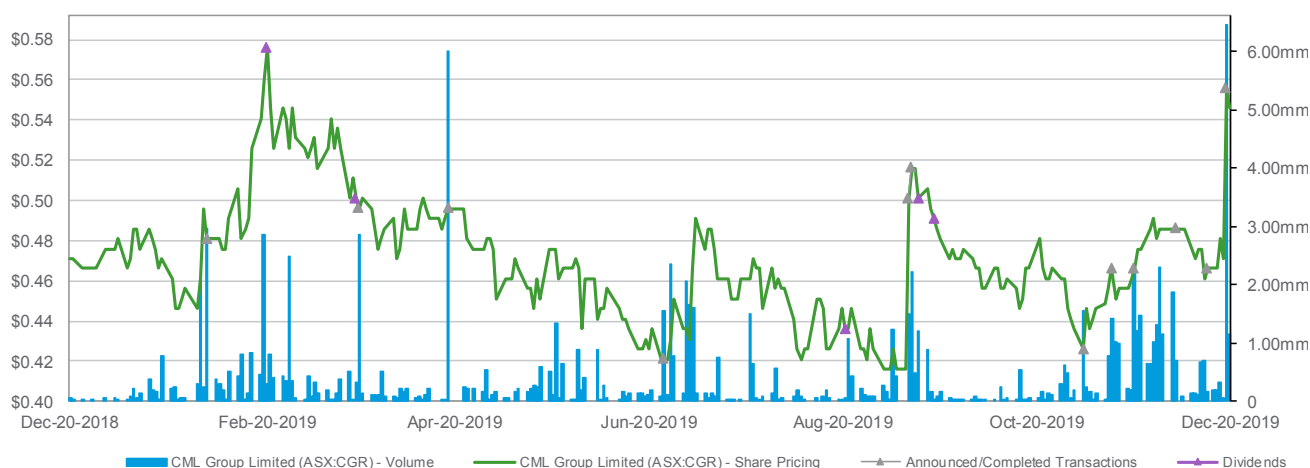
Registered Shareholder	No. Shares Held	% Holding
1 J P Morgan Nominees Australia Pty Limited	56,947,698	26.2%
2 National Nominees Limited	47,504,590	21.8%
3 HSBC Custody Nominees (Australia) Limited	10,582,857	4.9%
4 G & A Riley Investments Pty Limited <Greg & Ann Riley SMSF P A/C>	10,491,803	4.8%
5 Merrill Lynch (Australia) Nominees Pty Limited	7,701,976	3.5%
6 Citicorp Nominees Pty Limited	7,456,517	3.4%
7 G & A Riley Investments Pty Limited <G & A Riley SMSF A/C>	6,401,976	2.9%
8 One Managed Invnt Funds Ltd <Sandon Capital Inv Ltd A/C>	2,776,816	1.3%
9 BNP Paribas Nominees Pty Ltd <Ib Au Noms Retailclient Drp>	2,647,999	1.2%
10 Gwynvill Trading Pty Ltd	2,300,000	1.1%
11 Guerilla Nominees Pty Ltd <Tooth Retirement Plan A/C>	1,891,176	0.9%
12 UBS Nominees Pty Ltd	1,780,857	0.8%
13 Itoka Pty Ltd <PM Superannuation Fund A/C>	1,400,000	0.6%
14 Minnamurra Finance Pty Ltd <The Riley Family A/C>	1,229,890	0.6%
15 Blackcourt (NSW) Pty Limited <Lawsam Super Fund A/C>	1,150,000	0.5%
16 Weewac Pty Ltd <Warrior Super Fund A/C>	927,600	0.4%
17 BNP Paribas Nominees Pty Ltd <IOOF Insmt Mgmt Ltd Drp>	850,000	0.4%
18 Mr Andrew Robert Preston	831,302	0.4%
19 Mr Daniel Jon Riley <M & D Riley SMSF A/C>	740,291	0.3%
20 Carrier International Pty Limited <Super Fund A/C>	628,832	0.3%
Total ordinary shares held by top 20	166,242,180	76.4%
All other shareholders	51,329,877	23.6%
Total ordinary shares on issue	217,572,057	100.0%

Source: CML

Share price performance

6.18 A summary of CML’s recent share trading history is set out in the Figure 4 below.

Figure 4: CML recent share trading history (Source: S&P Capital IQ)



Source: S&P Capital IQ

6.19 We make the following comments with regard to CML's recent share price performance:

6.19.1 Over the 12 months ended 20 December 2019, CML shares have traded for 243 days, with the share price fluctuating from a low of \$0.420 to a high of \$0.580, and a VWAP of \$0.486. The average daily volume traded over the same period was 0.43m.

6.19.2 Notable dates over the last 12 months with regards to movements in share price include:

- On 1 February 2019, a substantial shareholder conducted an on-market acquisition of 5.3m shares in CML. The closing price on that day was \$0.485, a decrease of 1.5 cents from the prior day close of \$0.50.
- On 20 February 2019, CML released its half year report including the announcement of a dividend. The share price increased 1.5 cents from the prior day, closing at \$0.58, the highest point over the 12 months to 20 December 2019.
- On 21 March 2019, CML's Managing Director, Daniel Riley announced the sale of 1.5 million shares.
- On 18 April 2019, 6.02m shares were traded, the largest volume of trading in one day over the 12 months to 20 December 2019.
- On 25 June 2019, an extraordinary general meeting of CML was held and the results of the meeting were announced. On the same day 1.54m shares were traded.
- On 10 September 2019, a trading halt was followed by an investor briefing and announcement of the acquisition of Classic Funding Group. The closing share price on the day was \$0.505.
- On 11 September 2019, 2.2m shares were traded and the share price closed at \$0.520, 1.5 cents higher than the previous day, reflecting the market's positive view of the Classic Funding Group acquisition.
- On 4 November 2019 the completion of the Classic Funding Group acquisition was announced to the market. On the same day 1.56m shares traded, with the share price closing at \$0.430.
- 13 November 2019 – Announcement of the Scheme.
- On 20 November 2019, CML opened the Rights Offer, with the completion of the Rights Offer announced on 3 December 2019.
- On 19 December 2019, CML announced that it had received the Indicative Scotpac Proposal. On the same day, 6.47m shares were traded and the share price closed at \$0.55.

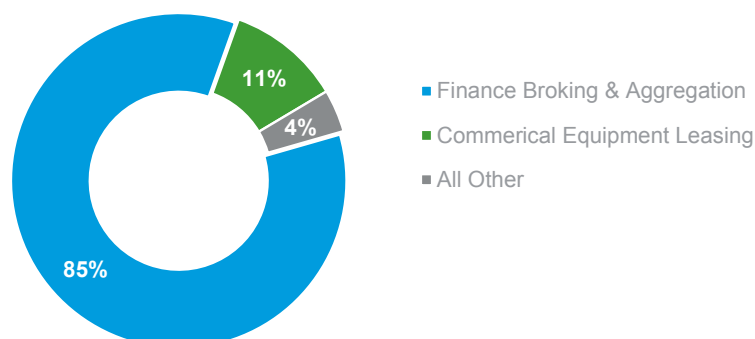
Annexure 4 – Independent Expert’s Report (continued)

7. Profile of COG

Overview

- 7.1 COG is an ASX listed Australian company which, through its subsidiaries and investments, specialises in finance broking and aggregation and equipment financing in the SME market. To a lesser extent, COG also operates in IT management and other professional services.
- 7.2 COG commenced operations in 2003 as ‘Wallace Absolute Return Limited’, and has since expanded into a consolidated group focused on financing the SME market. COG’s growth has been predominantly achieved through the acquisition of brokers and aggregators as well as investment in financiers.
- 7.3 In the last 2 years, COG made a number of acquisitions both directly and indirectly through its subsidiaries. The most notable acquisitions were:
- in September 2018, COG acquired 100% equity in Centrepoint Finance Pty Ltd (“CF”), an intermediary for finance and insurance premium finance. CF offers a wide range of products including equipment finance, commercial finance, mortgage finance and insurance finance. As part of the purchase price consideration for CF, there is a contingent component of up to \$1.9m. COG considers it highly unlikely that any of the contingent consideration will be payable as at 30 June 2019;
 - also in September 2018, COG acquired a 32% interest in Westlawn Finance Limited (“Westlawn”). Westlawn provides financial services to businesses and consumers in northern NSW including a broad range of loan facilities, insurance products and financial planning services.
- 7.4 COG reports revenues under the following 3 segments:
- the Finance Broking & Aggregation segment aggregates broker volumes to encourage profitability through scale and finance broking focused on motor vehicle and equipment finance;
 - the Commercial Equipment Leasing segment provides bespoke financing arrangements for essential business assets of commercial customers; and
 - the All Other segment relates to managed IT services segment (we note that it was disclosed in the FY19 financial statements that COG was actively seeking to divest its 100% owned subsidiaries in this segment).
- 7.5 Figure 5 below illustrates the split of revenue across the business segments in FY19.

Figure 5: Revenue split by segment FY19



Source: COG Audited Financial Statements

Legal structure

7.6 The entities which COG has either a direct or indirect interest in as the date of this Report are set out in Table 8 below:

Table 8: COG subsidiaries and equity investments

Company	Parent entity	Direct Interest held	Indirect Interest held
Platform Consolidated Group Pty Limited ("PCG")	COG	70%	
<i>Geelong Financial Group Vehicle and Equipment Pty Limited</i>	PCG		17%
<i>Vehicle & Equipment Finance Pty Limited</i>	PCG		35%
<i>Fleet Avenue Pty Limited</i>	PCG		35%
<i>Fleet Network Pty Limited</i>	PCG		67%
<i>Advance Car Loans Pty Limited</i>	PCG		70%
<i>Beinformed Group Pty Limited</i>	PCG		70%
<i>Melbourne Finance Broking Pty Limited</i>	PCG		70%
<i>Mildura Finance Pty Limited</i>	PCG		70%
<i>Platinum Direct Finance Australia Pty Limited</i>	PCG		70%
<i>Platinum Direct Finance (Central Coast) Pty Limited</i>	PCG		35%
<i>Platinum Fleet Pty Limited</i>	PCG		49%
<i>Consolidated Platform Aggregation Pty Limited</i>	PCG		53%
<i>Consolidated Platform Aggregation Unit Trust</i>	PCG		66%
Consolidated Finance Group Pty Ltd ("CFG")	COG	100%	
<i>CFG (Qld) Pty Limited Pty</i>	CFG		100%
<i>QPF CFG Pty Limited</i>	CFG		100%
Linx Group Holdings Pty Ltd ("Linx")	COG	50%	
<i>Linx Finance Australia Pty Limited</i>	Linx		50%
<i>Linx Insurance Australia Pty Limited</i>	Linx		50%
<i>Linx Mortgage Australia Pty Limited</i>	Linx		50%
<i>Linx HF Pty Limited</i>	Linx		50%
<i>Linx HC Pty Limited</i>	Linx		50%
<i>Heritage Finance Management Pty Limited</i>	Linx		25%
<i>Heritage Finance Partnership</i>	Linx		25%
<i>Heritage Corporate Management Pty Limited</i>	Linx		25%
<i>Heritage Corporate Partnership</i>	Linx		25%
<i>Sovereign Tasmania Pty Limited</i>	Linx		25%
QPF Holdings Pty Ltd ("QPF")	COG	56%	
<i>QPF Pacific Finance Pty Limited</i>	QPF		56%
<i>QPF Insurance Pty Limited</i>	QPF		42%
<i>QPF Mortgages Pty Limited</i>	QPF		56%
<i>Security Allied Finance Pty Limited</i>	QPF		56%
<i>DLV (Qld)</i>	QPF		28%
Centrepnt Finance Pty Limited ("CF")	COG	100%	
<i>EF Systems Pty Limited</i>	CF		100%
<i>Finance 2 Business Pty Limited</i>	CF		100%
Hal Group Pty Limited ("HAL")	COG	100%	
<i>BEN Leasing Portfolio Pty Limited</i>	HAL		100%
<i>Number Rentals Pty Limited</i>	HAL		100%
<i>Secured Finance Limited</i>	HAL		100%
<i>TL Rentals Pty Limited</i>	HAL		100%
<i>TL Rentals SPV NO 1 Pty Limited</i>	HAL		100%

Source: COG

Directors and management

7.7 COG’s current directors are:

- **Patrick Tuttle (Independent Non-Executive Chairman)**

Patrick has been a director of COG since October 2018 and was appointed Independent Non-Executive Chairman in January 2019. Patrick has more than 30 years of experience in the financial services sector, having initially qualified as a Chartered Accountant with Price Waterhouse. Prior to joining Pepper Group Limited in 2001 as Finance Director, he was a Divisional Finance Director for a range of operating businesses within Macquarie Bank Limited (ASX:MBL), including the Banking & Property, Corporate Finance, and Project & Structured Finance Group.

- **Steve White (Independent Non-Executive Director)**

Steve has been a director of COG since 2010 and has over 30 years of experience in Investment Banking, including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. For 10 years, he held a position as a Principal of a boutique risk advisory firm which concentrated on assisting C-suite executives to manage significant financial market risks. This experience is combined with significant corporate governance experience, having acted as a Responsible Manager for a Wholesale AFSL for 10 years. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Master of Management from Macquarie Graduate School of Management.

- **Bruce Hatchman (Independent Non-Executive Director)**

Bruce has been a director of COG since 2014 and was appointed an Independent Non-Executive in January 2019. As the former Chief Executive of Crowe Horwath, Bruce has over 40 years’ experience in providing corporate finance, strategic planning (including the acquisitions and integration of businesses) and audit and assurance services to listed companies and large private enterprises. His experience includes the acquisition and integration of financial services firms. Bruce is a Chartered Accountant and a member of the Australian Institute of Company Directors.

- **Cameron McCullagh (Executive Director)**

Cameron has been a director of COG since 2015 and recently served as Managing Director to January 2019. Cameron has over 30 years’ experience in the finance sector, having trained as a Chartered Accountant at KPMG. Cameron was a partner at Moore Stephens Sydney and founded and grew White Outsourcing. Cameron was Chief Executive Officer of Employers Mutual until 2010. As Chief Operating Officer, Cameron took operational responsibility for the successful listing on the ASX of the insurance broking accumulator Steadfast Group. Cameron is Chairman of A S White Global Pty Limited, which has over 900 employees in Australia and Asia providing offshore teams to Australian businesses.

