CML Group

CML Group Limited (ASX:CGR)

18 May 2016

Senior Secured Corporate Note Extension

Increased funding to support 180 loan book acquisition

CML Group ("**CML**" or the "**Company**") is pleased to announce that it is launching an additional $15m senior secured notes offering, adding to the issue announced to ASX on 9 March 2016, taking the total volume on issue in that series to $40m.

Funds raised from the extension to the note offering will be used to fund growth in the Company's Finance division loan book post the acquisition of 180 Group ("180"), as previously announced to ASX on 9 May 2016.

The Lead Arranger for the note offering is FIIG Securities Limited ("**FIIG**"). The note offering is only open to eligible professional and sophisticated investors. No prospectus or other disclosure document in relation to the notes will be lodged with the Australia Securities and Investment Commission ("**ASIC**") or any other regulatory authority.

CML Group Managing Director, Daniel Riley, said of the note offering, "The acquisition of 180 represents a step-change in the scale of our invoice finance business. The note offering allows us to accelerate growth in our invoice finance offering, the growing scale of which we believe will be a significant catalyst for significant value creation for our shareholders."

FIIG CEO Mark Paton said "Including bonds in a company's funding mix increased flexibility and reduces reliance on just one or two sources of capital," he said. "CML has proved that once you have established a bond program it can be used to support strategic growth."

For full terms and conditions of the offering, please refer to the Information Memorandum to be lodged with the ASX on 24 March 2016, and the Preliminary Supplemental Information Memorandum lodged with this announcement. Neither the Information Memorandum nor the Preliminary Supplemental Information Memorandum is a prospectus or other disclosure document for the purposes of the Corporations Act 2001 (Cth) as, as noted above, the offering is only open to eligible professional and sophisticated investors.

A summary of the key terms of the proposed note offering is set out below.

Issuer	CML Group Limited
Guarantors	CML Payroll Pty Ltd Zenith Management Services Group Pty Ltd Lester Australia Pty Ltd The Lester Partnership Pty Ltd Lester Payroll Services Pty Ltd Lester Associates Good Migration Pty Ltd Lester Associates Business Services Pty Ltd LesterPlus Pty Ltd

CML Group

	Cashflow Finance Australia Pty Ltd Cashflow Advantage Pty Ltd 180 Group Pty Ltd - post acquisition 180 Finance Pty Ltd – post acquisition
Eligible Investors	The offering will only be available to investors who qualify as professional and sophisticated investors as prescribed in and in accordance with Part 6D.2 of the *Corporations Act 2001.*
Type	Fixed Rate Medium Term Notes (the **Notes**)
Status and Ranking	The Notes will be direct, senior, secured obligations of the Issuer
Denominations	The Note will be issued in denominations of A$1,000, subject to a minimum initial subscription of A$20,000
Indicative Coupon	8% per annum, paid monthly in arrear
Indicative Term	6 years
Rating	The Notes will not be rated by any rating agency
Negative Pledge and other covenants	The Note will include a negative pledge and certain covenants, including Issuer and Group financial indebtedness incurrence covenants and limits on the quantum of cash distributions.

Sincerely,

Daniel Riley
CEO

For more information please contact:

FIIG Securities Limited
Lead Arranger
Telephone: 1800 010 182
Website: www.fiig.com.au

ABOUT CML GROUP

CML provides cash flow and integrated business solutions, to help its clients focus on their core business.

CML's primary business is 'factoring' or 'receivables finance'. Through the factoring facility CML provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. CML will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.

Other services are delivered via CML's Payroll & Employment divisions, which provide 'managed employment' services to clients that do not wish to engage their workforce directly, generally as they do not have the processes, systems, insurances or desire to employ directly. This division also includes labour sourcing through recruitment agency panel management, project management and a migration practice.

SUBJECT TO COMPLETION
PRELIMINARY SUPPLEMENTAL INFORMATION MEMORANDUM DATED 18 MAY 2016

Supplemental Information Memorandum

CML Group Limited
(ABN 88 098 952 277)

Issue of Australian Dollar Notes

The Notes have the benefit of the security described in the Information Memorandum dated 21 March 2016 and are unconditionally and irrevocably guaranteed on a joint and several basis by

CashFlow Advantage Pty Ltd
(ABN 22 112 014 230)

Cashflow Finance Australia Pty. Ltd.
(ABN 97 093 756 524)

CMLPayroll Pty Ltd
(ABN 66 150 688 476)

Lester Associates Business Services Pty Ltd
(ABN 11 141 942 163)

Lester Associates Good Migration Pty Ltd
(ABN 15 141 942 181)

Lester Payroll Services Pty Ltd
(ABN 34 081 626 048)

Lester Plus Pty Ltd
(ABN 32 160 025 043)

The Lester Partnership Pty Limited
(ABN 31 076 127 323)

Zenith Management Services Group Pty Ltd
(ABN 21 002 867 254)

Lead Manager and Initial Subscriber

FIIG Securities Limited
(ABN 68 085 661 632)

[●] 2016

Contents

Important Notice

Introduction

This Supplemental Information Memorandum supplements, and should be read in conjunction with, the Information Memorandum dated 21 March 2016 ("**Information Memorandum**") which relates to an issue of A$25,000,000 8.00% Fixed Rate Notes due 18 March 2022 (ISIN: AU3CB0236412) ("**Tranche 1 Notes**") by CML Group Limited (ABN 88 098 952 277) ("**Issuer**").

Unless otherwise defined in this Supplemental Information Memorandum, terms defined in the Information Memorandum have the same meaning when used in this Supplemental Information Memorandum.

On 23 March 2016, the Issuer issued the Tranche 1 Notes pursuant to the conditions set out in the Information Memorandum, as supplemented by the pricing supplement dated 21 March 2016 ("**Conditions**"). The Issuer is intending to issue additional Australian dollar notes ("**Tranche 2 Notes**") which will be consolidated and will form a single series with the Issuer's existing Tranche 1 Notes. The terms and conditions of the Tranche 2 Notes will be identical to the Conditions applicable to the Tranche 1 Notes (other than, to the extent relevant, in respect of the issue price, the Issue Date and date of the first payment of interest). In addition, the Issuer has executed a Collateral Deed Poll dated [●] 2016 ("**Collateral Deed Poll**") pursuant to which the Issuer has given additional undertakings in favour of the Note Trustee and the Noteholders as more fully described in the section entitled "Collateral Undertaking" below. A pricing supplement ("**Tranche 2 Pricing Supplement**") will be issued for the Tranche 2 Notes.

