

CML GROUP LIMITED [ACN 098 952 277]

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 11.00am (Sydney time)

DATE: Monday, 1 August 2016

PLACE: Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061

CML GROUP LIMITED
ACN 098 952 277

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of CML Group Limited (the **Company** or **CML**) will be held at Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061 on Monday, 1 August 2016 at 11.00am (Sydney, NSW time).

Further details in respect of the resolution proposed in this Notice of General Meeting are set out in the Explanatory Memorandum accompanying this Notice of General Meeting. The details of the resolution contained in the Explanatory Memorandum should be read together with, and forms part of, this Notice of General Meeting.

GENERAL BUSINESS

Resolution 1: Approval of financial assistance under section 260A of the Corporations Act

To consider and, if thought fit, to pass the following as a **special resolution**:

“THAT, for the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for financial assistance to be provided by 180 Group Pty Ltd and 180 Capital Funding Pty Ltd, each a subsidiary of the Company, in connection with the Acquisition as described in the Explanatory Memorandum accompanying this Notice of General Meeting.”

Dated: 30 June 2016

By the order of the Board

A handwritten signature in dark ink, consisting of a stylized capital 'D' followed by a long, horizontal, wavy line.

The accompanying Explanatory Memorandum and Proxy and Voting Instructions form part of this Notice of General Meeting.

PROXY AND VOTING INSTRUCTIONS

PROXY INSTRUCTIONS

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company or sent by returned in accordance with the directions set out on the proxy form not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice of General Meeting.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy.

CORPORATE REPRESENTATIVES

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

VOTING ENTITLEMENT

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7.00pm on 30 July 2016 (Sydney, NSW Time) are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

Subject to the restriction set out above, the Chair of the meeting will vote undirected proxies in favour of all of the proposed resolutions.

HOW THE CHAIR WILL VOTE UNDIRECTED PROXIES

The chair of the meeting will vote undirected proxies in favour of the proposed resolution.

SPECIAL RESOLUTION

For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution. Resolution 1 is a special resolution.

CML GROUP LIMITED

ACN 098 952 277

("the Company")

**GENERAL MEETING
EXPLANATORY MEMORANDUM**

PURPOSE OF INFORMATION

This Explanatory Memorandum (**this Memorandum**) accompanies and forms part of the Company's Notice of General Meeting to be held at Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061 on Monday, 1 August 2016 at 11.00 am (Sydney, NSW time). The Notice of General Meeting incorporates, and should be read together with, this Memorandum.

This Memorandum has been prepared in connection with a resolution proposed to be passed as a special resolution by the Company pursuant to section 260B of the *Corporations Act 2001* (Cth) (**Corporations Act**) to approve the giving by 180 Group Pty Ltd [ACN 110 100 082] (**180 Group**) and 180 Capital Funding Pty Ltd [ACN 116 199 930] (**180 CF**), each a subsidiary of the Company, of financial assistance within the meaning of section 260A of the Corporations Act and in connection with resolutions of 180 Group and 180 CF to approve such financial assistance (**Financial Assistance Resolution**).

This Memorandum and the Notice of General Meeting that it accompanies are important documents. Please read them carefully.

BACKGROUND

The Company has various subsidiaries as set out in Schedule 1 to this Notice of General Meeting that provide financial assistance within the meaning of section 260A of the Corporations Act (the **Group**).

In the event the proposed Financial Assistance Resolution is passed, each of 180 Group and 180 CF will become members of the Group and will provide financial assistance within the meaning of section 260A of the Corporations Act.

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares (or units of shares) in the company, or a holding company of the company, only if:

- (a) giving the assistance does not materially prejudice:
 - (i) the interests of the company or its shareholders; or
 - (ii) the company's ability to pay its creditors; or
- (b) the assistance is approved by shareholders under section 260B of the Corporations Act; or
- (c) the assistance is exempted under section 260C of the Corporations Act.

Financial assistance is defined very broadly and may include giving security over a company's assets and giving a guarantee and indemnity in respect of another person's liability.

Under section 260A(2) of the Corporations Act, the financial assistance may be given before or after the acquisition of shares.

For a company to financially assist a person to acquire shares (or units of shares) in itself or a company of which it is a subsidiary, section 260B(1) of the Corporations Act states that the financial assistance must be approved by its shareholders by:

- (a) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

If the company will be a subsidiary of a listed domestic corporation (**Listed Australian Holding Company**) immediately following the acquisition of shares, then section 260B(2) requires the financial assistance must also be approved by a special resolution passed at a general meeting of that Listed Australian Holding Company.