- **Mark Cain (Executive Director)**

Mark has over 20 years’ experience in banking and finance, with the last 15 years specialising in commercial asset finance. After completing his International Business degree, Mark held roles at NAB and Mercedes-Benz Finance. In 2008, Mark joined QPF (now a 56% owned finance broking business of COG) and has since developed a strong client base and established a number of broker partnership models with national vendors and financiers. Mark has been heavily involved in various acquisitions since QPF joined COG in 2016 and has recently joined the COG Board as an executive director.

- **Andrew Bennett (Group Chief Executive Officer)**

Andrew joined COG in June 2018 and is responsible for funding and management across the business. He has been involved in the non-bank finance sector for 20 years, including establishing the wholesale funding arrangements for zipMoney (ASX: Z1P) and Think Tank Commercial Property where he was CFO and CIO respectively. Prior to this, Andrew was a Chartered Accountant with KPMG, and Corporate Treasurer for Peabody Resources Ltd.

7.8 Key COG professionals (non-directors) are:

▪ David Franks (Company Secretary)

David is a former principal of Franks & Associates Pty Limited, which merged with the Automic Group in 2018. David is a director and principal of the Automic Group. He is a chartered accountant, fellow of the Financial Services Institute of Australia, fellow of the Governance Institute of Australia, Justice of the Peace, registered tax agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 20 years in finance and accounting, David has been chief financial officer, company secretary and director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare.

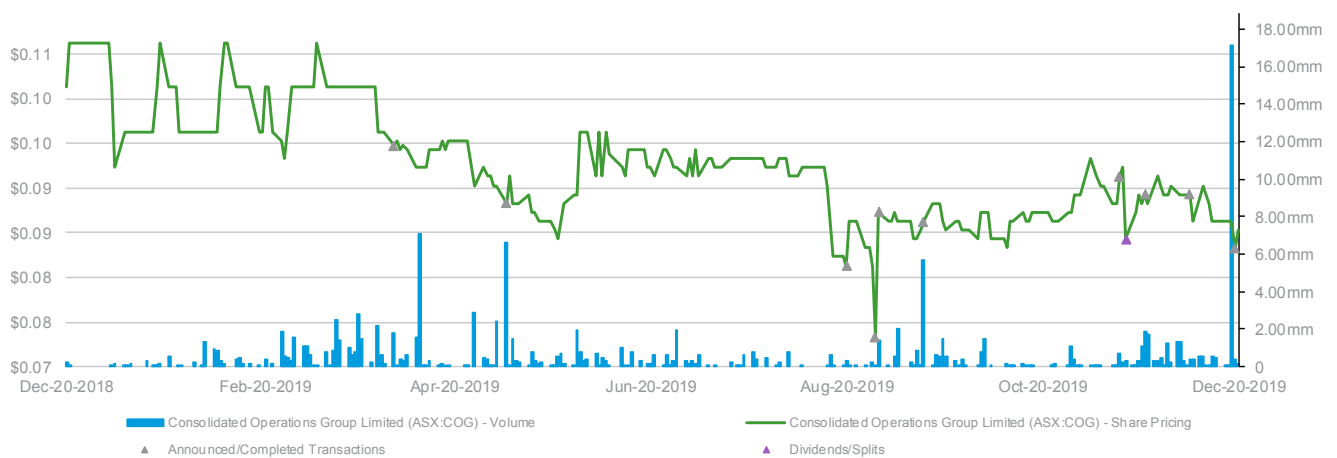
▪ John McRae (Chief Financial Officer)

John is an experienced CFO, and over the past 25 years has held senior finance roles in ASX listed and multinational companies. His industry experience is extensive and includes investment banking, financial services, consumer products and retail. Prior to joining COG he was employed by David Jones Limited undertaking a number of roles including CFO, Executive Director and Company Secretary. John is a Fellow of Chartered Accountants – ANZ and a graduate member of the Australian Institute of Company Directors.

Share price performance

7.9 A summary of COG's recent share trading history is set out in Figure 6 below.

Figure 6: COG recent share trading history (Source: S&P Capital IQ)



Source: S&P Capital IQ

7.10 We make the following comments with regard to COG's recent share price performance.

7.11 Over the 12 months ended 20 December 2019, COG shares have traded for 213 days with the share price fluctuating from a low of \$0.077 to a high of \$0.110, and a VWAP of \$0.095. The average daily volume traded over the same period was 0.65m.

7.12 Notable dates over the last 12 months with regards to movements in share price and volume include:

- During April 2019, COG conducted an on-market share buyback, buying back a total of 11.5m shares at between \$0.098 and \$0.100.
- On 6 May 2019, 6.67m shares were traded, with the share price closing at \$0.092. There were no announcements to the ASX made on this date.

Annexure 4 – Independent Expert’s Report (continued)

- On 20 August 2019, COG addressed the media speculation regarding a potential transaction with Thorn Group Limited. The company’s annual report and investor presentation were also lodged with ASX with various other notices.
- On 29 August 2019, COG’s share price dropped to \$0.077, its lowest level over the 12 months to 20 December 2019. On 30 August 2019, the share price jumped to \$0.091 and has remained at or above \$0.087 for the remaining period to 20 December 2019.
- On 13 September 2019, 5.68m shares were traded and the share price closed at \$0.09. There were no announcements made on or close to this date.
- 13 November 2019 – the Scheme was announcement to the market.
- On 21 November 2019, COG opened the COG Rights Offer, with the closure of the COG Rights Offer announced on 5 December 2019. On 13 December 2019, COG announced the placement of the shortfall placement shares to complete the COG Rights Offer.
- On 19 December 2019, COG announced that it would be continuing to pursue the Scheme with CML whilst acknowledging CML’s receipt of the Indicative Scotpac Proposal. On the same day, 17.14m shares were traded and the share price closed at \$0.087.

Financial Performance

7.13 Table 9 sets out a summary of the financial performance of COG for the Historical Period extracted from COG’s audited financial statements.

Table 9: Financial Performance of COG for FY17, FY18 and FY19

\$'000	Ref	FY17	FY18	FY19
Revenue				
Commissions, trail, fee and volume bonuses	7.14.1	52,950	91,837	124,617
Sale of goods		19,023	54,073	66,611
Finance lease		7,470	17,707	22,752
Other		568	836	3,258
Total revenue		80,011	164,453	217,238
Expenses				
Cost of sales	7.14.2	13,195	48,610	60,632
Commissions paid	7.14.3	30,455	48,227	71,749
Employee benefits expense	7.14.4	17,187	28,330	35,909
Administration expenses	7.14.5	6,627	12,137	15,489
Occupancy expenses		1,175	2,653	3,151
Finance costs	7.14.6	1,480	7,790	8,969
Share of results from equity accounted associates	7.14.7	2,845	(144)	24
Other expenses		1,577	228	392
Total operating expenses		74,541	147,831	196,315
Other Income		1,060	10	-
Other expenses		-	562	1,656
EBITDA		6,530	16,070	19,267
Depreciation and Amortisation		3,849	5,678	6,914
EBIT		2,681	10,392	12,353
Interest Income		881	486	209
Interest Expense - Corporate		-	683	562
Net Profit / (Loss) Before Tax		3,562	10,195	12,000
Income tax		3,141	2,706	3,512
Net Profit / (Loss) After Tax		421	7,489	8,488
Other comprehensive income		-	(107)	91
Total comprehensive income for the year		421	7,382	8,579

Source: COG Audited Financial Statements

7.14 We note the following in relation to COG's historical financial performance:

- 7.14.1 Commissions, trail, fee and volume bonuses and revenues from the sale of goods relate to the Finance Broking and Aggregation segment. Growth in this segment has been the primary driver for increasing revenues from FY18 to FY19. This growth has been supported by the completion of 4 acquisitions in FY18 and 6 acquisitions in FY19.
 - 7.14.2 Cost of sales includes all direct expenditure (excluding finance costs in relation to funding of COG's lease finance customers and commission paid) in relation to revenues generated from COG's revenue channels.
 - 7.14.3 Commissions paid includes payments made to COG's broker network for finance origination.
 - 7.14.4 Employee benefits expenses includes salaries and wages, superannuation, equity-settled share-based payments expense, payroll tax and other employee benefits expenses. Headcount has fluctuated over the Historical Period due to the acquisitions discussed above and associated redundancies.
 - 7.14.5 Administration expenses includes expenses in relation to advertising, IT, communications, professional fees and travel.
 - 7.14.6 Finance cost predominantly relates to the interest expense on COG's finance lease portfolio.
 - 7.14.7 The share of results from associates includes COG's pro-rata share of financial results from its minority interest in entities such as Westlawn, Riverwise Pty Limited and Simply Finance Group.
- 7.15 We note that the Financial Performance of COG includes profits attributable to non-controlling interests in various group entities. In our assessment of the Fair Value of COG in Section 10 of this Report, we have had regard to the profits attributable to non-controlling interests.

Annexure 4 – Independent Expert's Report (continued)

Financial Position

7.16 Table 10 below sets out a summary of COG's financial position as at 30 June 2017, 30 June 2018 and 30 June 2019.

Table 10: Financial position of COG

\$'000	Ref	As at 30-Jun-17	As at 30-Jun-18	As at 30-Jun-19
Assets				
Cash and cash equivalents		39,837	36,246	26,037
Trade and other receivables		12,860	14,040	12,349
Contract assets		-	1,697	2,647
Financial assets - lease receivables	7.17.1	23,212	35,620	36,088
Other financial assets		732	1,205	1,361
Inventories		505	191	13
Asset classified as held for sale		-	-	885
Total current assets		77,146	88,999	79,380
Contract assets		-	4,336	6,402
Trade and other receivables		3,628	-	163
Financial assets - lease receivables	7.17.1	45,814	64,975	73,699
Other financial assets		4,227	6,533	3,003
Equity accounted associates	7.17.2	749	1,487	15,536
Property, plant and equipment		2,385	1,383	1,155
Intangible assets	7.17.3	143,121	145,407	159,129
Total non-current assets		199,924	224,121	259,087
Total Assets		277,070	313,120	338,467
Liabilities				
Trade and other payables		10,514	12,352	12,098
Customer salary packaging liability		5,748	5,796	5,131
Interest bearing liabilities	7.17.4	29,973	37,511	44,566
Current tax liabilities		2,538	1,935	1,903
Provisions		2,460	2,105	3,480
Liabilities directly associated with the assets held for sale		-	-	685
Total current liabilities		51,233	59,699	67,863
Trade and other payables		-	426	1,208
Interest bearing liabilities	7.17.4	30,583	55,077	60,015
Deferred tax liabilities		9,177	7,543	9,884
Provisions		300	496	523
Total non-current liabilities		40,060	63,542	71,630
Total Liabilities		91,293	123,241	139,493
Net Assets		185,777	189,879	198,974
Equity				
Share Capital		216,216	215,670	220,905
Accumulated losses		(81,369)	(81,369)	(81,369)
Reserves		36,437	40,372	38,564
Non-controlling interests		14,493	15,206	20,874
Total Equity		185,777	189,879	198,974

Source: COG Audited Financial Statements

7.17 We note the following in relation to COG's financial position:

7.17.1 Lease receivables reflect the outstanding balances owed by customers on leases entered into with COG, adjusted for expected credit losses.

7.17.2 COG holds a number of equity interests in associates. The most recent investment comprises of a 32% stake in Westlawn. Other equity interests include a 25% stake in Simply Finance Group and a 33% stake in Riverwise Pty Limited which has been written down to \$nil. The value recognised for the investment in Westlawn as at 30 June 2019 was \$14.8m.

7.17.3 Intangible assets held by COG include goodwill, software, customer relationships and supplier agreements.

7.17.4 A summary of COG's current and non-current interest-bearing liabilities are set out in Table 11 below:

Table 11: Summary of interest-bearing borrowings

\$'000	As at 30-Jun-17	As at 30-Jun-18	As at 30-Jun-19
Current interest-bearing liability			
Corporate Facility	3,000	3,000	3,000
Loan - MGM266 Pty Limited	1,885	-	-
Debenture Funding	7,601	13,589	22,976
Finance Lease funding liabilities	17,328	20,862	18,492
Other interest-bearing liabilities	159	60	98
Total current interest-bearing liabilities	29,973	37,511	44,566
Non-current interest-bearing liability			
Corporate Facility	10,500	6,000	3,750
Debenture Funding	1,908	30,757	23,828
Finance Lease funding liabilities	18,026	18,211	32,388
Other interest-bearing liabilities	149	109	49
Total non-current interest-bearing liabilities	30,583	55,077	60,015
Total interest-bearing liabilities	60,556	92,588	104,581

Source: COG Audited Financial Statements

7.17.5 Interest payable on the corporate facility in FY18 and FY19 was \$614k and \$483k, respectively.

7.17.6 The debenture funding consists of multiple debentures with differing interest terms and contractual rights to specific repayment periods up to 36 months.

7.17.7 While there are significant borrowings disclosed on COG's balance sheet, with the exception of the corporate facility, all of these borrowings relate to funding required to service customers.

Annexure 4 – Independent Expert’s Report (continued)

Capital Structure

7.18 The top 20 shareholders of COG as at 16 December 2019 are set out in Table 12.

Table 12: Top 20 shareholders in COG

Registered Shareholder	No. Shares Held	% Holding
1 National Nominees Limited	432,103,614	27.5%
2 GEGM Investments Pty Ltd	275,910,882	17.6%
3 UBS Nominees Pty Ltd	81,586,975	5.2%
4 One Managed Invt Funds Ltd <Sandon Capital Inv Ltd A/C>	75,716,036	4.8%
5 Linx Holdings Pty Ltd <Linx Finance Holdings A/C>	55,067,958	3.5%
6 Westlawn Finance Limited	41,863,999	2.7%
7 Citicorp Nominees Pty Ltd	39,066,027	2.5%
8 CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	24,980,896	1.6%
9 J P Morgan Nominees Australia Pty Limited	23,897,957	1.5%
10 C-Flag Pty Ltd	16,751,814	1.1%
11 Fiducio Pty Ltd <LE A/C>	16,289,451	1.0%
12 Australian Executor Trustees Limited <No 1 Account>	16,012,724	1.0%
13 HSBC Custody Nominees (Australia) Limited	14,663,077	0.9%
14 CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	14,374,808	0.9%
15 Presmore Pty Ltd <The M A Smith Family A/C>	11,308,534	0.7%
16 Mattsall Pty Ltd <Mattsall A/C>	9,600,000	0.6%
17 Rosemary Laurence Pty Ltd <Rosemary Laurence S/F A/C>	9,237,111	0.6%
18 Lezak Nominees Pty Ltd <Lezak Nominees S/F A/C>	9,004,810	0.6%
19 One Managed Invt Funds Ltd <1 A/C>	8,989,840	0.6%
20 Mr Angus McCullagh	8,478,529	0.5%
Total ordinary shares held by top 20	1,184,905,042	75.4%
All other shareholders	386,831,081	24.6%
Total ordinary shares on issue	1,571,736,123	100.0%

Source: COG

8. Valuation Approach

Basis of Valuation

- 8.1 Our assessment of the Fair Value of a CML share prior to the Scheme, and the assessment of the Fair Value of the Scheme Consideration has been prepared on the basis of the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

- 8.2 In assessing the Fair Value of a CML share and the Scheme Consideration, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- 8.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:

Market Based Methods

- 8.4 Market based methods estimate Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:
- the quoted price for listed securities; and
 - industry specific methods.
- 8.5 The recent quoted price for listed securities method provides evidence of the Fair Value of a company's securities where they are publicly traded in an informed and liquid market.
- 8.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the Fair Value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

- 8.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:
- discounted cash flow methods; and
 - capitalisation of future maintainable earnings.