Prospective investors should read this Supplemental Information Memorandum carefully prior to making any decision in relation to purchasing, subscribing for or investing in the Notes.

Issuer's responsibility

This Supplemental Information Memorandum has been prepared and issued by the Issuer. The Issuer accepts responsibility for the information contained in this Supplemental Information Memorandum.

This Supplemental Information Memorandum is incorporated in, and forms part of, and to the extent relevant, supplements and updates the Information Memorandum. A reference to this Supplemental Information Memorandum is a reference to all or any part of it and a reference to the Information Memorandum is to the Information Memorandum as supplemented by this Supplemental Information Memorandum. This Supplemental Information Memorandum is authorised for distribution only when accompanied by the Information Memorandum.

None of the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee or an Agent has been involved in the preparation of this Supplemental Information Memorandum and have not verified any of the information contained in this Supplemental Information Memorandum. Accordingly no representation, warranty or undertaking, expressed or implied, is made and no responsibility is accepted by the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee or an Agent as to the accuracy or completeness of this Supplemental Information Memorandum.

Documents incorporated by reference

This Supplemental Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated into it by reference as set out in the Information Memorandum and below.

The following documents are also incorporated in, and taken to form part of, the Information Memorandum:

- the Collateral Deed Poll; and
- the Tranche 2 Pricing Supplement.

Any statement contained in the Information Memorandum or in any of the documents incorporated by reference in, and forming part of, the Information Memorandum shall be modified or superseded in the Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference into the Information Memorandum modifies or supersedes such statement (including whether expressly or by implication).

Copies of any documents incorporated by reference in the Information Memorandum may be obtained from the office of the Issuer, the Note Trustee, the Security Trustee or such other person specified in the Pricing Supplement.

Except as provided above, no other information, including any document incorporated by reference in any of the documents described above, is incorporated by reference into the Information Memorandum.

No offer

This Supplemental Information Memorandum does not, and is not intended to, constitute an offer or invitation by or on behalf of the Issuer, any Guarantor, the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee or the Agents to any person to subscribe for, purchase or otherwise deal in any Tranche 2 Notes.

Corporate Profile

The information in this section is a brief summary only of the Issuer and the Guarantors and their respective businesses and does not purport to be, nor is it, complete.

Investors should review, amongst other things, this Information Memorandum and the documents which are deemed to be incorporated in this Information Memorandum by reference when deciding whether to purchase any Notes.

This Information Memorandum contains only summary information concerning the Issuer, the Guarantors and the Notes. It should be read in conjunction with the documents which are deemed to be incorporated by reference in it, the Conditions, the Note Trust Deed and the Security Trust Deed. The information contained in this Information Memorandum is not intended to provide the basis of any credit or other evaluation in respect of the Issuer, the Guarantors or any Notes and should not be considered or relied on as a recommendation or a statement of opinion (or a representation or report of either of those things) by any of the Issuer, the Guarantors, the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee or the Agents that any recipient of this Information Memorandum should subscribe for, purchase or otherwise deal in any Notes or any rights in respect of any Notes.

Investing in the Notes entails a number of risks. Certain risks associated with CML Group's business are outlined in the section entitled "Key Risk Factors" below. However, this Information Memorandum does not describe all of the risks associated with CML Group's business or the risks associated with an investment in any Notes or the market generally. Prospective investors or purchasers should consult their own professional, financial, legal and tax advisers about risks associated with an investment in any Notes and the suitability of investing in the Notes in light of their particular circumstances.

Disclosure of information to Noteholders

CML Group Limited (ASX: CGR) (ABN: 88 098 952 277) ("**CML**" or the "**Company**") is a disclosing entity on the Australian Securities Exchange operated by ASX Limited ("**ASX**"). In accordance with the ASX Listing Rules, once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information. Such information would generally include full annual reviews, financial accounts and details of the corporate activity of CML Group. CML will notify the ASX through announcements on the ASX website (http://www.asx.com.au). Such information is also made available on CML's website http://cml-group.com.au/investor-relations/publications-policies/.

In addition to complying with such continuous disclosure obligations, CML has also undertaken, pursuant to the Note Trust Deed, to provide to the Note Trustee with a monthly report that sets out various matters, including an updated commentary on the performance of the Purchased Receivables and compliance with certain covenants set out in the Conditions of the Notes. CML will also make such monthly reports available on the ASX website (http://www.asx.com.au) and on CML's website http://cml-group.com.au/investor-relations/publications-policies/. If CML is no longer listed on the ASX, it will continue to make such monthly reports available on its website.

Executive Summary

CML is an ASX-listed finance company that helps its clients focus on their core business by providing cash flow and integrated business solutions.

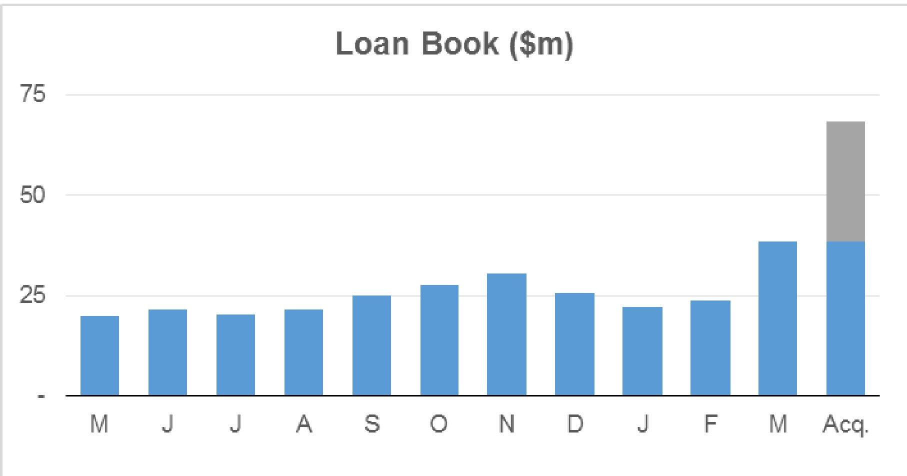
Invoice Financing (CML's Core Business)	
Refers to 'factoring' or 'invoice finance' which provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume.	
Integrated Solutions*	
Payroll Includes managed employment, outsourced payroll processing and sponsorship of skilled foreign workers on 457 visas through a Labour Agreement negotiated with Department of Immigration and Border Protection (DIBP).	**Employment** Includes labour sourcing through recruitment agency panel management, project management, some direct recruitment and a migration practice.

