

20 August 2019

TO CREDITORS AND EMPLOYEES

Dear Sir / Madam

Aksesstoday Limited, ACN 603 323 182
A.C.N. 603 303 126 Pty Ltd, ACN 603 303 126
Aksesstoday Operations Pty Ltd, ACN 604 340 785
Aksesstoday Retail Pty Ltd, ACN 161 130 696
(All Administrators Appointed)
(the Companies or the Group)

I refer to the appointment of Glen Kanessvsky, Sal Algeri and I as Joint and Several Administrators of the Companies on 7 April 2019 and our previous updates to creditors and employees.

Please find attached a report for your information that details progress of the administration, information about the Group's business, property and financial affairs and our opinion of what would be in the best interests of creditors for the future of the Group.

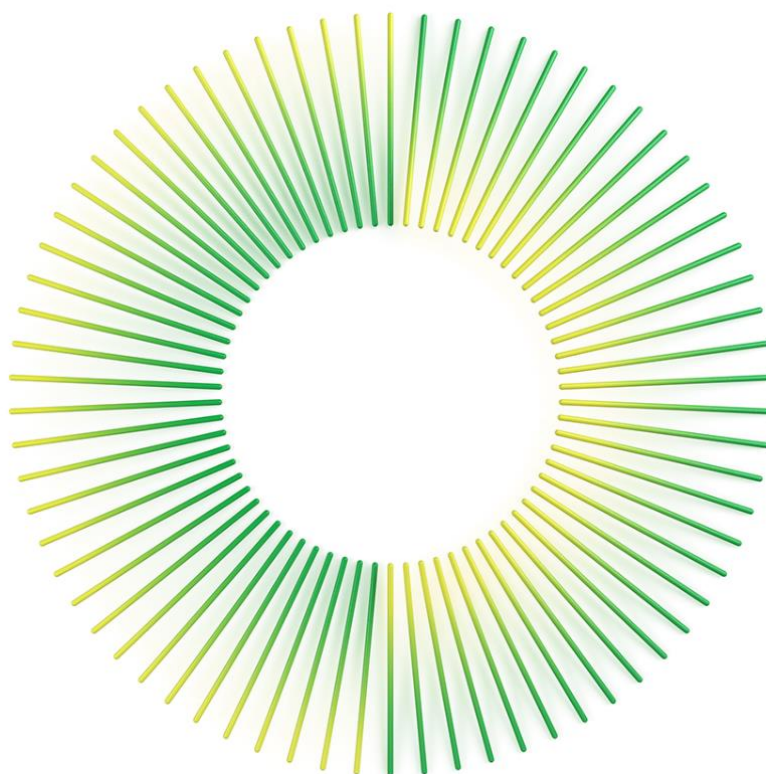
The future of the Group is to be decided upon by the creditors at a meeting being held on **Friday 30 August 2019 at 11.00am at CQ Functions, Level 2, Room 201, 113 Queen Street, Melbourne VIC 3000.**

Should you have any queries regarding this report or the administration generally, please email us at aksesstoday@deloitte.com.au.

Yours faithfully



Vaughan Strawbridge
Joint and Several Administrator



Report to Creditors pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations)

Aksesstoday Limited (ACN 603 323 182)

A.C.N. 603 303 126 Pty Ltd (ACN 603 303 126)

Aksesstoday Operations Pty Ltd (ACN 604 340 785)

Aksesstoday Retail Pty Ltd (ACN 161 130 696)

(all Administrators Appointed)

(the Companies or the Group)