Annexure 4 – Independent Expert’s Report (continued)

- 8.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 8.9 The capitalisation of maintainable earnings methodology estimates the Fair Value of a business as being the product of a company’s Future Maintainable Earnings (“FME”) multiplied by an appropriate earnings multiple. The methodology is commonly applied where earnings are stable and an assessment of FME can be established with a degree of confidence. Capitalisation multiples can be applied to either estimates of future maintainable operating cash flows, EBITDA, EBIT or net profit after tax. The earnings from any non-trading surplus assets are excluded from the estimate of FME and the value of such assets is separately added to the value of the business in order to derive the total value of the company. The appropriate multiple to be applied is usually derived from an analysis of stock market trading multiples of comparable companies (which do not include a control premium) and the implied multiples paid in comparable transactions (which typically include a control premium).

Asset based methods

- 8.10 Asset based methodologies estimate the Fair Value of a company’s securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 8.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 8.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.
- 8.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company’s assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of a share in CML prior to the Scheme

- 8.14 In assessing the Fair Value of a share in CML prior to the Scheme we have utilised the following methodologies:

Capitalisation of future maintainable earnings

- 8.15 We have utilised the capitalisation of future maintainable earnings methodology in our assessment of the Fair Value of a share in CML prior to the implementation of the Scheme based on our assessment of the level of future maintainable earnings of the underlying operations of CML and applied an appropriate EBITDA multiple, together with the realisable value of any surplus assets and deducting net borrowings or adding net cash.

Quoted Price of Listed Securities

- 8.16 As a secondary methodology, we have considered the quoted market price by considering the historical VWAP of CML's shares and the volatility of the share price prior to the announcement of the Scheme.
- 8.17 In accordance with RG 111, and for the reasons set out in section 3 of this Report, we have assessed the Fair Value of a CML share under both methods on a non-controlling interest basis.

Valuation of the Scheme Consideration

- 8.18 In order to assess the Fair Value of the Scheme Consideration, it is necessary to assess the Fair Value of the Merged Entity, which requires the assessment of the Fair Value of a share in COG prior to the Scheme.

Valuation of a share in COG prior to the Scheme

Capitalisation of future maintainable earnings

- 8.19 We have utilised the capitalisation of future maintainable earnings methodology in our assessment of the Fair Value of a share in COG prior to the Scheme, based on our assessment of the level of maintainable earnings of the underlying operations of COG and applied an appropriate EBITDA multiple, together with the realisable value of any surplus assets and deducting net borrowings or adding net cash.

Quoted Price of Listed Securities

- 8.20 As a secondary methodology, we have considered the quoted market price by considering the historical VWAP of COG's shares and the volatility of the share price prior to the announcement of the Scheme.
- 8.21 In accordance with RG 111, and for the reasons set out in section 3 of this Report, we have also assessed the Fair Value of a COG share under both methods on a non-controlling interest basis.

Valuation of the Merged Entity

- 8.22 To assess the Fair Value of the Merged Entity we have:
- combined the assessed Fair Value of CML with the assessed Fair Value of COG prior to the Scheme, on a non-controlling, fully diluted basis;
 - considered and adjusted for the cost synergies expected to be achieved by the Merged Entity; and
 - considered and adjusted for the estimated transaction costs associated with the Scheme.

Valuation of the Scheme Consideration under Option 1

- 8.23 On the basis that Shareholders are being offered and may elect to receive 2.7 shares in the Merged Entity per 1 ordinary CML share plus cash of \$0.24 (subject to the Cash Cap), the assessed Fair Value per share in the Merged Entity has been adjusted for this merger ratio in the calculation of the Fair Value of the Scheme Consideration under Option 1 ("Merger Ratio 1").
- 8.24 In our assessment of the value of the Scheme Consideration under Option 1, we have assumed that all Shareholders will elect to receive Option 1, subject to the cash consideration cap.

Valuation of the Scheme Consideration under Option 2

- 8.25 On the basis that Shareholders are being offered and may elect to receive 5.4 shares in the Merged Entity per 1 ordinary CML share, the assessed Fair Value per share in the Merged Entity has been adjusted by this ratio in the calculation of the Fair Value of the Scheme Consideration under Option 2 ("Merger Ratio 2").
- 8.26 In our assessment of the Fair Value of the Scheme Consideration under Option 2, we have assumed that all Shareholders will elect to receive Option 2.

Annexure 4 – Independent Expert’s Report (continued)

9. Valuation of CML

9.1 Our assessment of the Fair Value of a CML share prior to the Scheme is set out below.

Capitalisation of Future Maintainable Earnings Basis

9.2 Our assessment of the Fair Value of a share in CML prior to the Scheme, applying the future maintainable earnings method, on a fully diluted basis, is shown in Table 13 below.

Table 13: Assessed Fair Value of CML prior to the Scheme under FME methodology

\$'000	Low	High	Mid
Future Maintainable Earnings	14,000	14,000	14,000
EBITDA Multiple	6.50	7.00	6.75
Enterprise Value	91,000	98,000	94,500
Add: Surplus cash	10,485	10,485	10,485
Add: Funds raised from Rights Offer (net of costs of \$60k)	7,539	7,539	7,539
Add: Exercise of unlisted options	2,700	2,700	2,700
Equity Value	111,724	118,724	115,224
No. Fully Diluted Shares ('000)	227,572	227,572	227,572
Equity Value per share Fully Diluted	\$0.491	\$0.522	\$0.506

Source: RSM analysis

Assessment of underlying FME

9.3 In assessing the appropriate FME of CML, we have considered the following:

- CML's financial performance in FY17, FY18, FY19 and YTD20;
- CML's budgeted financial performance for FY20; and
- the impact of the 1stCash (acquired 22 February 2018) and Classic Funding Group (acquired 4 November 2019) acquisitions on both historical and budgeted financial performance.

9.4 Table 14 below sets out the reported and adjusted EBITDA for FY17, FY18 and FY19 and normalisation adjustments to reflect one-off and non-recurring items.

Table 14: Adjusted Historical EBITDA

\$'000	FY17	FY18	FY19
Reported EBITDA	7,238	9,177	13,576
Normalisations			
<i>Add back</i>			
Loss on early redemption bonds	-	1,600	-
Redundancy payments	-	90	-
Acquisition costs	-	31	-
Adjusted EBITDA	7,238	10,898	13,576

Source: RSM Analysis

9.5 We make the following comments in relation to the normalisation adjustments made to the historical reported EBITDA of CML:

- during FY18, CML's 8% \$40m Corporate Bond was redeemed early resulting in a \$1.6m one-off loss in FY18.

-
- the acquisition of 1stCash which completed on 22 February 2018, incurred legal and accounting fees of \$31k in FY18.
 - as part of the 1stCash acquisition, one-off redundancy costs of \$90k were incurred.
 - The adjusted EBITDA has not been adjusted to reflect the pro forma impact of the acquisitions discussed in paragraph 9.3 on CML's financial performance prior to their respective acquisition dates.

9.6 In addition to the historical reported and adjusted EBITDA set out in Table 14, we have had regard to the financial performance of CML for the 4 months ended 31 October 2019 and the budgeted financial performance for FY20, including the impact of the acquisitions discussed in paragraph 9.3.

9.7 Based on the above, we have assessed the FME of CML to be \$14.0m. We have assessed the future maintainable earnings of CML as a single dollar value, rather than a range, to ensure that the valuation range derived from our analysis is within a narrow range and, therefore, in our opinion, more meaningful to CML shareholders.

Selected EBITDA Multiple

9.8 The assessment of the appropriate multiple to be applied in the assessment of the Fair Value of CML requires consideration of a number of factors including:

- stability and continuity of earnings;
- size and lifecycle of the business;
- capital structure and leverage of the company;
- expected growth prospects of the company;
- level of competition and expected growth prospects of the industry;
- trading multiples attributed by the market to other industry participants; and
- multiples paid by the market in recent acquisitions of industry participants.

Annexure 4 – Independent Expert’s Report (continued)

9.9 In selecting the appropriate multiple to be applied, we have considered the listed company multiples of companies that operate in the specialised finance industry and specifically, consumer finance (“Comparable Companies”). Details of the Comparable Companies are set out in Appendix D.

Table 15: CML Comparable Companies

Comparable companies	Country	Market capitalisation \$ million	FY18 EV/EBITDA	FY19 EV/EBITDA	FY20 Forecast EV/EBITDA	FY21 Forecast EV/EBITDA
Consolidated Operations Group Limited	Australia	141.5	9.6x	8.1x	NA	NA
CML Group Limited	Australia	97.8	11.9x	9.2x	7.0x	5.7x
Consumer Finance						
Collection House Limited	Australia	148.6	6.3x	5.6x	5.7x	5.4x
Credit Corp Group Limited	Australia	1,728.8	NA	NA	14.1x	12.2x
Eclipx Group Limited	Australia	483.5	7.2x	7.9x	27.0x**	23.3x**
FlexiGroup Limited	Australia	766.9	NA	NA	12.8x	12.0x
Other						
SIV Capital Limited	Australia	25.5	1.9x	1.9x	2.1x	2.0x
Thorn Group Limited	Australia	70.9	8.9x	209.8x*	NA	NA
Mean total		432.9	7.6x	6.5x	8.3x	7.5x
Median total		145.0	8.1x	7.9x	7.0x	5.7x

NA – Not available on Capital IQ

* Excluding outlier Thorn Group Limited (209.8x EV/EBITDA)

** Forecast mean and median total excludes Eclipx Group Limited – refer to analysis below

Source: Capital IQ

9.10 We make the following comments in relation to the Comparable Companies considered:

- the median market capitalisation of the Comparable Companies is \$145.0m. CML’s market capitalisation prior to the announcement of the Scheme was \$94.8m and \$97.8m at 17 December 2019;
- Eclipx Group Limited announced its strategic plans to simplify its operations with the sale of 5 non-core businesses. The sale of the non-core businesses began in FY19. Eclipx also completed non-cash write offs and impairments totalling \$344.2 million in FY19. The FY20 and FY21 forecast EBITDA multiples of Eclipx Group Limited have been excluded from the mean and median calculation on the basis that these forecast EBITDA multiples have been skewed by the broker consensus forecast impact on Eclipx Group Limited’s earnings from the sale of the non-core businesses, without an associated adjustment being reflected in the current Enterprise Value of Eclipx Group Limited.
- the FY19 EBITDA multiple of Thorn Group Limited of 209.8x has been excluded from the mean calculation on the basis that this is an extreme outlier due to net losses associated with non-operational earnings including a class action lawsuit settlement and associated legal fees of \$27.6m as well as dealing with an enforceable undertaking and other restrictions.

9.11 The median and mean trading EBITDA multiples of the Comparable Companies for FY18 are 7.6x and 8.1x, respectively.

9.12 The median and mean trading EBITDA multiples of the Comparable Companies for FY19 are 6.5x and 7.9x, respectively.

9.13 The forecast estimates of the median EBITDA trading multiples of the Comparable Companies for FY20 and FY21 are 7.0x and 5.7 x, respectively.

9.14 We have also considered the EBITDA multiples implied by transactions involving companies with operations in the Financial Services industry (“Comparable Transactions”). Details of the Comparable Transactions are set out in Appendix E.

Table 16: CML Comparable Transactions

Buyer	Target	Close date	Notes	Implied Enterprise Value \$ million	Historical/Forecast EBITDA \$ million	Implied Enterprise Value / EBITDA
Consolidated Operations Group Limited	Centrepoint Finance Pty Ltd	11/09/2018	1,2	10	NQ	6.0 to 7.0
Affinity Equity Partners Ltd	Scottish Pacific Group Limited	24/09/2018	3	668	53	12.6
CML Group Limited	1stCash Pty Ltd	22/02/2018	4	39	5	8.1
Consolidated Operations Group Limited	Platform Finance and Leasing Group Pty Ltd	21/12/2015	5	40	4	10.8
Scottish Pacific Group Limited	Bibby Financial Services Australia Pty Ltd	13/11/2015	6	120	12	9.8
McMillan Shakespeare Limited	United Financial Services Group	31/07/2015	1,7	42	NQ	7.9
Average				153		9.2x to 9.4x
Median				41		8.9x

Source: Mergermarket, RSM Analysis

Notes

1. NQ - Not Quantified
2. Centrepoint Finance Pty Ltd Implied Enterprise Value/EBITDA multiple based on COG ASX announcement dated 30 August 2018.
3. Scottish Pacific Group Limited multiple based on historical audited financial performance for the year ended 30 June 2018.
4. 1stCash Pty Ltd EBITDA based on FY19 forecast EBITDA provided to CML prior to acquisition.
5. Platform Finance and Leasing Group Pty Ltd EBITDA based on COG ASX announcement dated 21 December 2015.
6. Bibby Financial Services Australia Pty Ltd EBITDA based on audited financial performance for the year ended 31 December 2015 and Implied Enterprise Value based on the assumption that Bibby Financial Services Australia Pty Ltd held no corporate debt at the date of acquisition.
7. United Financial Services Group Implied Enterprise Value/EBITDA multiple based on McMillan Shakespeare Limited ASX announcement dated 23 July 2015.

9.15 We make the following comment in relation to the Comparable Transactions considered:

- The above transactions all involve the acquisition of a controlling interest and, therefore, include a premium for control. We have taken this into account when selecting the multiple to be applied on a non-controlling basis.