CML has a market capitalisation of $17.8 million as at 11 May 2016, and an equity value of over $28.2 million taking into account the $10.4 million of convertible notes outstanding. CML employs 45 full-time equivalent staff across three offices in Sydney and Brisbane.

CML was established in 2002 and listed in February 2010. In recent years, the Company has experienced substantial growth after moving into invoice financing in FY'12. Growth was accelerated by the acquisition of Cashflow Finance Australia Pty. Ltd. (ABN 97 093 756 524) ("**CFA**") in late FY'15, which increased the size of CML's loan book from $12 million to $21.5 million at 30 June 2015. In the 6 months to 31 December 2015, CML added 51 new clients to its portfolio and increased its loan book from $21.5 million at 30 June 2015 to a peak of $30.4 million at 30 November 2015. Seasonality impacts volumes during the months of December to February, however, the loan book returned to normal levels in March 2016. Growth was further accelerated by the acquisition of CashFlow Advantage Pty Ltd (ABN 22 112 014 230) ("**CA**") in March 2016, taking the loan book to $38.4 million.

CML has entered into a binding agreement to acquire 100% of the shares in 180 Group ("**180 Group**"). The consideration of $35.5 million includes $5.5 million representing the goodwill in 180 Group and $30.0 million to fund the acquired loan book.

Post the acquisition of 180 Group, the loan book will be approximately $68 million by May 2016 and will underpin continued growth in FY'17.



Background

CML, originally Careers Multilist, was established in 2002 as a recruitment franchisor and listed on the ASX in February 2010. This industry was exposed to fluctuations in the employment market and yielded unstable earnings. Management subsequently sought to build stability into the Company's earnings and achieve growth by diversifying its income streams. In addition to its core business, Invoice Finance, CML offers Payroll and Other services, which operate as stand-alone businesses under their own brands and represent the Company's history. These include:

1. Payroll & Other (Payroll Division)

The Payroll Division consists of:

(a) Careers Multilist

Recruitment broker offering business development support to a national network of labour-hire supply partner. The business provides marketing, work referral, IT services, procurement & back-office support functions to ~20 labour hire partners.

(b) Zenith

Acquired in 2009, Zenith is a specialist consulting agency, providing technical services, business transition services and recruitment consulting to library, records and information management clients.

(c) Lester Associates

Acquired in September 2011 when the Company identified payroll outsourcing as an opportunity for diversification based on the needs of all labour-hire firms for accurate payroll processing for their workforce. Lester Associates offers:

- 'managed employment' services to clients that do not wish to engage their workforce directly, generally as they do not have the processes, systems, insurances or desire to employ directly;
- sponsorship and 'on-hire' foreign workers on 457 visas through an Australian Government Work Agreement negotiated with the Commonwealth of Australia; and
- migration practice offering advice, case management & visa provision.

A recent addition to the service offering from the Payroll Division is an outsourced payroll and invoicing solution for small to medium enterprises, linked to the Finance Division to provide cashflow support to meet payroll demands.

The Payroll and Other division performed steadily during H1FY'16. To improve performance in this division, the sales team has recently been expanded and marketing initiatives improved with the assistance of an external firm.

Y/E 30 Jun ($m)	H1'15 A	FY'15 A	H1'16 A	Δ pcp
Revenue	44.2	82.1	39.1	(11)%
Underlying EBITDA	**1.5**	**2.4**	**1.2**	**(21)%**
One-Off Costs	-	(0.3)	-	
Reported EBITDA	1.5	2.1	1.2	
Underlying EBITDA Margin	*3.3%*	*2.9%*	*3.0%*	

Steady Operation

- Payroll Financing & Local Contractor Management performed steadily during the half
- S457 visa sponsorship business impacted by decline in headcount & reduced volume
  - In the process of rebuilding roster of sponsored workers after reinstatement of Labour Agreement
  - Recently expanded sales team & improved marketing initiatives

Simplification Program

- A simplification program is being undertaken across the business to invest greater time & effort into service offerings that will integrated with the core Finance business and offer improved profit and customer benefit upside

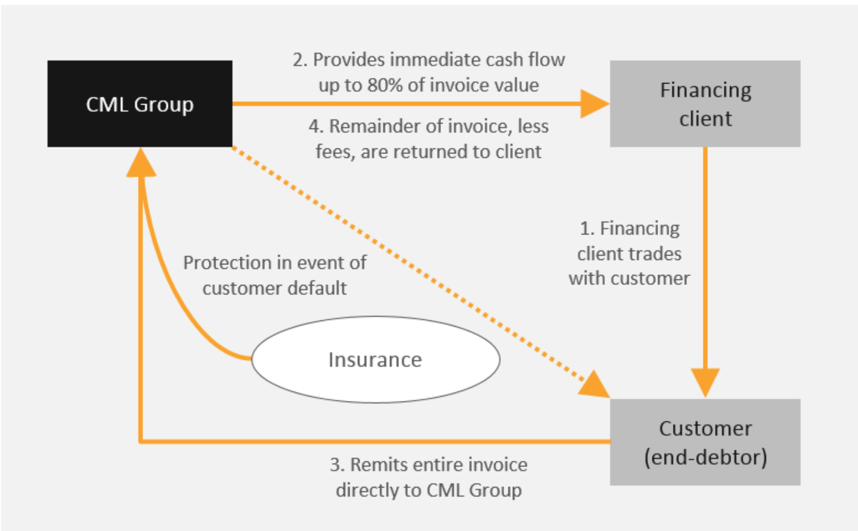
Outlook

- The simplification program is anticipated to complete over the next 12 months and result in a focussed Finance business

2. Finance Division

Business Model

CML's primary business is 'factoring' or 'receivables finance'. Through the factoring facility, CML provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. CML will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position. Risk is mitigated through trade credit insurance placed against the client.