The purpose of this Explanatory Memorandum is to explain in detail the Financial Assistance Resolution set out in the Notice of General Meeting. Passing the Financial Assistance Resolution will enable the 180 Group and 180 CF to provide financial assistance in connection with the Acquisition as described below in accordance with sections 260B(1) and 260B(2) of the Corporations Act.

THE ACQUISITION

CML has completed the acquisition of the entire issued share capital of 180 Group and its subsidiary 180 CF (the **Acquisition**). Completion of the Acquisition was announced to shareholders of the Company by announcement to ASX on 31 May 2016.

Following completion of the Acquisition both 180 Group and 180 CF have become wholly owned subsidiaries of the Company. The Company is listed and is a domestic corporation which is not itself a subsidiary of another domestic corporation.

180 Group and 180 CF must have the financial assistance set out in this Explanatory Memorandum approved by a resolution agreed to, at separate general meeting, by all of their respective ordinary shareholders in accordance with section 260B(1) of the Corporations Act.

Since the Company is a Listed Australian Holding Company the financial assistance set out in this Explanatory Memorandum must be approved by a special resolution at a general meeting of the Company in accordance with section 260B(2) of the Corporations Act.

NATURE OF FINANCIAL ASSISTANCE

On 18 May 2016 the Company announced an intention to issue senior secured notes for the purposes of raising \$15 million, adding to the issue announced on 8 March 2016, taking the total volume raised in that series of notes to \$40 million. The notes were issued on 31 May 2016. These notes are in addition to an initial series of senior secured notes issued in May 2015. The notes identified in this paragraph are collectively referred to as **the Notes**.

The Notes were issued under, and with the benefit of, a Note Trust Deed dated 14 May 2015 (**Note Trust Deed**) between the Company, BNY Trust Company of Australia Limited [ACN 050 294 052] (**Note Trustee**) and others entities within the group who act as guarantors.

The Notes are further subject to a Security Trust Deed between the Company, Permanent Custodians Limited [ACN 001 426 384] (**Security Trustee**) and others.

On 26 May 2016, as part of the terms of the issue of the further Notes, the Company executed a Collateral Deed Poll (**Collateral Deed Poll**) pursuant to which the Company has given additional undertakings in favour of the holders of Notes (**Noteholders**) and the Note Trustee.

Under the terms of the Note transaction documents, the Note Trustee and Security Trustee require that, following an acquisition, the subsidiary is to enter into a Deed of Accession effecting the subsidiary as an additional guarantor to guarantee and indemnify the Company's obligations under the Note transaction documents and to grant a general security interest of the subsidiary's assets and undertaking in favour of the Note Trustee and Security Trustee.

REASONS FOR FINANCIAL ASSISTANCE

The giving of the financial assistance described above will enable the Company to comply with its obligations under the Note transaction documents.

If such obligations are not complied with, the Company will be in default of the Note transaction documents which could result in the Note Trustee making a demand for repayment of the Notes. Such a demand for repayment would result in an insufficiency of the funding needs of the Company to

develop the growth opportunities available to it and the entities within its group including 180 Group and 180 CF.

EFFECT OF FINANCIAL ASSISTANCE

As the Company and the members of the Group are already liable for amounts payable under the Note transaction documents, the giving of financial assistance by 180 Group and 180 CF is unlikely to have any adverse effect on the Company, except that the operations of 180 Group and 180 CF will be restricted by the representations, warranties and undertakings given by 180 Group and 180 CF under the Note transaction documents.

The conditions of the Note transaction documents require that 180 Group and 180 CF become guarantors through a Deed of Accession no later than 60 days from the date of the Collateral Deed Poll.

Pursuant to the terms of the Note transaction documents, 180 Group and 180 CF as subsidiaries of the Company are required to become guarantors of all moneys owing by the Company with respect to the Notes. The substantial effect of the financial assistance on 180 Group and 180 CF is that they will have guaranteed all amounts payable under the Note transaction documents and have granted security for such obligations. As noted above, the operations of 180 Group and 180 CF will also be restricted by the representations and undertaking given by them under the Note Transaction Documents.

FINANCIAL ASSISTANCE RESOLUTION

The advantages to the Company of the proposed resolution is that 180 Group and 180 CF will be able to provide the guarantee, representations and warranties set out in the Note transaction documents and give security which is a condition to the continuance of the Notes and ensuring the Company and the existing guarantors will not be in default of the Note transaction documents.