9.16 The median and mean implied EBITDA multiples of the Comparable Transactions are 9.2x to 9.4x and 8.9x, respectively.

Annexure 4 – Independent Expert’s Report (continued)

Minority interest discount

- 9.17 A discount to reflect a non-controlling interest in an entity (minority interest) is the inverse of a control premium.
- 9.18 Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:
- access to potential synergies;
 - control over decision making and strategic direction;
 - access to underlying cash flows; and
 - control over dividend policies.
- 9.19 Given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to achieve control, which is often referred to as a control premium. A control premium is the amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the premium a buyer will pay to acquire control in a business enterprise.
- 9.20 RSM has undertaken a survey of control premiums paid over a 5-year period to 30 June 2016 in 463 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSM Control Premium Study 2017"). The findings are summarised in the table below, showing the average control premiums paid 20, 5 and 2 days prior to announcement of a transaction, which are applied at the equity level.

Table 17: Control Premium Study

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium - all industries	463	34.5%	28.3%	26.4%

Source: RSM Control Premium Study 2017

- 9.21 The control premium and, consequently, the minority discount is calculated based on each entities' Equity value. Therefore, assessment of the minority discount for a particular entity must have regard to that entity's net cash or net debt position.

Selected EBITDA multiple

- 9.22 Based on the above comparable company and comparable transaction analysis, we have selected to apply an EBITDA multiple in the range of 6.5x and 7.0x (on a non-controlling basis) in the FME valuation of CML.
- 9.23 At the mid-point of 6.75x our assessed EBITDA multiple represents:
- a minority interest discount of 24% to the median implied EBITDA multiple of the Comparable Transactions, as set out in Table 16; and
 - a minority interest discount of 16% to the median implied EBITDA multiple of the Comparable Transactions, as set out in Table 16, excluding Affinity Equity Partners Ltd's acquisition of ScotPac which we consider would carry a size premium compared to CML given the implied Enterprise Value of ScotPac compared to the market capitalisation of CML.
- 9.24 Having regard to CML's surplus cash position, and the analysis set out in Table 17 we consider that the above minority interest discounts are not unreasonable.

- 9.25 Our assessed EBITDA multiple is consistent with the mean comparable company historical FY19 trading EBITDA multiples (on a non-controlling basis), as set out in Table 15, of 6.5x, but below the median comparable company historical FY19 trading EBITDA multiple of 7.9x.
- 9.26 We note that the historical trading EBITDA multiples of CML and COG reflected in Table 15 have been impacted by the numerous acquisitions made by CML and COG which has resulted in increases in the current Enterprise Values of both CML and COG based on the consequential increase in earnings of the entities from those acquisitions. The earnings in relation to these acquisitions will not be reflected, or only partially reflected, in the respective historical EBITDA of either company.
- 9.27 Our assessed EBITDA multiple is lower than the mean and median FY20 forecast EBITDA multiples of 8.3x and 7.0x, respectively, as set out in Table 15, however, we note the following:
- Credit Corp Group Limited and FlexiGroup Limited are both significantly larger than CML and, consequently, would demand a size premium in their EBITDA multiples in comparison to CML;
 - SIV Capital Limited is smaller and has less diverse operations than CML and, consequently, would derive a lower EBITDA multiple; and
 - Our assessed EBITDA multiple is consistent with the FY20 forecast EBITDA multiple of CML.

Calculation of Enterprise Value

- 9.28 We have assessed the Enterprise Value of CML to be in the range of \$91.0m to \$98.0m as set out in Table 18.

Table 18: CML Enterprise Value

\$'000	Low	High	Mid
Future Maintainable Earnings	14,000	14,000	14,000
EBITDA Multiple	6.50	7.00	6.75
Enterprise Value	91,000	98,000	94,500

Source: RSM Analysis

Surplus Cash

- 9.29 For the reasons stated above in paragraph 6.16.8, as at 30 June 2019 and at 31 October 2019, we consider that CML had no corporate debt.
- 9.30 We have assessed the normal level of working capital required by CML and the surplus cash held as at 31 October 2019. Based on the above, we consider there to be \$10.49m of surplus cash as set out in Table 19 below.

Table 19: CML Surplus Cash Assessment

\$'000	As at 31-Oct-19
Cash and cash equivalents	19,485
Less: Cash required for working capital	(9,000)
Surplus Cash	10,485

Source: RSM analysis

Share Capital

- 9.31 As at the date of this Report, CML has a total of 217,572,057 shares on issue.
- 9.32 As at the date of this Report, the CEO of CML has a total of 10,000,000 unlisted options on issue. The exercise price of the options is \$0.27. As at the date of this report the options are in the money. It is also a condition precedent of the Scheme that all CML option holders exercise their options and are issued shares, enter into a

Annexure 4 – Independent Expert’s Report (continued)

deed with a third party regarding the sale and exercise of the options, or enters into a deed with CML for the cancellation or procurement of the options prior to the Record date for the voting on the Scheme. Accordingly, we have assumed that the options are exercised in full.

Assessment of surplus assets

- 9.33 If a company or business has assets that do not contribute to the operating cash flows of the business, the value of these “surplus assets” (net of any realisation costs and tax payable on realisation) should be added to the value of the company or business determined using the earnings or cash flow methodology.
- 9.34 A review of the balance sheet has identified no surplus assets in CML as at 31 October 2019. Accordingly, no adjustment is considered necessary.

Assessed Value of a share in CML prior to the Scheme under FME

- 9.35 Our assessed value of a CML share prior to the Scheme is, therefore, in the range of \$0.491 to \$0.522 per share, with a preferred value of \$0.506.
- 9.36 The FME methodology applied represents the Fair Value of a non-controlling shareholding. Accordingly, we have not made any adjustment to the value assessed above.

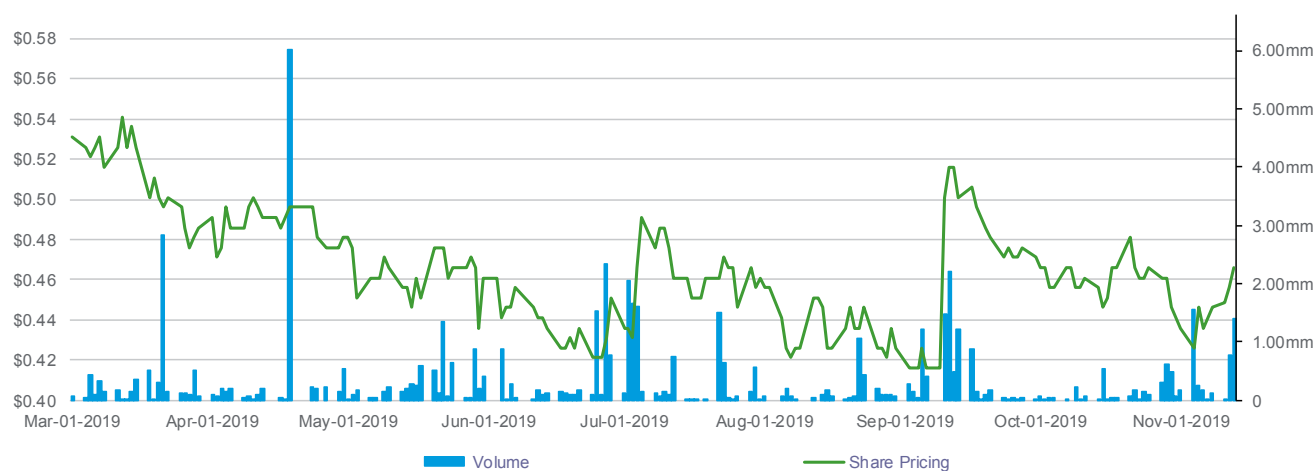
Quoted price of listed securities methodology

- 9.37 There is an active market for CML shares which provides for an objective measure of the value. Given the active market, we consider that it is reasonable to conclude that the pre-announcement share price reflects the market consensus view on the value of a CML share.

Analysis of recent trading in CML shares

- 9.38 Figure 7 below sets out a summary of CML’s closing share prices and traded volumes in the period prior to 13 November 2019, being the last day CML shares traded prior to the announcement of the Scheme. The assessment reflects trading prior to the announcement in order to avoid the influence of any movement in price that may have occurred as a result of the announcement of the Scheme.

Figure 7: CML Share price volume (Source: S&P Capital IQ)



Source: Capital IQ

9.39 To provide further analysis of the quoted market price of CML's shares, we have considered the Volume Weighted Average Price ("VWAP") for the 5, 10, 30, 60, 90, 120 and 180 calendar days prior to 14 November 2019, as summarised in Table 20.

Table 20: Traded volume of CML shares prior to 13 November 2019 (Source: S&P Capital IQ)

Calendar days	Share price Low \$	Share price High \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
5 days	0.450	0.460	3	935,400	428,773	0.458	0.5%
10 days	0.430	0.460	7	2,921,450	1,289,527	0.441	1.4%
30 days	0.430	0.485	22	5,772,820	2,596,799	0.450	2.9%
60 days	0.430	0.510	41	7,782,250	3,583,610	0.460	3.9%
90 days	0.420	0.520	62	17,748,880	8,327,260	0.469	8.8%
120 days	0.420	0.520	80	21,399,570	10,013,174	0.468	10.6%
180 days	0.420	0.520	120	40,216,280	18,505,291	0.460	20.0%

Source: Capital IQ and RSM analysis

9.40 We note the following with respect to the share trading of CML's shares over the 6 months prior to the announcement of the Scheme:

- The daily price of CML's shares fluctuated between \$0.420 and \$0.520 over the 6 months prior to the announcement of the Scheme.
- The 60-day and 90-day VWAP prior to the announcement of the Scheme was \$0.460 and \$0.469, respectively. The share price on the last day of trading before the announcement was \$0.460.

Liquidity

9.41 The liquidity of CML's shares is set out in Table 21 below.

Table 21: Liquidity Analysis of CML Shares

Period	Start Date	End Date	No. Shares traded (m)	WANOS (m)	Implied Liquidity Period	Implied Liquidity Annualised
1 month	11/10/2019	12/11/2019	5.8527	201.740	3%	35%
3 months	12/08/2019	12/11/2019	34.1234	201.519	17%	68%
6 months	13/05/2019	12/11/2019	41.1025	201.450	20%	41%
1 year	12/11/2018	12/11/2019	82.2003	201.360	41%	41%

Source: Capital IQ and RSM analysis

9.42 Based on the volume and pricing of CML's shares over the 12 months ended 13 November 2019 along with the volume and pricing in the period prior the announcement of the Scheme, we consider there to be a reasonable level of liquidity in CML shares.

9.43 Based on our analysis of the recent trading in CML's shares, we have assessed the value of a CML share on a minority interest basis, to be in the range of \$0.460 and \$0.470, having regard to the 60-day and 90-day VWAP, and the last traded share price, prior to the announcement of the Scheme.

Annexure 4 – Independent Expert’s Report (continued)

Valuation summary and conclusion

- 9.44 A summary of our assessed Fair Values of a CML share on a non-controlling basis prior the Scheme, derived under the two methodologies, is set out in the Table 22.

Table 22: Valuation of a share in CML prior to the Scheme

\$'000	Low	High	Mid
Capitalisation of future maintainable earnings	\$0.491	\$0.522	\$0.506
Quoted price of securities	\$0.460	\$0.470	\$0.465

Source: RSM analysis

- 9.45 We consider that the Fair Value of a CML share on a non-controlling basis is in the range of \$0.491 to \$0.522, with a preferred value of \$0.506 which has been derived using the Capitalisation of FME method.
- 9.46 We consider our assessment of the Fair Value of a CML Share using the quoted price of securities methodology (on a non-controlling interest), whilst below our assessed value using the Capitalisation of FME methodology, to be broadly reflective of CML’s share price prior to the announcement of the Scheme, noting that CML shares traded at a high of \$0.52 in the 6 months prior to the announcement of the Scheme.

10. Valuation of Scheme Consideration

- 10.1 As set out in Section 8, in order to determine whether the Scheme Consideration offered for a CML Share is fair, we have assessed the Fair Value of a share in the Merged Entity under both Option 1 and Option 2. To assess the Fair Value of the Merged Entity, in addition to assessing the Fair Value of a share in CML prior to the Scheme, we have also, therefore, assessed the Fair Value of a share in COG prior to the Scheme.
- 10.2 We have utilised the Capitalisation of FME methodology to assess the Fair Value of a share in COG prior to the announcement of the Scheme based on our assessment of the level of maintainable earnings of the underlying operations of COG and applied an appropriate EBITDA multiple.
- 10.3 As a secondary method of assessing the Fair Value of COG prior to the Scheme we have also considered the quoted price of listed securities methodology.

Valuation of COG prior to the Scheme

Capitalisation of Future Maintainable Earnings Basis

- 10.4 Our assessment of the Fair Value of a COG Share, on a minority interest basis, under the future maintainable earnings methodology is set out in Table 23.

Table 23: Assessed Fair Value of COG prior to the Scheme under FME methodology

\$'000	Low	High	Mid
Future maintainable earnings	14,500	14,500	14,500
Multiple	8.0x	8.5x	8.25x
Enterprise Value	116,000	123,250	119,625
Add: Net Surplus Cash	5,488	5,488	5,488
Add: Funds received from Rights Offer (net of costs of \$575k)	19,622	19,622	19,622
Equity Value	141,110	148,360	144,735
No. Shares on issue ('000)	1,571,736	1,571,736	1,571,736
Equity Value	\$0.090	\$0.094	\$0.092

Source: RSM analysis

Assessment of underlying EBITDA - FME

- 10.5 In assessing the appropriate FME of COG, we have considered the following:
- COG's financial performance in FY17, FY18, FY19 and YTD20;
 - COG's budgeted financial performance for FY20;
 - the impact of the CF and Westlawn acquisitions on both the historical and budgeted financial performance, noting that COG's FY19 audited financial statements disclosed the following:
 - CF contributed revenues of \$11,916k and net profit after tax of \$434k for the period 1 September 2018 to 30 June 2019;
 - COG acquired its 32% investment in Westlawn on 28 September 2018. COG's FY19 share of Westlawn's total comprehensive income for the period post acquisition was \$721k;
 - the impact of the acquisition of a 50% interest in Sovereign Tasmania Pty Limited ("Sovereign") acquired on 8 February 2019 through COG's 50% owned subsidiary Linx Group Holdings Pty Limited, noting that COG's FY19 audited financial statements disclosed that Sovereign contributed revenues of \$989k and net profit after tax of \$458k for the period from 1 February 2019 to 30 June 2019;

Annexure 4 – Independent Expert’s Report (continued)

- the impact of the acquisition of a 50% interest in Heritage Group (“Heritage”) acquired on 2 November 2018 through COG’s 50% owned subsidiary Linx Group Holdings Pty Limited, noting that COG’s FY19 audited financial statements disclosed that Heritage contributed revenues of \$2,856k and net profit after tax of \$1,276k for the period from 2 November 2018 to 30 June 2019; and
- a proportion of COG’s EBITDA is attributable to non-controlling interests.