A key aspect of the Company's business model is that the Company takes a close position to the 'end-debtor' as a risk mitigation strategy. The aim is to shift the risk from the finance client to the end-debtor of the finance client (i.e. the finance client's customers). This involves the following:

- CML issues invoices to their client's customers ("**end debtor**") with CML's legal title to the invoice clearly disclosed, meaning that invoices to the end-debtor are payable directly to CML Group;

- 'managed service', meaning collections activity with end-debtors is managed directly by CML Group, allowing for tight credit control and the opportunity for regular debt verification. Trade credit insurance is in place against end-debtors, providing protection for CML Group and its clients against bad debts. Insurance cover, currently provided by Euler Hermes, is for 90% of the bad debt, less a $5,000 excess, with any gap between the value of the bad debt and insurance claim being the responsibility of the client. To reduce the cost of insurance cover, which is 0.25% of invoice value under current terms, CML may explore alternative options in future insurance periods, including an increased excess or the introduction of a 'first loss' acceptance by CML; and

- funding advanced to CML's client against any end-debtor is limited to the endorsed cover provided by the insurer.

Background

CML began offering invoice finance 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 the broader labour-hire industry some 12 months after the launch date.

Since then, it has expanded the offer to other sectors and integrated into its operations invoice finance company, CFA, acquired by CML in May 2015 and CA, acquired by CML in March 2016.

The Finance division is driving growth, with divisional revenue for H1FY'16 up 172% to $4.6 million compared to the previous corresponding period (2014: $1.7 million).

In the 6 months to 31 December 2015, CML added 51 new clients to its portfolio and increased its loan book from $21.5 million at 30 June 2015 to a peak of $30.4 million at 30 November 2015.

Strong top-line growth in invoices purchased drove revenue growth. This growth was driven by organic growth in the loan book and supplemented by the acquisition of CFA. Gross (revenue) margin (fees earned on invoices purchased) declined as a result of blending the lower margin CFA loan book with the existing higher margin CML loan book.

Underlying EBITDA margin grew, driven by growing revenue leveraging the largely fixed cost base that was installed during FY'15. Costs incurred by the Finance division during the first half are non-recurring and will continue to drive improvement to EBITDA margin in the second half.

Finance Division	**H1FY'15**	**H2FY'15**	**H1FY'16**
Gross (Revenue) Margin	4.4%	3.2%	2.9%
Underlying EBITDA Margin	37.2%	19.8%	42.7%

In H2FY'16, growth was further accelerated by the acquisition of CA in March 2016, taking the loan book to $38.4 million. CA operates on similar margin to CML's existing business and the operating cost base of the combined business will reduce by leveraging CML's existing staffing infrastructure that was installed during FY'15.

Integration of Cashflow Finance Australia ("CFA") and CashFlow Advantage ("CA")

Both CFA and CA have been fully integrated into CML operations and are contributing to earnings and operations for several reasons:

- loan book diversification - customer numbers have tripled, providing a greater risk spread and lower average advance; and

- reduced staffing costs - operations have been combined into a single location, reducing headcount across the combined business by ~25%.

CML's current focus is on organic growth, cost management and margins improvement, with a specific focus on legacy CFA clients, which are priced at a lower rate than CML's existing loan book. Margin improvement will also be achieved by introducing CML charge methodology for new CFA clients and offering additional services to existing CFA and CA clients for a fee. These ongoing initiatives and fee structures are expected to lift margins and over a 12 month period, is expected to yield an average margin adjustment of circa 0.5% on invoices purchased in CFA's loan book.

New Acquisition

CML has entered into a binding agreement to acquire 100% of the shares in 180 Group. The consideration of $35.5 million includes $5.5 million representing the goodwill in 180 Group and $30.0 million to fund the acquired loan book. Due diligence has been completed and the acquisition is subject only to CML's ability to raise the purchase consideration. The acquisition will be funded by a mix of equity, debt and existing cash reserves

180 Group is a debtor finance subsidiary of the ASX-listed entity, FSA Group Limited (ASX:FSA) ("**FSA**") and is based in Sydney. 180 Group achieved invoice purchases totalling $471 million in FY'15 and has a track record of sustainable earnings, as tabled below:

180 Group Financial Results

$m	FY'14	FY'15	H1FY'16
Loan Book	**24.9**	**31.7**	**34.2**
Revenue	8.1	8.2	4.2
Impairment	-	-	(0.7)
EBITDA	3.9	3.8	1.4
EBITDA Margin	*48%*	*46%*	*33%**

**H1FY'16 EBITDA margin lower than historical due to increased impairment*

The acquisition will be immediately earnings accretive and CML has identified ~$1.0 million of net cost synergies which may be achieved on acquisition.

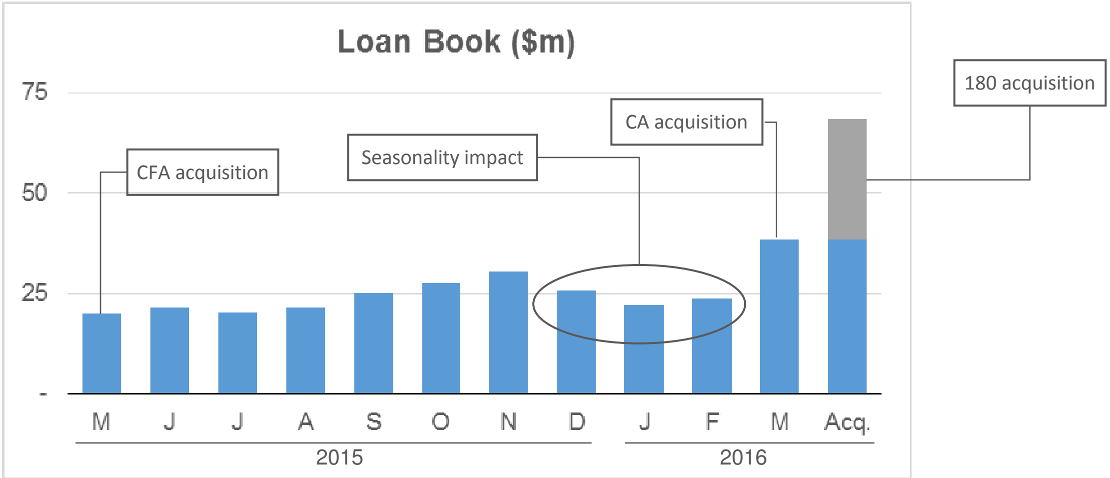
180 Group has 116 clients, with an average loan size that is larger than the average CML client, but otherwise has a very similar client profile. The 180 Group client pool is exposed to the wholesale, manufacturing, transport and labour-hire industries and has an average client tenure similar to CML of approximately 3 years.