The advantages of the proposed resolution to both 180 Group and 180 CF include:

- (a) The Notes will not be required to be repaid before their maturity date. The Directors of 180 Group and 180 CF believe this is in the interest of 180 Group and 180 CF because they will:
 - (i) each have access to more flexible capital and growth opportunities as a result of integration with the Company;
 - (ii) benefit from synergies, cost savings and greater growth potential through integration with the Company;
- (b) the Directors of the Company, 180 Group and 180 CF believe the Notes are the most efficient form of financing available to finance the ongoing financial requirements of the Company; and
- (c) 180 Group and 180 CF will have access to additional capital to grow the business' loan book and contribute to the revenue of the Company.

The Directors of the Company, 180 Group and 180 CF believe the transactions contemplated in this Explanatory Memorandum are in the interest of each of the respective parties.

As the Company has already entered into the Note transaction documents and has provided security, the Directors of the Company do not believe there are any disadvantages to the Company of the Financial Assistance Resolution, except that the operations of its subsidiaries 180 Group and 180 CF will be restricted by the undertakings, representations and warranties given through their accession to the Note transaction documents.

The disadvantages of the proposed resolution for 180 Group and 180 CF including the following:

- (a) they each become liable for amounts due under the Note transaction documents;

- (b) their assets will be subject to security and their operations will be restricted by the representations and undertakings given by them under the Note transaction documents;
- (c) the Company or any of the guarantors may default under the Note transaction documents;
- (d) in the event of a default, the Note Trustee may make a demand under the guarantee provided by it requiring immediate repayment of the amounts due under the Note transaction documents; and
- (e) the Security Trustee may enforce the guarantee and/or security granted by it to recover the amounts due.

A demand made under the Note transaction documents may result in the winding up of the Company or the guarantors and a sale of any such assets of the Company or the guarantors by the Security Trustee upon an enforcement of the security or execution of a judgement for moneys owing under the guarantee. This may result in a return to the Company (and ultimately its shareholders) significantly lower than could have been achieved had those assets been sold in the ordinary course of business or had the Company, 180 Group or 180 CF continued trading.

The proposed Financial Assistance Resolution under consideration is set out in the Notice of General Meeting that accompanies this Explanatory Memorandum.

The proposed financial assistance resolutions of both 180 Group and 180 CF will be passed if all shareholders of each of the respective entities vote in favour of the financial assistance resolution.

The proposed Financial Assistance Resolution of the Company will be passed if it is passed as a special resolution, being if at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) are in favour of the resolution.

DIRECTORS RECOMMENDATION

The Directors of the Company unanimously recommend the shareholders vote in favour of the relevant resolution to approve the giving of financial assistance by 180 Group and 180 CF.

NOTICE TO ASIC

As required by section 260B(5) of the Corporations Act, copies of this Notice of General Meeting and Explanatory Memorandum as sent to shareholders were lodged with ASIC before they were sent to shareholders.

DISCLOSURE

The Directors of the Company, 180 Group and 180 CF consider this Explanatory Memorandum contains all information known to the Company that would be material to the shareholders in deciding how to vote on the proposed resolution other than information which it would be unreasonable to require the Company to include because it has previously been disclosed to shareholders.

NOTE: Unless otherwise specified, all monetary amounts are expressed in Australian dollars.

Schedule 1

Subsidiaries of CML Group Limited [ACN 098 952 277] that provide financial assistance within the meaning of section 260A of the Corporations Act (the Group)

- Cashflow Advantage Pty Ltd [ACN 112 014 230];
- Cashflow Finance Australia Pty Ltd [ACN 093 756 524];
- CMLPayroll Pty Ltd [ACN 150 688 476];
- Lester Associates Business Services Pty Ltd [ACN 141 942 163];
- Lester Associates Good Migration Pty Ltd [ACN 141 942 181];
- Lester Payroll Services Pty Ltd [ACN 081 626 048];
- Lester Plus Pty Ltd [ACN 160 025 043];
- The Lester Partnership Pty Ltd [ACN 076 127 323]; and
- Zenith Management Services Group Pty Ltd [ACN 002 867 254].

CML Group

CML Group

Payroll & Finance

ACN 098 952 277

CGR

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 11:00am Saturday 30 July 2016**

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

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

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.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of CML Group Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman 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 Chairman 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 General Meeting of CML Group Limited to be held at Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061 on Monday, 1 August 2016 at 11:00am 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.

1 Approval of financial assistance under section 260A of the Corporations Act

For

Against

Abstain

☐☐☐

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date

/ /

CGR

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Computershare +