10.6 The table below sets out COG’s reported and adjusted EBITDA for FY17, FY18 and FY19, together with adjustments to take into account adjustments for normalisations to reflect one-off and non-recurring items and EBITDA attributable to non-controlling interests.

Table 24: Adjusted historical EBITDA

\$'000	FY17	FY18	FY19
Reported EBITDA	6,530	16,070	19,267
Normalisations			
<i>Add back</i>			
Acquisition related expenses	837	562	862
Redundancy expenses	-	170	-
Disposal of non-core assets	-	-	794
Share of EBITDA attributable to non-controlling interests	(6,200)	(7,200)	(8,100)
Adjusted EBITDA	1,167	9,602	12,823

Source: RSM Analysis

NQ: Not quantified

10.7 We make the following comments in relation to the adjusted EBITDA of COG:

- COG made several acquisitions between FY17 to FY19 which incurred various acquisition related expenses such as legal fees and accounting fees which are one off in nature and have therefore been added back to the reported EBITDA;
- redundancy expenses in FY18, totalling \$170k, are one-off in nature;
- COG is actively seeking to divest its IT managed services business units. The disposal of non-core assets expense comprised of an impairment of goodwill of \$885k offset by loan forgiveness benefit of \$91k that is included in the reported EBITDA figure of \$19,267k;
- we have deducted the share of EBITDA attributable to non-controlling interests based on the EBITDA disclosed as attributable to non-controlling interest in COG’s audited financial statements for FY17, FY18 and F19; and
- The adjusted EBITDA has not been adjusted to reflect the pro forma impact of the acquisitions discussed in paragraph 10.5 on COG’s financial performance prior to their respective acquisition dates.

10.8 In addition to the historical reported and adjusted EBITDA set out in Table 24, we have had regard to the financial performance of COG for the 4 months ended 31 October 2019 and the budgeted financial performance for FY20, including the impact of the acquisitions discussed in paragraph 10.5.

10.9 Based on the above, we have assessed the FME of COG to be \$14.5m. We have assessed the future maintainable earnings of COG as a single dollar value, rather than a range, to ensure that the valuation range derived from our analysis is within a narrow range and, therefore, in our opinion, more meaningful to CML shareholders.

Selected EBITDA Multiple

10.10 In assessing the appropriate multiple to be applied in the assessment of the Fair Value of COG, given the similarities in operations and industries, we have considered the same comparable listed company multiples and comparable transaction multiples as were considered in assessing the EBITDA multiple selected for CML and considered any adjustments that may be relevant to take into account differences between CML and COG.

10.11 Specifically, we have taken the following into consideration:

- COG's market capitalisation at the date of the announcement of the Scheme was approximately 25% higher than CML's market capitalisation;
- COG generates significantly higher revenue (FY19 \$217.2m) than CML (FY19 \$47.4m);
- COG's reported EBITDA (including non-controlling interests) (FY19 \$19.3m) is significantly higher than CML's (FY19 \$13.6m); and
- COG's operations are more diversified than CML's, having equity interests across multiple industries including banking and telecommunications.

10.12 We have therefore, selected an EBITDA multiple range of 8.0x and 8.5x.

Calculation of Enterprise Value

10.13 Based on the above, we have calculated the Enterprise Value of COG to be in the range of \$116.0m to \$123.25m as set out in Table 25 below.

Table 25: COG Enterprise Value

\$'000	Low	High	Mid
Future maintainable earnings	14,500	14,500	14,500
Multiple	8.0x	8.5x	8.25x
Enterprise Value	116,000	123,250	119,625

Source: RSM Analysis

Net Cash

10.14 For the reasons stated above in paragraph 7.17.7, as at 31 October 2019, we consider that COG had corporate debt of \$6m.

10.15 We have assessed the normal level of working capital required by COG, and surplus cash held as at 31 October 2019 taking into account any restricted cash. Based on our assessment, we consider there to be \$11.49m of surplus cash as set out in Table 26 below.

Table 26: COG Surplus Cash Assessment

\$'000	As at 31-Oct-19
Cash and cash equivalents	24,803
Less: Restricted Funds held	(3,314)
Less: Cash required for working capital	(10,000)
Surplus Cash	11,488

Source: RSM Analysis

10.16 Based on the above, we have assessed there to be net surplus cash of \$5.49m as at 31 October 2019, set out in Table 27 below.

Table 27: COG Net Surplus Cash Assessment

\$'000	As at 31-Oct-19
Corporate Debt	(6,000)
Add: Surplus Cash	11,488
Net Surplus Cash	5,488

Source: RSM Analysis

Annexure 4 – Independent Expert’s Report (continued)

Assessment of Surplus Assets

10.17 A review of the balance sheet has identified no further surplus assets in COG as at 31 October 2019.

Share Capital

10.18 At the date of this Report, COG has 1,571,736,123 shares on issue.

10.19 As at the date of the Report there are 10,082,949 unlisted options issued to Andrew Bennett, COG CEO. The exercise price of the options is \$0.105. As these unlisted options are not ‘in the money’ as at the date of this Report we have undertaken a valuation of these options to assess the potential dilutionary impact of these options and consider that the potential dilutionary impact of these options is immaterial to our assessment of the Scheme.

Assessed Fair Value of a share in COG prior to the Scheme

10.20 Our assessed Fair Value of a COG share prior to the Scheme is, therefore, in the range of \$0.090 to \$0.094 per share, with a preferred value of \$0.092.

10.21 The FME methodology applied represents the value of a non-controlling shareholding. Consistent with our assessment of the Scheme as a merger, we have not applied a premium for control in our valuation of COG.

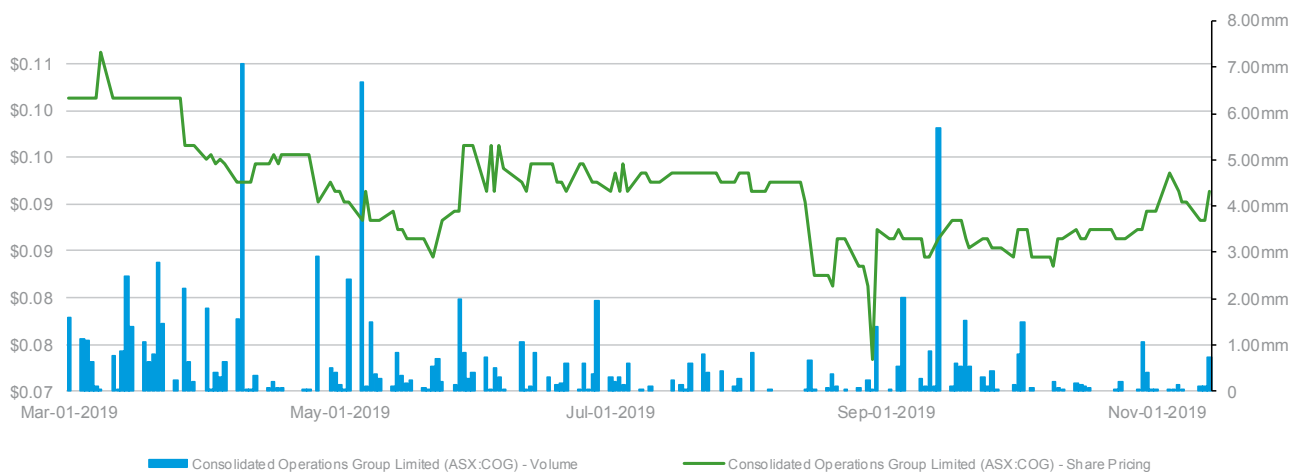
Quoted Price of Listed Securities

10.22 There is a reasonably active market for COG shares which provides for an objective measure of the value. Given the reasonably active market, it is reasonable to conclude that the pre-announcement share price reflects the market consensus view on the value of a COG share.

Analysis of recent trading in COG shares

10.23 Figure 8 below sets out a summary of COG’s closing share prices and traded volumes in the period prior to 13 November 2019, being the last day COG shares traded prior to the announcement of the Scheme. The assessment reflects trading prior to the announcement in order to avoid the influence of any movement in price that may have occurred as a result of the announcement of the Scheme.

Figure 8: COG Share price analysis (Source: S&P Capital IQ)



Source: Capital IQ

10.24 We note that prior to the announcement of the Scheme, the five largest shareholders controlled just over 60% of COG's shares on issue, with the largest two holding over 46% of the total shares on issue. Over the last 12 months the largest two COG shareholders have not conducted any significant trades in COG shares, with the largest shareholder currently holding 28% of the outstanding shares on issue, increasing its holding marginally through on market purchases during calendar year 2019. We consider that these large shareholdings with limited trading may distort the liquidity of COG's shares.

10.25 The table below illustrates the implied annualised liquidity of COG's shares over the 12 months leading up to the announcement of the Scheme, excluding the shares held by the largest two shareholders from the number of total shares on issue.

Table 28: Adjusted Liquidity Analysis of COG Shares

Period	Start Date	End Date	No. Shares traded (m)	WANOS (m)	Implied Liquidity Period	Implied Liquidity Annualised
1 month	12/10/2019	12/11/2019	2.812	714.748	0.4%	5%
3 months	12/08/2019	12/11/2019	22.434	714.501	3%	13%
6 months	13/05/2019	12/11/2019	42.674	714.437	6%	12%
1 year	12/11/2018	12/11/2019	113.808	713.673	16%	16%

Source: Capital IQ and RSM Analysis

10.26 We note the following with respect to COG's share trading over the 6 months prior to the announcement of the Scheme:

- the daily share price fluctuated between \$0.077 and \$0.100 over the 6 months prior to the announcement of the Scheme.
- the 60-day and 90-day VWAP prior to the announcement of the Scheme was \$0.091 and \$0.090, respectively. The share price on the last day of trading before the announcement was \$0.092.

10.27 Based on the analysis of the recent trading in COG's shares, we have assessed the value of a COG share on a minority interest basis, to be in the range of \$0.090 and \$0.092, having regard to the 60-day and 90-day VWAP range and the last traded price of a COG share prior to the announcement of the Scheme.

Assessed Fair Value of a share in COG prior to the Scheme utilising the Quoted Price of Listed Securities method

10.28 Table 29 below sets out our assessment of the Fair Value of a COG share on a non-controlling basis utilising the quoted price of listed securities methodology.

Table 29: Assessed Fair Value of a share in COG prior to the Scheme – Quoted Price of Listed Securities

	Low	High	Mid
Assessed share price range	\$0.090	\$0.092	\$0.091

Source: RSM Analysis

Valuation summary and conclusion

10.29 A summary of our assessed Fair Values of a COG share on a non-controlling basis prior to implementation of the Scheme, derived under the two methodologies, is set out in Table 30.

Table 30: Valuation of a share in COG prior to the Scheme

\$'000	Low	High	Mid
Capitalisation of future maintainable earnings	\$0.090	\$0.094	\$0.092
Quoted price of securities	\$0.090	\$0.092	\$0.091

Source: RSM Analysis

10.30 On the basis of the above, we consider that the Fair Value of a COG share on a non-controlling basis is in the range of \$0.090 to \$0.094, with a preferred value of \$0.092.

Annexure 4 – Independent Expert’s Report (continued)

Valuation of Cost Synergies in Merged Entity

10.31 In our assessment of the Fair Value of the Merged Entity we have had regard to the cost synergies that will likely be achieved by the Merged Entity.

10.32 Net cost synergies are expected to be approximately \$861k p.a. and include:

CML

- listing fees of \$53k – under the Merged Entity listing fees for one entity will be saved;
- registry fees \$6k net after adjustment for the number of shares on issue post the Rights Offer and Scheme Implementation;
- Directors’ fees of \$205k in relation to two seats on the board, being a Chairman and a non-executive director;
- Corporate Advisor Fees of \$90k in relation to services provided to assist with Investor Relations and ASX investor presentations;
- Consultant fees of \$78k which will no longer be required under the Merged Entity structure given the larger resources available; and
- Rent, including outgoings of \$394k.

COG

- Directors’ fees of \$130k in relation to two directors; and
- Rent, including outgoings of \$505k.

10.33 The Merged Entity is expected to enter a new lease with an expected cost, including outgoings of \$600,000 p.a. This amount has been offset against the cost savings listed above in Table 31 below.

10.34 We have valued the net cost synergies applying a capitalisation multiple of 7.6x being the weighted average of the multiples applied in the valuation of CML and COG. We have, therefore, assessed the Fair Value of the net cost synergies to be \$6.5m as set out in Table 31 below.

Table 31: Fair Value of net synergies

	\$'000
Listing Fees	53
Registry Fees	6
Directors Fees	
<i>CML directors</i>	205
<i>COG directors</i>	130
Corporate Advisor fees	90
Consultants fees	78
Rent	
<i>CML current rent and outgoings</i>	394
<i>COG current rent and outgoings</i>	505
<i>New premise rent and outgoings</i>	(600)
Net synergies	861
Multiple	7.6x
Fair Value of net synergies	6,544

Source: CML

Valuation of Merged Entity

10.35 To assess the value of the Merged Entity we have:

- combined the Fair Value of CML, after adjustment for the impact of the payment of the Final Dividend on the Scheme implementation date, with the Fair Value of COG prior to the Scheme, on a non-controlling basis;
- adjusted for the value of the expected cost synergies; and
- considered and adjusted for the estimated transaction costs associated with the Scheme.

10.36 Table 33 below sets out our assessment of the Fair Value of the Merged Entity (on a non-controlling basis) calculated by combining the assessed Fair Values of CML and COG prior to the Scheme, adjusted for the assessed value of cost synergies, Scheme expenses and Conditions Precedent to the Scheme.