Key statistics of 180 Group's loan book, as compared with the existing CML loan book is summarised in the table below:

CML and 180 Group Loan Book Key Statistics

	CML	180 Group	CML + 180 Group
Debtors	$53.4m	$57.6	$111.0m
Book Size	$38m+	$30m	$68m+
Clients	232	116	348
Average Loan	$153k	$247k	$184k
Maximum Exposure	$1.7m	$1.6m	$1.7m
LVR	~71%	~52%	~61%

The experience CML has gained and processes put into place over the last two acquisitions of CFA and CA will be of substantial benefit in the integration of this highly complementary business that will substantially grow CML's loan book from $38.4 million as at 31 March 2016, to $68.0 million+.



It is expected that CML will be able to generate greater margins within the acquired 180 Group loan book, which are currently lower than what CML achieves on its existing loan book. This increase in margins will be driven by introducing CML charge methodologies and value-added services to the 180 Group loan book as it is integrated into CML.

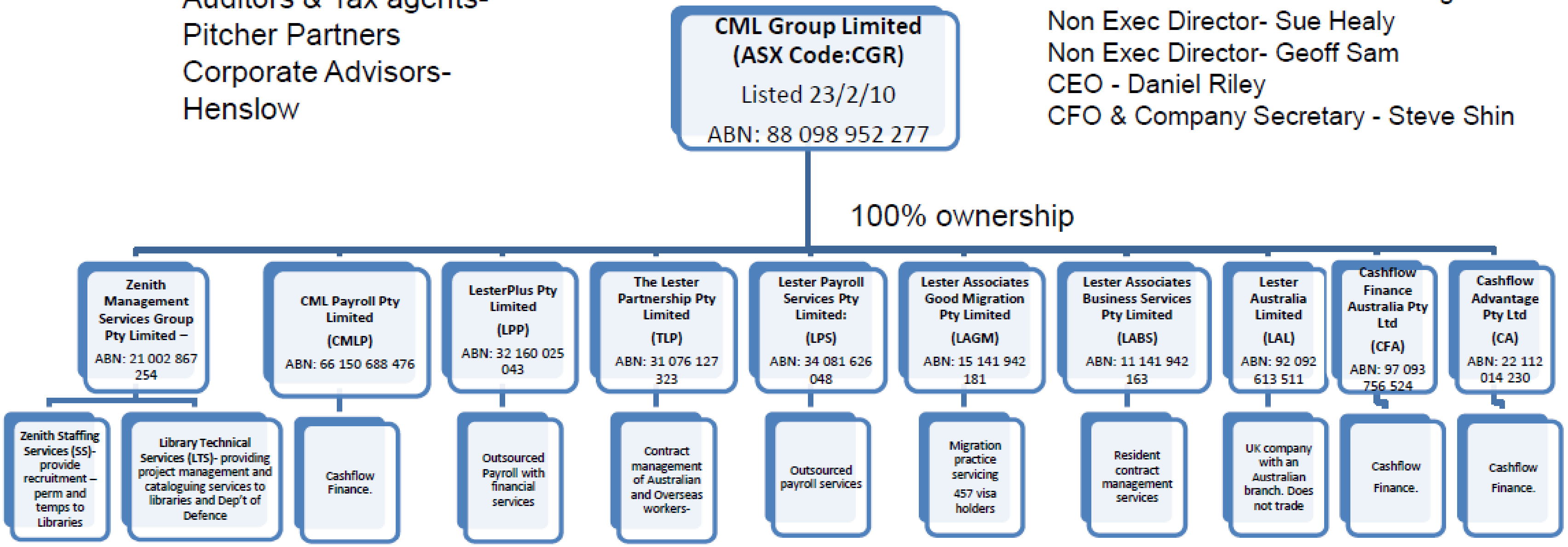
Gross Margin Comparison

	CML	180 Group
Gross Margin	3.0%+	1.8%

CML Group Structure

Auditors & Tax agents- Pitcher Partners
Corporate Advisors- Henslow

Chairman- Greg Riley
Non Exec Director- Richard Farrington
Non Exec Director- Sue Healy
Non Exec Director- Geoff Sam
CEO - Daniel Riley
CFO & Company Secretary - Steve Shin

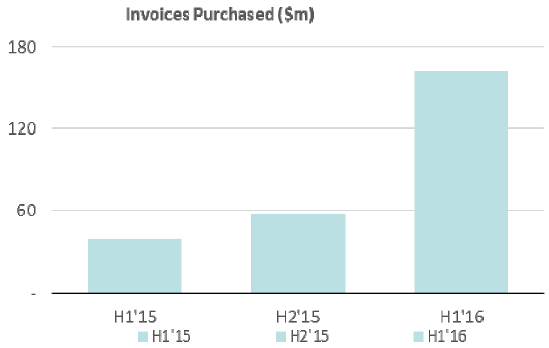


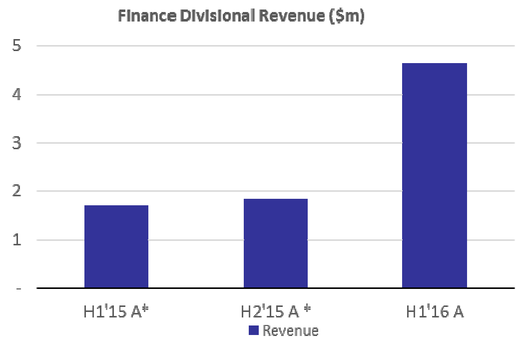
Historical Financial Performance

CML's first half FY'16 and full year FY'15 results are available at http://cml-group.com.au and www.asx.com.au (ASX: CGR), a summary of which is below.

Revenue & Invoice Turnover

CML's Finance division has experienced strong growth in invoices purchased and fee income, with H1FY'16 invoices purchased of $162 million up 342% on the previous corresponding period (2014: $39 million). Fee income (revenue) for the Finance division for H1FY'16 was up 172% to $4.6 million compared to the previous corresponding period (2014: $1.7 million).