Table 32: Assessed Fair Value of the Merged Entity adjusted for synergies, expenses and conditions precedent

\$'000	Low	High	Mid
Equity Value of CML, prior to payment of Final Dividend	111,724	118,724	115,224
Final Dividend	(6,827)	(6,827)	(6,827)
Equity Value of CML, after payment of Final Dividend	104,897	111,897	108,397
Equity Value COG	141,110	148,360	144,735
Combined Equity Value of CML & COG	246,007	260,257	253,132
Expected cost synergies	6,544	6,544	6,544
Estimated Scheme expenses	(665)	(665)	(665)
Payment to Ineligible Foreign Shareholders	(19)	(19)	(19)
Merged Entity Equity Value - non-controlling basis	251,866	266,116	258,991

Source: RSM Analysis

Valuation of the Scheme Consideration

10.37 As required under RG 111 we have assessed the underlying Fair Value of a share in the Merged Entity to then assess the total Fair Value of the Scheme Consideration, including the Final Dividend, and compared this value to the assessed Fair Value of a CML share prior to the announcement of the Scheme.

Option 1

10.38 Table 33 below sets out our assessment of the total Fair Value of the Scheme Consideration under Option 1.

Table 33: Total Fair Value of Scheme Consideration under Option 1

	Low	High	Mid
Assessed Fair Value per share in the Merged Entity	\$0.090	\$0.096	\$0.093
Multiply by Merger Ratio 1	4.36	4.36	4.36
	\$0.394	\$0.418	\$0.406
Cash payment per share	\$0.088	\$0.088	\$0.088
Assessed Fair Value of Scheme Consideration under Option 1	\$0.482	\$0.506	\$0.494
Final Dividend payable to Shareholders	\$0.030	\$0.030	\$0.030
Assessed total Fair Value of Scheme Consideration under Option 1	\$0.512	\$0.536	\$0.524

Source: RSM Analysis

Cash payment per Share

10.39 Excluding Ineligible Foreign Shareholders, and after taking into account the exercise of options, there are 227,532,057 Shareholders eligible to participate in the Scheme.

10.40 On the assumption that all Shareholders elect for Option 1 and, taking into account the \$19k paid to Ineligible Foreign Shareholders, the cash payment per shareholder will be \$0.088 per Shareholder (\$19,981k divided by 227,532,057).

Annexure 4 – Independent Expert’s Report (continued)

Option 1 Merger Ratio and post-merger share structure

10.41 In accordance with the Scheme Terms, on the basis that \$0.088 cash consideration is paid, each Shareholder will receive 4.36 $(\frac{\$0.48 - \$0.088}{0.09})$ COG Shares for every CML share held. Based on this merger ratio, 991.5m COG shares will be issued to CML Shareholders.

10.42 Table 34 sets out the post-merger share structure of the Merged Entity under Option 1.

Table 34: Merged Entity post-merger share structure – Option 1

	Total shares in Merged Entity '000	Ownership in merged group (%)
Ordinary Shares owned by CML Shareholders	991,495	39%
Ordinary Shares owned by COG Shareholders	1,571,736	61%
Total Ordinary Shares	2,563,232	100%

Source: RSM Analysis

Assessed Fair Value per share in the Merged Entity under Option 1

10.43 Based on the above, Table 35 sets out our assessed Fair Value per share in the Merged Entity under Option 1.

Table 35: Merged Entity assessed Fair Value per share – Option 1

	Low	High	Mid
Merged Entity Equity Value - non-controlling basis (\$'000)	251,866	266,116	258,991
Cash payable to Shareholders as Consideration (\$'000)	(19,981)	(19,981)	(19,981)
	231,886	246,136	239,011
No. shares ('000)	2,563,232	2,563,232	2,563,232
Equity Value per share - non-controlling basis	\$0.090	\$0.096	\$0.093

Source: RSM Analysis

Option 2

10.44 Table 36 below sets out our assessment of the total Fair Value of the Scheme Consideration under Option 2.

Table 36: Total Fair Value of Scheme Consideration under Option 2

	Low	High	Mid
Assessed Fair Value of shares in Merged Entity	\$0.090	\$0.095	\$0.092
Multiply by Merger Ratio 2	5.4	5.4	5.4
Assessed Fair Value of Scheme Consideration under Option 2	\$0.486	\$0.513	\$0.499
Final Dividend payable to Shareholders	\$0.030	\$0.030	\$0.030
Assessed total Fair Value of Scheme Consideration under Option 2	\$0.516	\$0.543	\$0.529

Source: RSM Analysis

Option 2 Merger Ratio and post-merger share structure

10.45 In accordance with the Scheme Terms, each Shareholder will receive 5.4 COG Shares for every CML share held. Based on this merger ratio, 1,228.7m COG shares will be issued to CML Shareholders

10.46 Table 37 sets out the post-merger share structure of the Merged Entity under Option 2.

Table 37: Merged Entity post-merger share structure – Option 2

	Total shares in Merged Entity '000	Ownership in merged group (%)
Ordinary Shares owned by CML Shareholders	1,228,673	44%
Ordinary Shares owned by COG Shareholders	1,571,736	56%
Total Ordinary Shares	2,800,409	100%

Source: RSM Analysis

Assessed Fair Value per share in the Merged Entity under Option 2

10.47 Based on the above, Table 38 sets out our assessed Fair Value per share in the Merged Entity under Option 2.

Table 38: Merged Entity assessed Fair Value per share – Option 2

Valuation per share summary Merged Entity - Option 2	Low	High	Mid
Equity Value Merged Entity - non-controlling basis (\$'000)	251,866	266,116	258,991
No. shares ('000)	2,800,409	2,800,409	2,800,409
Equity Value per share - non-controlling basis	\$0.090	\$0.095	\$0.092

Source: RSM Analysis

Annexure 4 – Independent Expert’s Report (continued)

11. Is the Scheme Fair to the Shareholders?

11.1 In assessing whether we consider the Scheme to be fair to Shareholders, we have valued a share in CML prior to the Scheme and compared it to the value of the Scheme Consideration under Option 1 and Option 2, to determine whether a Shareholder would be better or worse off should the Scheme be approved.

11.2 Our assessed Fair Values are summarised in below.

Table 39: Valuation Summary under Option 1 (Source: RSM Analysis)

Option 1	Low \$	High \$	Mid \$
Assessed Fair Value of Scheme Consideration, prior to payment of final dividend	\$0.482	\$0.506	\$0.494
Payment of Final Dividend	\$0.030	\$0.030	\$0.030
Assessed total Fair Value of Scheme Consideration	\$0.512	\$0.536	\$0.524
Assessed Fair Value of a CML Share prior to Scheme*	\$0.491	\$0.522	\$0.506
Amount by which the Scheme consideration exceeds the Fair Value of a CML Share	\$0.021	\$0.015	\$0.018

* fully diluted, non-controlling basis
Source: RSM Analysis

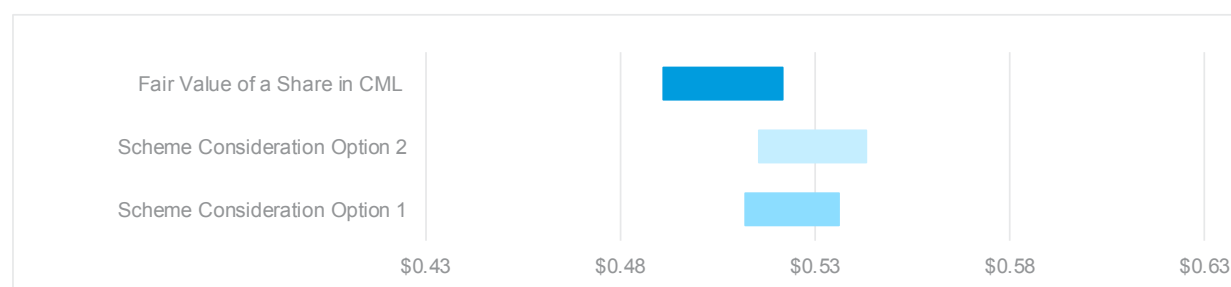
Table 40: Valuation Summary under Option 2 (Source: RSM Analysis)

Option 2	Low \$	High \$	Mid \$
Assessed Fair Value of Scheme Consideration, prior to payment of final dividend	\$0.486	\$0.513	\$0.499
Payment of Final Dividend	\$0.030	\$0.030	\$0.030
Assessed total Fair Value of Scheme Consideration	\$0.516	\$0.543	\$0.529
Assessed Fair Value of a CML Share prior to Scheme*	\$0.491	\$0.522	\$0.506
Amount by which the Scheme consideration exceeds the Fair Value of a CML Share	\$0.025	\$0.021	\$0.023

* fully diluted, non-controlling basis
Source: RSM Analysis

11.3 The above comparison is depicted graphically in the figure below.

Figure 9: Valuation Summary (Source: RSM Analysis)



Source: RSM Analysis

11.4 As the assessed values of the Scheme Consideration, under both Option 1 and Option 2, are greater than the assessed Fair Value of a share in CML prior to the Scheme, and, therefore, in the absence of any other relevant information, in our opinion, the Scheme is **fair** to Shareholders, and as such, **in the best interests** of Shareholders.

12. Consideration of other factors relating to the Scheme

12.1 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid. We consider and outline in this Section of the Report an analysis of other factors which are likely to be relevant to Shareholders in their assessment of the Scheme.

Relative value contribution

12.2 The contribution of value by CML and COG to the Merged Group relative to their aggregate interest in the Merged Entity is summarised below.

Table 41: Relative contribution to the Merged Entity (Source: RSM Analysis)

Relative value contribution	Reference	Low	High	Mid
CML Equity Value - minority interest (ex dividend)	Table 32	104,897	111,897	108,397
COG Equity Value - minority interest		141,110	148,360	144,735
Relative equity value contribution CML		43%	43%	43%
Relative equity value contribution COG		57%	57%	57%
Option 1				
Ownership in Merged Entity CML	Table 34	39%	39%	39%
Ownership in Merged Entity COG		61%	61%	61%
Option 2				
Ownership in Merged Entity CML	Table 37	44%	44%	44%
Ownership in Merged Entity COG		56%	56%	56%

Source: RSM Analysis

12.3 As set out above, the relative value contribution of CML and COG to the value of the Merged Entity (assessed at 43% and 57% for CML and COG, respectively at our preferred valuation), is relatively consistent with their respective collective ownership in the Merged Entity under Option 2.

Advantages of approving the Scheme

12.4 The key advantages for Shareholders approving the Scheme are:

- the Scheme is in the best interests of Shareholders;
- the rationale for the Scheme is to leverage the companies' respective broking distributions and related financial products through cross selling, driving the strategic objectives of both CML and COG and increasing the scale of the CML business;
- the board of directors of the Merged Entity will bring increased knowledge and experience with complementary skillsets;
- combining the balance sheets and funding facilities of CML and COG provides the Merged Entity with a larger pool of funds to draw on and may provide greater negotiating power when seeking further funding; and
- the Merged entity, as a result of its greater size may have a greater ability to attract investors and raise equity capital which may also result in increased liquidity of shares.

Annexure 4 – Independent Expert’s Report (continued)

Future Prospects of CML if the Scheme is not approved

- 12.5 We consider that the future prospects of CML are unlikely to be substantially impacted should the Scheme not be approved. We have formed this view after considering the following:
- in the event that the Scheme is not approved, CML will continue to pursue its stated business strategy; and
 - as the CML share price has trended upwards since the announcement of the Scheme, in the event that the Scheme is not approved it is likely that CML’s share price would fall pre-announcement levels in the short term.
- 12.6 Notwithstanding the above, we note, however, that CML has received an alternative indicative proposal dated 11 December 2019. Consideration of this proposal is set out in paragraphs 12.8 to 12.14.

Disadvantages of approving the Scheme

12.7 The key disadvantages of the Scheme are:

- subsequent to the implementation of the Scheme, Shareholders’ interests will be diluted to between 39% and 44% of the Merged Entity;
- based on the share registries received at 16 December 2019, substantial holder, NNL held a 21.8% interest in CML and a 27.5% interest in COG. Based on the Merged Entity capital structure, NNL will hold between 21.9% and 26.8% in the Merged Entity (subject to changes as a result of Shareholders selecting either Option 1 or Option 2). Shareholdings of more than 10% may have significant influence in the blocking of special resolutions and a shareholding of 25% or more has the ability to block special resolutions;
- whilst we have valued both CML and COG on a non-controlling basis, Shareholders selecting Option 1 will be forgoing the opportunity to access a premium for control to the extent that their consideration is paid in cash. The extent of the cash consideration is subject to the number of Shareholders selecting Option 1 and can vary from a minimum of \$0.088 for every CML share held if all Shareholders select Option 1 to \$0.24 for every CML share if the Cash Cap is not reached. For the reasons set out in paragraphs 3.7 and 3.8, we do not consider that Shareholders are forgoing the opportunity to access a premium for control to the extent their consideration is paid in shares under Option 1 or Option 2; and
- the integration of CML and COG may give rise to unexpected costs.

Alternative proposals and likelihood of an alternative takeover offer

- 12.8 On 11 December 2019, CML received the Indicative Scotpac Proposal. The Indicative Scotpac Proposal is subject to a number of assumptions and conditions including completion of satisfactory confirmatory due diligence.
- 12.9 Pursuant to its fiduciary and statutory obligations, the CML Board has resolved to engage with Scotpac to further understand the conditions associated with the Indicative Scotpac Proposal and explore the potential to receive a binding offer that is capable of consideration by Shareholders. As at the date of our Report, we have been advised by the CML Board that there is no certainty that the Indicative Scotpac Proposal will result in a binding offer that is capable of consideration by Shareholders, or that any binding offer received will be a superior proposal to the Scheme.
- 12.10 We make the following comments on the Indicative Scotpac Proposal:
- initial discussions between Scotpac and the CML Board have been undertaken to assess the Indicative Scotpac Proposal and to confirm CML’s willingness to obtain a binding offer;
 - the CML Board has undertaken a comparison of the indicative cash consideration per CML share (consideration representing a controlling premium to acquire a 100% equity interest in CML), to the Scheme Consideration offered by COG, representing a value excluding a premium for control per CML share; and
 - there is an expectation on the part of Scotpac that completion of commercial, operational, financial and legal due diligence will be completed within 3 to 4 weeks from obtaining access to the necessary information.

- 12.11 On 18 December 2019, COG confirmed that it has no current intention to increase the proposed Consideration offered to Shareholders.
- 12.12 As of the date of this Report, we have been advised that the CML Board continues to believe the Scheme is in the best interests of CML Shareholders and has unanimously recommended that, in the absence of a binding superior proposal, CML Shareholders vote in favour of the Scheme.
- 12.13 Having regard to the above, we do not consider the position reached by the CML Board to be unreasonable. Due to the commercially sensitive nature of the Indicative Scotpac Proposal, we are unable to disclose any further information at this point in time.
- 12.14 In the event that a superior binding offer in relation to the Indicative Scotpac Proposal is provided before the Scheme Meeting or a superior proposal emerges prior to the Scheme Meeting, Shareholders will be entitled to reject the Scheme and pursue other proposals. In such circumstances, we reserve the right to change our Report.

Conclusion

- 12.15 In the absence of any other relevant information, a superior binding offer in relation to the Indicative Scotpac Proposal, and/or a superior proposal, RSM considers the Scheme to be **fair and reasonable** to Shareholders and as such, that the Scheme to be **in the best interests** of Shareholders.
- 12.16 An individual shareholder's opinion in relation to the Scheme may be influenced by their individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

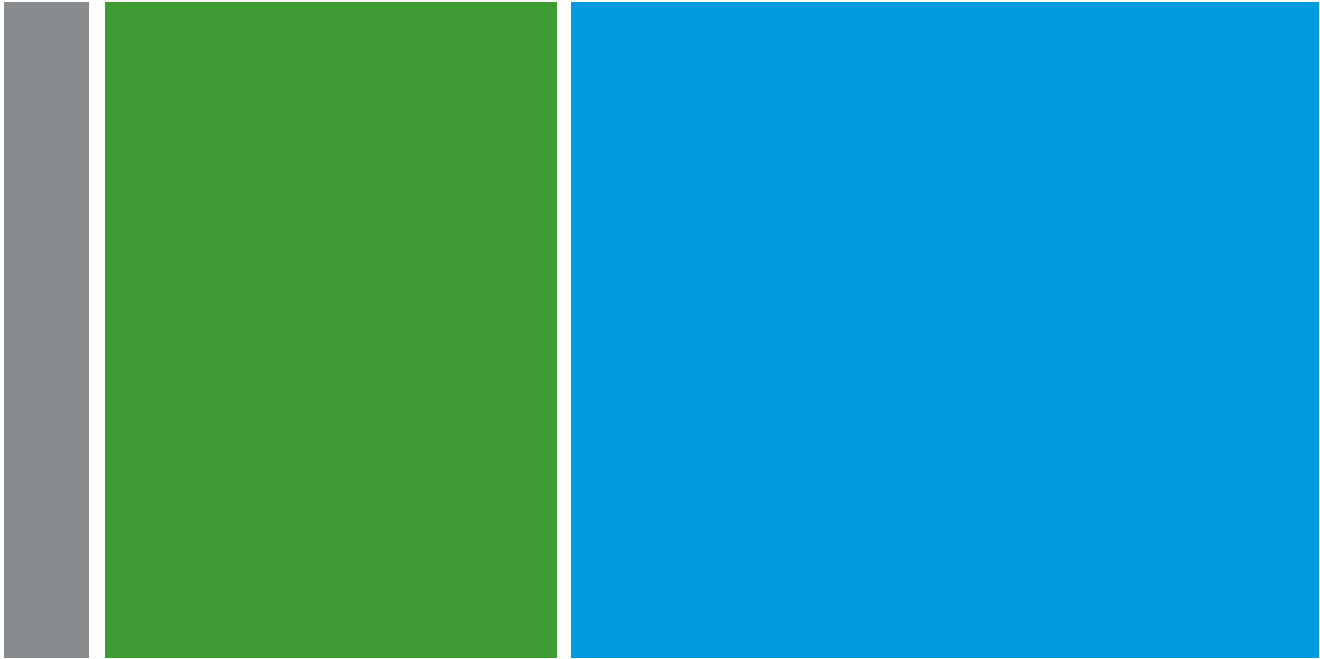
RSM CORPORATE AUSTRALIA PTY LTD



Glyn Yates
Director



Andrew Clifford
Director



APPENDICES

APPENDIX A - DECLARATIONS AND DISCLOSURES

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our Report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM Australia) a large national firm of chartered accountants and business advisors.

Glyn Yates and Andrew Clifford are directors of RSM Corporate Australia Pty Ltd. Both Glyn Yates and Andrew Clifford are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This Report has been prepared solely for the purpose of assisting the Shareholders in considering the Scheme. We do not assume any responsibility or liability to any party as a result of reliance on this Report for any other purpose.

Reliance on Information

Statements and opinions contained in this Report are given in good faith. In the preparation of this Report, we have relied upon information provided by the Directors and management of CML and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this Report, none of RSM Corporate Australia Pty Ltd, RSM, Glyn Yates, Andrew Clifford, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM Australia has any interest in the outcome of the Scheme, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of \$60,000 plus GST based on time occupied at normal professional rates for the preparation of this Report. The fees are payable regardless of whether CML receives CML Shareholder approval for the Scheme, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this Report in the form and context in which it is included with the Notice of Scheme Meeting and Scheme Booklet to be issued to Shareholders. Other than this Report, none of RSM Corporate Australia Pty Ltd, RSM Australia and RSM Australia Partners has been involved in the preparation of the Notice of Scheme Meeting or Scheme Booklet. Accordingly, we take no responsibility for the content of the Notice of Scheme Meeting or the Scheme Booklet.

APPENDIX B – SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- The Scheme Booklet;
- CML’s audited financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- CML’s management accounts for the years ended 30 June 2017, 30 June 2018, 30 June 2019 and the period ended 31 October 2019;
- CML’s consolidated budget for the year ending 30 June 2020;
- COG’s audited financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- COG’s management accounts for the years ended 30 June 2017, 30 June 2018, 30 June 2019 and the period ended 31 October 2019;
- COG’s consolidated budget for the year ending 30 June 2020;
- Details of CML and COG Shareholders;
- COG ASX announcement dated 30 August 2018 in relation to the acquisition of Centrepont Finance;
- COG ASX announcement dated 21 December 2018 in relation to the acquisition of a 60% interest in Platform Finance and Leasing Group Pty Ltd;
- Bibby Financial Services Australia Pty Ltd audited financial statements for the year ended 31 December 2015;
- Scottish Pacific Group Limited audited financial statements for the year ended 30 June 2018
- McMillan Shakespeare Limited ASX announcement dated 23 July 2015 in relation to the acquisition of United Financial Services Group
- ASX announcements of CML and COG;
- S&P Capital IQ database;
- Mergermarket database
- Connect4 database;
- IbisWorld;
- Information provided to us throughout correspondence with the Directors and Management of CML and COG; and
- CML and COG websites.

APPENDIX C – GLOSSARY OF TERMS AND ABBREVIATIONS

Term or Abbreviation	Definition
1st Cash	1stCash Pty Ltd
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Cash Cap	\$20 million cap applied to cash consideration payable by COG as part of the Scheme
CF	Centrepoint Finance Pty Ltd
CFG	Consolidated Finance Group Pty Ltd
CML or Target	CML Group Ltd
COG or Bidder	Consolidated Operations Group Limited
Company	CML Group Ltd
Consideration or Scheme Consideration	The consideration receivable by CML Shareholders in exchange for each CML share held
Control	The power to direct the management and policies of an entity or business enterprise
Control basis or controlling basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Control premium	An amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in an entity or business enterprise, to reflect the power of control
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value, Fair Market Value or Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
Final Dividend	a dividend of \$0.03 per share paid to CML Shareholders immediately prior to the Scheme implementation date,

Annexure 4 – Independent Expert’s Report (continued)

Term or Abbreviation	Definition
FME	Future maintainable earnings
FSG	Financial Services Guide
Gross Margin	Total sales minus cost of goods sold, divided by total sales revenue, expressed as a percentage
Gross Profit	Total sales minus cost of goods sold
HAL	Hal Group Pty Limited
IER or the Report	This Independent Expert’s Report
Indicative Scotpac Proposal	The unsolicited non-binding indicative and conditional offer from Scotpac to acquire 100% of the issued share capital of CML, by way of a scheme of arrangement, for cash consideration of \$0.57 per CML Share and payment by CML of a dividend of up to \$0.03 per CML Share to be paid prior to the implementation of the scheme of arrangement
k	Thousand
Linx	Linx Group Holdings Pty Ltd
m or mm	Million
Merged Entity, the	COG and CML combined, post merger
Merger Ratio 1	The ratio of CML and COG shareholders assuming Option 1
Merger Ratio 2	The ratio of CML and COG shareholders assuming Option 2
Non-controlling basis	An assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of the entity in which the equity is held
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
PCG	Platform Consolidated Group Pty Ltd
QPF	QPF Holdings Pty Ltd
Regulations	Corporations Regulations 2001 (Cth)
Report	This Independent Expert’s Report prepared by RSM
RG 111	ASIC Regulatory Guide 111 Contents of Expert’s Reports
RSM	RSM Corporate Australia Pty Ltd
Option 1 and Default Option	Cash and scrip consideration of 2.7 COG shares plus \$0.24 for every 1 CML share held (capped at \$20 million)
Option 2	Scrip consideration of 5.4 COG shares for every 1 CML share held
Shareholders	CML shareholders eligible to participate in the Scheme
Scheme, the	The proposed scheme of arrangement under which COG will merger with CML
Scheme Booklet	Booklet prepared for the Scheme to which this Report is attached

Term or Abbreviation	Definition
Scheme meeting	Court convened meeting of Shareholders where Shareholders will consider a resolution seeking approval of the Scheme
Scotpac	Scottish Pacific Group Limited
Second Court Hearing Date	The day on which the application is made to the Court for an order pursuant to section 411(4)(b) of the Act approving the Scheme
SIA	Scheme of Implementation Agreement
VWAP	Volume Weighted Average Price
WANOS	Weighted Average Number Of Shares
Westlawn	Westlawn Finance Limited

Annexure 4 – Independent Expert’s Report (continued)

APPENDIX D – COMPARABLE COMPANIES BUSINESS DESCRIPTIONS

Ticker	Comparable company	Business description
ASX:CGR	CML Group Limited	CML Group Limited provides financial management and payroll services in Australia. It operates through Finance, Equipment Finance, and Other Services segments. The Finance segment offers invoice financing or receivables finance services. The Equipment Finance segment provides equipment finance services for old and new equipment, such as sale back of owned or partially owned equipment, private sales, and mid-term financing. The Other Services segment offers employment solutions comprising labor sourcing and project management. It also offers trade finance services. The company was formerly known as Careers Multilist Limited and changed its name to CML Group Limited in May 2014. CML Group Limited was founded in 2002 and is based in North Sydney, Australia.
ASX:CLH	Collection House Limited	Collection House Limited provides debt collection services in Australia and New Zealand. The company operates through two segments, Collection Services and Purchased Debt Ledgers. It offers debt collections services to clients in the Australasian financial services, insurance, public utility, credit, and government enterprise markets; and debt purchasing services for banking, finance, telecommunications, and energy sectors. The company also provides receivables management, repayment arrangement management, asset location recovery and sale, hardship management, legal and insolvency, credit management training, finance brokerage, and business process outsourcing services. Collection House Limited was incorporated in 1992 and is headquartered in Newstead, Australia.
ASX:COG	Consolidated Operations Group Limited	Consolidated Operations Group Limited (COG) specialises in finance broking and aggregation and equipment financing in the SME market through its subsidiaries and investments. To a lesser extent, COG also operates in IT management and other professional services. COG commenced operations in 2003 as 'Wallace Absolute Return Limited', and has since expanded into a consolidated group focused on financing the SME market.
ASX:CCP	Credit Corp Group Limited	Credit Corp Group Limited provides debt purchase and collection, and consumer lending services in Australia and the United States. It operates through three segments: Debt Ledger Purchasing – Australia and New Zealand, Debt Ledger Purchasing – United States, and Consumer Lending – Australia and New Zealand. The company offers debt sale, contingency and agency collection, local government debt recovery, and hardship and insolvency management services, as well as various loan products. It provides financial services under the Wallet Wizard, ClearCash, CarStart Finance, Credit 2U, and CapTrove names. Credit Corp Group Limited was founded in 1992 and is headquartered in Sydney, Australia.
ASX:ECX	Eclix Group Limited	Eclix Group Limited provides vehicle fleet leasing, fleet management, and diversified financial services in Australia and New Zealand. The company operates in Australia Commercial, Australia Consumer, and New Zealand segments. It offers vehicle fleet leasing and management, commercial equipment finance and leasing, novated leasing, and consumer motor vehicle finance solutions. The company offers a suite of diversified financial services under the FleetPartners, FleetPlus, FleetChoice, Georgie, CarLoans.com.au, Right2Drive, AutoSelect, and Eclix Commercial brands. Eclix Group Limited was founded in 1987 and is headquartered in St Leonards, Australia.

APPENDIX D – COMPARABLE COMPANIES BUSINESS DESCRIPTIONS

Ticker	Comparable company	Business description
ASX:FXL	FlexiGroup Limited	FlexiGroup Limited provides consumer revolving finance, card, leasing, and rental financing services in Australia, New Zealand, and Ireland. It operates through six segments: NZ Cards, Humm, NZ Leasing, Australia Cards, Consumer Leasing, and Commercial Leasing. The company offers leasing services to consumers, businesses, and corporations; and interest free finance to enable customers to facilitate purchases at participating retailer's point of sale and online. It also provides no interest ever, vendor finance program, Visa/Mastercard, managed print, lay-by, and other payment solutions to consumers and businesses. The company offers its services under the Humm, Lisa, SmartWay, FlexiWay, FlexiFi, Flexirent, Farmers, Q Card, Flight Centre Mastercard, Oxipay NZ, Flexirent IE, Flexirent NZ, Lombard, Once, Q Card NZ, Skye, and Smartway brands. FlexiGroup Limited was founded in 1988 and is headquartered in Sydney, Australia.
ASX:SIV	SIV Capital Limited	SIV Capital Limited engages in the rental and financing of commercial equipment in Australia, New Zealand, and Canada. It offers equipment rental and financing solutions to small and medium sized businesses in the hospitality industry, such as coffee shops, takeaway stores, independently owned restaurants, and franchises. The company provides its funding solutions through Rent.Try.Buy. The company was formerly known as Silver Chef Limited and changed its name to SIV Capital Limited in November 2019. SIV Capital Limited was founded in 1986 and is based in West End, Australia.
ASX:TGA	Thorn Group Limited	Thorn Group Limited, a diversified financial services company, provides alternate consumer and commercial leasing products, and consumer and commercial financing solutions. It is involved in the leasing of household products to consumers; and provision of commercial asset finance to small and medium size enterprises under the Radio Rentals name. Thorn Group Limited was founded in 1937 and is based in Chullora, Australia.