Reported revenue for H1FY'16 dropped 5% to $43.8 million compared to the previous corresponding period (2014: $45.9 million), due to reduced volume in CML's Payroll & Other division.

	Half Yearly Accounts				Annual	
$m	**H1FY'15**	**H2FY'15**	**H1FY'16**	*pcp Δ*	**FY'14**	**FY'15**
Invoices Purchased*	***39.1***	***57.8***	***162.0***	*314%*	***59.6***	***96.9***
Finance	1.7	1.8	4.6	*172%*	2.7	3.5
Payroll & Other	44.2	38.0	39.1	*(11%)*	77.0	82.2
Total Revenue*	**45.9**	**39.8**	**43.8**	***(5)%***	**79.7**	**85.7**

EBITDA

EBITDA for H1FY'16 increased 49% on an underlying basis and 237% on a reported basis compared to the previous corresponding period. Growth was underpinned by CML's Finance division:

	Half Yearly Accounts				Annual	
$m	**H1FY'15**	**H2FY'15**	**H1FY'16**	*pcp Δ*	**FY'14**	**FY'15**
Invoices Purchased*	***39.1***	***57.8***	***162.0***	*314%*	***59.6***	***96.9***
Finance	1.7	1.8	4.6	*172%*	2.7	3.5
Payroll & Other	44.2	38.0	39.1	*(11%)*	77.0	82.2
Total Revenue*	**45.9**	**39.8**	**43.8**	***(5)%***	**79.7**	**85.7**
Finance	0.6	0.4	2.0	*213%*	1.6	1.0
Payroll & Other	1.5	0.9	1.2	*(21)%*	1.7	2.4
Corporate	(0.5)	(0.7)	(0.7)		(0.8)	(1.2)
Underlying EBITDA	**1.6**	**0.6**	**2.4**	***49%***	**2.4**	**2.2**

One-off Costs	(0.9)	(0.5)	-		-	(1.4)
Reported EBITDA	**0.7**	**0.1**	**2.4**	*237%*	**2.4**	**0.8**

H1FY'15 earnings were impacted by a one-off provision of $900,000 (before tax) relating to a client of CML's Finance Division in the construction industry. This one-off event impacted earnings, resulting in a reported EBITDA of $717,000.

Net Profit after Tax ("NPAT")

CML reported an increase in net profit after tax of 398% to $533,000 for H1FY'16 compared to the previous corresponding period (2014: $107,000).

In May 2015 CML issued $25 million in secured notes, with funds utilised in part for the acquisition of CFA and in part reserved to provide capital for organic growth of the loan book. The funds raised from the Note issue have progressively been utilised in line with loan book growth, but until fully utilised and generating a corresponding income stream, will impact negatively on CML's NPAT. By November 2015, in line with loan book growth, unutilised funds was an immaterial impact on profit.

	Half Yearly Accounts				Annual	
$m	**H1FY'15**	**H2FY'15**	**H1FY'16**	*pcp Δ*	**FY'14**	**FY'15**
Invoices Purchased*	***39.1***	***57.8***	***162.0***	*314%*	***59.6***	***96.9***
Finance	1.7	1.8	4.6	*172%*	2.7	3.5
Payroll & Other	44.2	38.0	39.1	*(11%)*	77.0	82.2
Total Revenue*	**45.9**	**39.8**	**43.8**	***(5)%***	**79.7**	**85.7**
Finance	0.6	0.4	2.0	*213%*	1.6	1.0
Payroll & Other	1.5	0.9	1.2	*(21)%*	1.7	2.4
Corporate	(0.5)	(0.7)	(0.7)		(0.8)	(1.2)
Underlying EBITDA	**1.6**	**0.6**	**2.4**	***49%***	**2.4**	**2.2**
One-off Costs	(0.9)	(0.5)	-		-	(1.4)
Reported EBITDA	**0.7**	**0.1**	**2.4**	*237%*	**2.4**	**0.8**
D&A	(0.1)	(0.1)	(0.1)	*12%*	(0.1)	(0.2)
Net Interest	(0.5)	(0.9)	(1.6)	*224%*	(0.6)	(1.3)
Tax	(0.0)	0.7	(0.2)	*409%*	(0.6)	0.7
NPAT	**0.1**	**(0.1)**	**0.5**	***398%***	**1.1**	**0.0**
EPS (cps)	0.12	(0.10)	0.57	*375%*	1.55	0.02

**Note that Finance division contribution to group revenue is now reported as fees earned on invoices purchased, instead of previously reported invoices purchased*

Earnings Per Share ("EPS") & Dividend Per Share ("DPS")

- Since listing in 2010, CML has missed just 1 dividend payment, relating to the full year FY'15. Earnings per share for H1FY'16 rose 375% to 0.57 cents compared to the prior corresponding period (2014: 0.12 cents) and dividend payments have resumed with an interim dividend payment maintained at 0.5 cents per share.

- FY'15 full year dividends totalled 0.5 cents per share, reduced due to impact on earnings of one-off costs.

- H1FY'16 interim dividend of 0.5 cents per share fully franked was in line with the previous corresponding period.

Statement of Financial Position

CML's balance sheet is strong. Prior to the offering of the invoice financing, CML had low funding requirements. When the Company entered invoice financing in early 2012, it started with a $2 million facility from Bank of Queensland, which was increased to $8 million over the course of 2 years and replaced with a $13 million National Australia Bank facility in late 2013. CML extinguished all bank borrowings as at December 2014 and replaced them with an ASX-listed $10.4 million convertible note issue at 9%, unfranked and $10 million in unsecured debt facilities. In May 2015 CML issued $25 million in secured notes with funds utilised in part for the acquisition of CFA and in part reserved to provide capital for organic growth of the loan book. Subsequent to 31 December 2015, CML has issued a further $25 million in secured notes in March 2016m, with funds utilised in part for the acquisition of CA and in part reserved to provide capital for further growth of the loan book.