Annexure 4 – Independent Expert’s Report (continued)

APPENDIX E – COMPARABLE TRANSACTIONS DESCRIPTIONS

Buyer company	Target company	Short Business Description	Transaction Comments
Consolidated Operations Group Limited	Centrepoint Finance Pty Ltd	Centrepoint Finance Pty Ltd (CFPL) is an Australian based company providing finance, lease and rental services for purchase of equipment, headquartered at Melbourne.	COG acquired Centrepoint Finance Pty Ltd for a total consideration of AUD 9.5m. The consideration consisted of AUD 6.84m in cash, AUD 0.76m in equity through the issue of 6,405,808 new shares and AUD 1.9m as earnouts in the two years, post-acquisition.
Affinity Equity Partners Ltd	Scottish Pacific Group Limited	Scottish Pacific Group Ltd was formerly an Australian listed company engaged in providing working capital solutions with debtor and trade finance facilities.	Affinity Equity Partners Ltd, a Hong Kong based Private Equity firm, acquired Scottish Pacific Group Ltd, through a Scheme of arrangement at \$4.40 per share in cash.
CML Group Limited	1stCash Pty Ltd	1stCash Pty Ltd, was the Australian based trade and debtor finance division of Thorn Group Limited, an ASX listed company engaged in providing leasing, equipment finance, credit management services and other financial services.	CML Group Limited, acquired 100% of 1stCash Pty Ltd for consideration of approximately \$39m.
Consolidated Operations Group Limited	Platform Finance and Leasing Group Pty Ltd	Platform Finance and Leasing Group Pty Ltd is an Australian based company engaged in motor vehicle and some general business equipment finance	COG acquired a 60% stake in Platform Finance and Leasing Group Pty Ltd for total consideration of \$24m. The consideration comprised a mix of cash and equity in a 75:25 ratio.
Scottish Pacific Group Limited	Bibby Financial Services Australia Pty Ltd	Bibby Financial Services Australia Pty Ltd, is an Australian based company engaged in providing factoring, debtor finance and invoice discounting services.	Scottish Pacific Group, acquired Bibby Financial Services Australia Pty Ltd from Bibby Financial Services Group for a consideration of approximately \$120m.
McMillan Shakespeare Limited	United Financial Services Group	United Financial Services Group is an Australian based financial agency and brokerage service business, specialising in delivery of consumer finance and insurance products	McMillan Shakespeare I acquired United Financial Services for a total consideration of AUD 42m, on a debt free basis. McMillan Shakespeare paid AUD 25.2m in cash and AUD 16.8m through issue of McMillan Shakespeare's ordinary shares.

Source: Mergermarket, RSM Analysis

APPENDIX F – INDUSTRY OVERVIEW

Industry overview¹

The Australian finance sector is made up of companies that provide banking and lending services and investment trusts in Australia. The finance sector can be broken down into domestic banks, foreign banks, non-depository financiers and financial asset investors.

Consolidated Operations Group Limited (COG) is a small and medium enterprises (SME) equipment finance broking and aggregation business. COG is also a provider of non-prime commercial equipment leases. CML Group Limited (CML) is a provider of debtor financing, equipment financing and trade financing. Both COG and CML operate in the non-depository financing sector in Australia.

The non-depository financing industry in Australia includes financiers that lend money or provide credit to retail, corporate and wholesale customers. These financiers usually raise funds through wholesale channels and do not incur the liabilities of deposits. Financiers also lease plant, equipment and machinery on a financial services basis.

The non-depository financing industry in Australia has operated in a low interest rate environment over the past five years to 2018-19. Even though financiers have increased their lending portfolios and assets over the period, RBA's repeated cuts to the official cash rate have limited growth in interest revenue generated on loans and advances. Furthermore, strong competition from major banks with significant scale have made it difficult for non-bank lenders to significantly grow their loan books and customer bases.

Industry participants have sought to reduce costs and improve efficiency over the previous five years to 2018-19 but overall cost reductions have been constrained by the rise in wage costs over the period due to the greater volume of loans issued. Nonetheless, profit margins have increased in line with revenue growth, primarily due to the widening gap between the interest rates at which industry participants source funding and the rates at which they lend.

Overall, industry revenue is expected to increase at an annualised rate of 3.6% per annum over the last five years to 2018-19, to total \$9.3 billion.

The non-depository financing industry in Australia is highly competitive, as they face strong competition from major banks. The key performance drivers for industry businesses are as follows:

- cash rates;
- capital expenditure (capex) by the private sector; and
- business confidence.

Cash rates

Industry revenue is generated from interest income earned on financiers' lending portfolio. The interest rate charged on loans is calculated based on cash rate movements. Interest revenue and industry revenue generally moves in line with the cash rate. As the Reserve Bank of Australia (RBA) aims to stimulate the economy, the official cash rate was reduced to historic lows. This resulted in decreases in interest revenue generated on financiers' lending portfolios.

Capital expenditure (capex) by the private sector

The business sector accounts for the majority of the industry's lending portfolio. Companies borrow money to fund their capital equipment purchases or manage their working capital requirements. Demand for capital assets and construction activities also increases when private capex rises.

Private capex may be funded by industry operators, effectively driving industry demand.

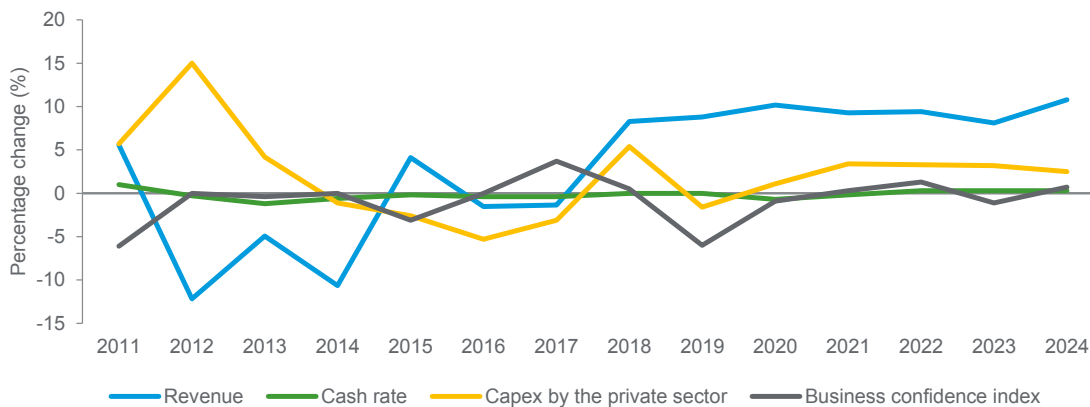
¹ Source: IBISWorld Report K6230 - Non-Depository Financing in Australia, October 2018'

Annexure 4 – Independent Expert’s Report (continued)

Business confidence

The business confidence index measures general business sentiment. This is also an indicator of businesses' economic outlook and can be used to gauge the overall economic condition. A high index implies that businesses are more willing to spend and invest. When the index increases, demand for credit and financing generally grows as businesses seek funds for growth and investments. The business confidence index is expected to rise and remain positive in 2018-19.

The actual and projected percentage changes of Australian non-depository financing industry revenue, cash rates, capex by the private sector and the business confidence index from 2011 to 2024 is summarised below:



Source: IBISWorld

The non-depository financing industry is forecast to achieve record strong revenue growth over the next five years to 2023-24. Higher interest rates and overall stronger economic growth will likely be the main drivers of industry growth.

The cash rate is forecast to increase as the economy strengthens and demand for financing continues to grow. This will lead to higher lending volumes at higher interest rates, boosting industry revenues. Interest rate cuts over the past five years have also caused lending volumes to increase. As the cash rate rises, industry operators are expected to generate higher revenue from a bigger asset base over the next five years. In addition, growth in private capex on machinery and equipment is also estimated to increase industry revenue over the period.

Industry consolidation is projected over the next five years as operators seek economies of scale to compete more effectively against the major banks and other larger lenders. Furthermore, smaller non-bank lenders are likely to be acquired by major banks, as they attempt to gain market share.

Overall, industry revenue is forecast to increase at an annualised rate of 9.5% over the five years to 2023-24, to total \$14.7 billion.

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Annexure 4 – Independent Expert’s Report (continued)

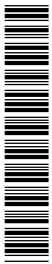
Need assistance?



Phone:
1300 855 080 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



CGR

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by 10:00am (AEDT) on Monday 3 February 2020.

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of CML Group Limited hereby appoint

the Chairperson of the Meeting OR **PLEASE NOTE:** Leave this box blank if you have selected the Chairperson of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of CML Group Limited to be held at Level 5, 126 Phillip Street, Sydney NSW on Wednesday, 5 February 2020 at 10:00 am (AEDT) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between CML Group Limited and the holders of its ordinary shares (as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part) is agreed to (with or without alterations or conditions as approved by the Federal Court of Australia to which CML Group Limited ACN 098 952 277 and Consolidated Operations Group Limited ACN 100 854 788 agree).

For Against Abstain

The Chairperson of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

CGR

2 5 9 1 2 6 A



Computershare



Return your Form:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 1282 Melbourne
Victoria 3001 Australia

For all enquiries:

Phone:



(within Australia) 1300 855 080
(outside Australia) +61 3 9415 4000



CGR

MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Election Form - Scheme Meeting



PLEASE USE THIS FORM TO CHOOSE THE FORM OF SCHEME CONSIDERATION YOU WISH TO RECEIVE PURSUANT TO THE SCHEME. DO NOT MAKE MORE THAN ONE ELECTION IN SECTION 2 AT THE BACK OF THE FORM. IF YOU MAKE MORE THAN ONE ELECTION OR YOU DO NOT MAKE AN ELECTION, YOU ARE DEEMED TO HAVE ELECTED CONSIDERATION OPTION 1. TO MAKE A VALID ELECTION FOR THE SCHEME CONSIDERATION, YOUR FORM MUST BE RECEIVED BY NO LATER THAN 7:00PM (AEDT) ON MONDAY, 27 JANUARY 2020.

This form is an important document that requires your immediate attention. This form relates to the recommended Scheme between CML Group Limited ("CML") and Consolidated Operations Group Limited ("COG") and should be read with the accompanying Scheme Booklet dated 24 December 2019. Unless the context otherwise requires, the definitions contained in the Scheme Booklet also apply in this form.

If you are in doubt about how to deal with this form, please contact your financial or other professional advisor.

Note this form can only be used in relation to the securityholding represented by the details printed above and overleaf.

Step 1: Registration Name

Your Scheme Consideration will be issued to the name(s) as they appear on the CML register on the Scheme Record Date. The current address recorded by CML is printed above and overleaf. If you have already sold all your CML Shares, do not complete or return this form.

Step 2: Make an Election

CML Shareholders other than Ineligible Foreign Shareholders may elect to receive one of:

Consideration Option 1:

- 2.7 New COG Shares for each Scheme Share; and
- \$0.24 in cash for each Scheme Share (**Cash Consideration**) up to a capped aggregate amount of \$20,000,000 across all CML Shareholders (**Cash Cap**).

OR

Consideration Option 2:

5.4 New COG Shares for each Scheme Share.

If you wish to elect the form of consideration you will receive, you need to complete Step 2 and sign in Step 3 on the reverse of this form. You will be deemed to have elected to receive Consideration Option 1 (2.7 New COG Shares and \$0.24 in cash per Scheme Share) in consideration for ALL of your CML Shares if you fail to return a validly completed form OR if you do not complete, or make an invalid election in, Step 2 on the reverse of this form.

Step 3: Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: Where signing as Power of Attorney (**POA**), you must attach an original certified copy of the POA to this form.

Companies: Where the holding is in the name of a Company, this form must be signed in accordance with the Corporations Act, either as:

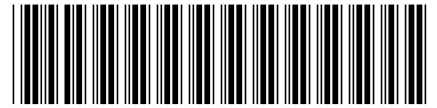
- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Secretary.

Overseas Companies: Where the holding is in the name of an Overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

Deceased Estate: All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering contact details is not compulsory, but will assist us if we need to contact you.

Turn over to complete the form →



Election Form - Scheme Meeting

I 1111111111

IND

For your security keep your SRN/
HIN confidential.

STEP 1 Registration Name

Registration Name: MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

STEP 2 Make an Election

You will be deemed to have elected to receive Consideration Option 1 of 2.7 New COG Shares and \$0.24 in cash per Scheme Share in consideration for ALL of your Scheme Shares if you fail to return a validly completed form OR if you do not complete, or make an invalid election below. Further details of the Scheme Consideration are set out in the Scheme Booklet.

You may only tick one box

Consideration Option 1 for ALL of my/our CML Shares
2.7 New COG Shares, and \$0.24 per Scheme Share

Consideration Option 2 for ALL of my/our CML Shares
5.4 New COG Shares per Scheme Share

Ineligible Foreign Shareholders are unable to make an election. Ineligible Foreign Shareholders will receive the All Cash Consideration of \$0.48 per Scheme Share they hold. By making an election, you warrant that you are not an Ineligible Foreign Shareholder, are not holding the Scheme Shares or any of them or any interest in any of them directly or indirectly on behalf of an Ineligible Foreign Shareholder and are not making any election on behalf of an Ineligible Foreign Shareholder.

STEP 3 Signature of Securityholder(s) *This section must be completed.*

I/we agree to be bound by the terms and conditions of the Scheme and transfer ALL of my/our Scheme Shares as per the above instruction.

Individual or Securityholder 1

Sole Director and Sole Company Secretary/
Sole Director (cross out titles as applicable)

Contact
Name _____

Securityholder 2

Director

Contact
Daytime
Telephone _____

Securityholder 3

Director/Company Secretary
(cross out titles as applicable)

Date ____ / ____ / ____

Privacy Notice

The personal information you provide on this form is collected by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by CML. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf to CML or to third parties upon direction CML where related to the administration of your securityholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Corporate Directory

CML Group Limited

Level 1, 201 Miller Street, North Sydney NSW 2060

Investor Enquiries

CML Share Registry (within Australia)

Level 3, 60 Carrington Street, Sydney, NSW 2000 Australia

CML Scheme Information Line (within Australia) 1300 855 080

CML Scheme Information Line (outside Australia) +61 3 9415 4000

Independent Expert

RSM Corporate Australia Pty Ltd

Level 21, 55 Collins Street, Melbourne VIC 3000

CML Share Registry

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street

Sydney NSW 2000

Legal Adviser

Automic Legal Pty Ltd a wholly owned division of the Automic Group.

Level 5, 126 Philip Street, Sydney NSW 2000

Stock Exchange Listings

CML ordinary shares are quoted by the Australian Securities Exchange (ASX: CGR).