	Consolidated Group	
	31-Dec-15	30-Jun-15
	$000's	$000's
CURRENT ASSETS		
Cash and cash equivalents	11,004	14,142
Trade and other receivables	47,150	39,479
Other current assets	2,874	3,605
TOTAL CURRENT ASSETS	61,028	57,226
NON-CURRENT ASSETS		
Plant and equipment	178	218
Deferred tax assets	1,614	1,515
Intangible assets	7,393	7,428
TOTAL NON-CURRENT ASSETS	9,185	9,161
TOTAL ASSETS	70,213	66,387
CURRENT LIABILITIES		
Trade payables	20,752	19,927
Other payables	3,274	1,373
Other Current Liabilities	23	20
Borrowings	8	8
Current tax liabilities	853	624
Provisions	1,024	796
TOTAL CURRENT LIABILITIES	25,934	22,748
NON-CURRENT LIABILITIES		
Borrowings	33,763	33,657
Other Liabilities	34	46
Provisions	48	33
TOTAL NON-CURRENT LIABILITIES	33,845	33,736
TOTAL LIABILITIES	59,779	56,484
NET ASSETS	10,434	9,903
EQUITY		
Issued capital	10,979	10,979
Accumulated Losses	-984	-1,517
General reserve	439	441
TOTAL EQUITY	10,434	9,903

Outlook

CML expects the strong growth momentum achieved in H1FY'16 to continue in the second half and to drive a strong full year result.

The acquisition of 180 Group, on a pro-forma basis for the combined group, will almost double the invoices purchased in FY'17 from $500 million+ to nearly $1.0 billion. This will directly drive Finance divisional revenue growth to more than $23.0 million+, up 130%+ on FY'16 forecast.

The blending of the 180 Group loan book with the existing CML loan book will initially dilute gross margins, which will progressively improve as CML's charge methodologies and value-added services are introduced to the 180 Group loan book.

EBITDA is expected to grow to in excess of $10.5 million+, excluding any growth in 180 Group. Underlying NPAT and EPS are forecast to grow to greater than $2.5 million+ and 2.0+ cps, respectively.

The financial implications of the acquisition as compared with previously provided guidance is summarised in the table below:

$m	FY'15 A	FY'16 F	FY'17 F (Guidance)	180 Group	FY'17 F (Proforma)
Invoices Purchased	**96.9**	**325+**	***500+***	***470+***	***970+***
Finance	3.5	10.0+	15.0+	8.0+	23.0+
Payroll & Other	82.2	74.0+	74.0+		74.0+
Total Revenue	**85.7**	**84.0+**	**89.0+**	**8.0+**	**97.0+**
Finance	1.0	4.5+	7.5+	3.0+	10.5+
Payroll & Other	2.4	2.0+	2.0+		2.0+
Corporate	(1.2)	(1.5)	(1.9)+		(1.9)+
Underlying EBITDA	**2.2**	**5.0+**	**7.6+**	**3.0+**	**10.6+**
One-off Costs	(1.4)	-	-		-
Reported EBITDA	**0.8**	**5.0+**	**7.6+**		**10.6+**
D&A	(0.2)	(0.2)	(0.3)+		(0.5)+
Net Interest	(1.3)	(3.6)	(4.8)+		(6.5)+
Tax	0.7	(0.5)+	(0.8)+		(1.1)+
NPAT	**0.0**	**1.0+**	**1.7+**		**2.5+**
Underlying* NPAT	0.5	1.0+	1.7+		2.5+
EPS	**0.02** cps	**1.0+** cps	**1.3+** cps		**2.0+** cps
Underlying* EPS	0.53 cps	1.0+ cps	1.3+ cps		2.0+ cps
Margins					
Finance Gross Margin	*3.6%*	*3%+*	*3%+*	*1.7%+*	*2%+*
Finance Divisional EBITDA	*28.2%*	*45%+*	*50%+*	*37.5%+*	*45%+*
Underlying EBITDA	*2.6%*	*6%+*	*8%+*		*11%+*
Underlying NPAT	*0.6%*	*1%+*	*2%+*		*2%+*

**Underlying adjusted to remove impact of one-off costs*

Funding Position

CML will undertake an increase to Corporate Bond 2, issuing an additional $15.0 million of capital. The Bond offering is only open to eligible professional and sophisticated investors. Total interest cost, excluding the Greensil facility, on an annual basis is forecast to be $5.9 million.

Debt Funding Summary

	Size	Rate	Interest (p.a.)
Convertible Note	$10.4m	9.0%	$0.9m
Corporate Bond 1	$25.0m	BBSW* + 5.4%	$1.8m
Corporate Bond 2	$25.0m	8.0%	$2.0m
Proposed increase to Bond 2	$15.0m	8.0%	$1.2m
Total Debt Funding	**$75.4m**		**$5.9m**

**30 day BBSW taken as at 4 May 2016*

After the acquisition, CML will have $7.0 million of funding headroom remaining in its Convertible Note and Corporate Bond facilities and access to a further $12.0 million in unsecured debt facilities. CML is comfortable with its funding capacity to support further organic growth in the loan book.

CML loan book	$38.4m
180 loan book	$30.0m
Headroom	$7.0m
Total Debt Funding	**$75.4m**

In summary CML expects strong growth CML expects the strong growth momentum achieved in FY'16 to accelerate in FY'17, as a result of:

- **Revenue Growth** – from a full year contribution from CA, plus the new 180 Group acquisition and continued organic growth of the loan book;
- **Margin Improvement to continue** - after the initial dilutive impact of the 180 Group acquisition, ongoing initiatives around services & fee structures are expected to progressively lift margins during FY'17;
- **Fixed-Cost Leverage** - growing Finance division revenue will leverage a largely fixed cost base that was put in place in H2FY'15; and
- **Business Efficiency** - improved earnings by generating a return on currently un-deployed interest-bearing funds.

Greg Riley – *Chairman & Non-Executive Director*

Qualifications: BSc, Dip ED, G Dip Ed Studies

Experience: Greg founded CML Group in 2002 as Careers MultiList, initially focusing on recruitment and labour-hire. After listing on the ASX in 2010, Greg has overseen the growth and transformation of CML to a wider services business including invoice finance in which invoice financing has become the dominant part of the business. Greg was Managing Director from 2002 until late 2010, Director until November 2014 and Chairman to the present. During his tenure as Chairman, Greg has seen the business transform from an inexperienced, new player in the invoice finance sector to a well organised, serious player, with robust systems, strong financial resources, experienced staff and strong growth.

Responsibilities: Chairperson of the Risk Management Committee, Member of the Audit Committee, Nomination and Remuneration Committee and Acquisitions Committee.

Shares: 22,514,913 ordinary shares.

Daniel Riley – *Managing Director*

Qualifications: BCom, CPA

Experience: Daniel joined CML Group in 2002 when the business was in its early development as a service provider to the labour-hire industry. He was appointed CEO in 2010. Leveraging its labour-hire customer base, Daniel has driven the diversification of income and clients through the introduction of invoice financing and payroll services. Under Daniel's leadership, during FY'15 and FY'16, the Company raised over $60 million through a convertible note and secured note issue and completed the acquisition of two long-established invoice finance businesses that more than doubled the size of its loan book. With the expectation of continued growth of its loan book during FY'17 and beyond, the Company's strategy is clearly focused on continued development of the invoice financing business.

Responsibilities: Chairperson of the Acquisitions Committee and Member of the Risk Management Committee.

Shares: 3,129,761 ordinary shares

Geoffrey Sam OAM – *Independent Non-Executive Director*

Qualifications: BCom (UNSW) MHA (UNSW) MA (Econ&SocStudies) (Manchester UK)

Experience: Geoff 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 Chairman of HealtheCare Australia Pty Ltd, a privately owned health care company comprising a portfolio of 17 hospitals and a community nursing and rehabilitation business.

Responsibilities: Chairperson of the Audit Committee and Member of the Acquisitions Committee.

Shares: 24,000 ordinary shares

Richard Farrington – *Independent Non-Executive Director*

Qualifications: Fellow AICD, Fellow AIM

Experience: Richard started his career in the corporate world spending 5 years with IBM & Rank Xerox, after which he became an entrepreneur founding, directing and selling 2 successful service companies. The former, Australian Buying Advisory Service Pty Ltd, with a staff of 100+ for 7 years and the latter, IPI Information Service Pty Ltd, with a staff of 45 for 22 years. Richard is currently the

Non-Executive Chairman of Baillie Asset Management Ltd (which holds an AFSL licence) and also its holding company Baillie Capital Pty Ltd. His core skills are sales, financial forecasting & negotiations worldwide.

Responsibilities: Member of the Risk Management Committee, the Acquisitions Committee and the Nomination and Remuneration Committee.

Shares: 1,167,800 ordinary shares.

Sue Healy – *Non-Executive Director*

Qualifications: Fellow RCSA, MAICD

Experience: Sue has extensive business leadership and corporate advisory experience, and holds a number of advisory and directorship roles. She was the founder and Managing Director of Staff & Exec Pty Ltd and HR Partners Pty Ltd for 20 years (a national talent and managed services business). She has also held Executive General Manger roles for The Skilled Group Ltd and Chandler MacLeod Group Ltd (Australia's 2 largest ASX listed human capital companies). She is an advisory board member of Ccentric Group Ltd and Director of a global executive search business Witt Keiffer/Ccentric.

Responsibilities: Chairperson of the Nomination and Remuneration Committee and Member of the Audit Committee.

Shares: 206,060 ordinary shares.

Steve Shin – *Company Secretary*

Steve has a B.Com from Macquarie University and is a member of the Institute of Chartered Accountants of Australia. His background includes six years in Chartered Accountancy including a management role in a top-ten accountancy practice. Since 2008, he has held senior financial roles in ASX listed companies and joined CML Group as CFO in April 2015.

Peter Toohey – *Executive General Manager*

Peter joined CML in September 2014 and has over 39 years' experience in banking and finance. For the last 20 years, Peter has specialised in invoice finance. Peter has worked at four invoice finance companies, 2 of the Big Four banks, a regional bank, and a merchant bank.

Additional Key Risk Factor

The following risk factor is in addition to the risk factors set out in the section entitled "Key Risk Factors" of the Information Memorandum.

Credit Risk and Fraud

All factoring companies are exposed to the risk of fraud from its clients. During FY'16 CML experienced an isolated and sophisticated fraud whereby one client presented fraudulent invoices. This issue was picked up by CML's internal processes with 6 weeks. CML moved quickly to call its facility and the associated personal guarantees as well as lodging a caveat over the Director's property. CML expect the net loss to be no more than $0.5 million.

Subsequently, CML have moved to reinforce and enhance its internal procedures including employment of a new compliance officer to increase internal audit style procedures. Further, CML has conducted a complete review of all clients and debtors with an exposure > $50,000 and are confident that this is an isolated issue.

The net loss is expected to be within CML's provision for bad debts. On 29 April 2016, CML re-affirmed that its FY'16 full year guidance will remain within expectations despite the effect of this isolated incident.

Collateral Undertakings

On [●] 2016, the Issuer executed the Collateral Deed Poll. Pursuant to the Collateral Deed Poll, the Issuer unconditionally and irrevocably undertakes with:

- the Note Trustee and each Noteholder of both the Tranche 1 Notes and the Tranche 2 Notes that, notwithstanding Condition 5.3(d) ("Other covenants"), as an additional Condition, it will ensure that PricewaterhouseCoopers (or such suitably qualified internationally recognised audit firm approved by the Note Trustee) conducts quarterly review of the relevant policies and procedures of the Group and the records of the Group relating to the Purchased Receivables; and

- the Note Trustee and the Noteholders of both the Tranche 1 Notes and the Tranche 2 Notes that it shall, in respect of each of 180 Capital Funding Pty Ltd (ABN 83 116 199 930) and 180 Capital Group Pty Ltd (ABN 86 110 100 082), effect (or cause to be completed) any financial assistance whitewash procedures required under Part 2J.3 of the Corporations Act and cause each of 180 Capital Funding Pty Ltd (ABN 83 116 199 930) and 180 Capital Group Pty Ltd (ABN 86 110 100 082) to accede as a Guarantor of the Notes pursuant to the Note Trust Deed and as an Additional Security Provider in respect of the Notes pursuant to the Security Trust Deed within 60 days of the date of the Collateral Deed Poll.

The Issuer agrees that a failure to comply with these undertakings is an additional Unwind Event for the purposes of the Conditions, including Conditions 14.1 ("Unwind Events"), 14.2 ("Consequences of an Unwind Event") and 14.3(h) ("Events of Default").

Directory

Issuer

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