20 August 2019

Contents

Glossary	5
1 Executive summary	9
1.1 Appointment	9
1.2 Conduct of administration and sale campaign	9
1.3 Deed of Company Arrangement	9
1.4 Estimated return to creditors	10
1.5 Investigation, offences, voidable transactions	10
1.6 Administrators' opinion	10
1.7 Second meetings of creditors	11
2 Introduction	12
2.1 Purpose of the appointment and report	12
2.2 First meeting of creditors	12
2.3 Extension of Convening Period	14
2.4 Second meeting of creditors	14
2.5 Administrators' independence, relationships and indemnities	14
2.6 Creditor Portal	15
3 Background information	16
3.1 Background	16
3.2 Statutory information	17
4 Historical financial performance	21
4.1 Overview	21
4.2 Consolidated Group financial statements	23
4.3 Individual entities under voluntary administration	28
5 Directors' Report on Company Activities and Property	30
5.1 Summary	30
5.2 Explanations for financial difficulties	37
6 The Administrators' actions to date	39
6.1 Actions to date	39
6.2 Administrators' trading performance and receipts and payments	40
6.3 Sale of business process	41

7	Investigations	44
7.1	Introduction	44
7.2	Overview of investigations	44
7.3	Key events leading to the voluntary administration	45
7.4	Voidable transactions	48
7.5	Insolvent trading	50
7.6	Offences by the Directors	65
7.7	Summary	67
8	Notice of potential representative proceeding (class action)	68
8.1	Directors' and officers' insurance	68
8.2	Proceeding potential action against AXL	68
9	Deed of Company Arrangement	69
9.1	Introduction	69
9.2	Key features	69
9.3	Effect on unsecured creditors	70
9.4	Effect on employees	72
9.5	Sunset date	72
9.6	Conclusion	72
10	Creditors' Trust	73
10.1	Purpose	73
10.2	Proposed Creditors' Trust	73
10.3	Key information regarding Creditors' Trust	73
10.4	Creditor claims	80
11	Estimated return to creditors	81
11.1	Estimated return to creditors – summary of return	81
11.2	Run-off/liquidation scenario	82
11.3	Comparison between returns in run-off/liquidation versus DOCA	85
12	Administrators' Opinion	89
12.1	Introduction	89
12.2	The Companies execute a DOCA	89
12.3	The administrations should end	89
12.4	The Companies be wound up	89
12.5	Recommendation	89
13	Remuneration	90
13.1	Voluntary administration	90
13.2	DOCA	90
13.3	Trustees	91

13.4	Current disbursements	91
13.5	Future disbursements	92
14	Meeting	93
	Appendix A – Notice of meeting	95
	Appendix B – Remuneration report	96
	Appendix C – DIRRI	97
	Appendix D – Receipts & payments	98
	Appendix E – ARITA Information Sheet on Offences, Recoverable and Insolvent Trading	102
	Appendix F – Approving Fees: A guide for creditors	103
	Appendix G – Proof of debt	104
	Appendix H – Appointment of proxy	105

Glossary

\$'000/k	Thousands
ACN Co	A.C.N. 603 303 126 Pty Ltd
Act	<i>Corporations Act 2001 (Cth)</i>
Administrators or Voluntary Administrators or us/we/our	Vaughan Strawbridge, Sal Algeri and Glen Kanevsky
AEWT or Warehouse	Aksesstoday Equipment Warehouse Trust
Agent	CBA Corporate Services (NSW) Pty Ltd as agent to the Syndicated Lenders
AGM	Annual General Meeting
ALL PAAP	All Present and After Acquired Property
ARITA	Australian Restructuring Insolvency Turnaround Association
ASIC	The Australian Securities & Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AXL	Aksesstoday Limited
AXL Canada	1114604 BC Ltd
AXL Listed Shell	The proposed sale or transfer of board control of AXL with no assets or business operations
AXL Operations	Aksesstoday Operations Pty Ltd
AXL Retail	Aksesstoday Retail Pty Ltd
AXL Subsidiaries	Means the subsidiaries of AXL which are to be transferred to the Purchaser on completion of the DOCA, being, ACN 603 303 126 Pty Ltd, AXL Operations, AXL Retail and, if nominated by the Purchaser, 503 888 65 BL Pty Ltd
Board	The Board of Directors of Aksesstoday Limited
BAS	Business Activity Statement
c	cents
c.	Circa
CBA	The Commonwealth Bank of Australia Limited
Cerberus	Cerberus Capital Management, L.P.
Class Order Relief Instrument	<i>ASIC Corporations Act (Wholly-owned Companies) Instrument 2016/785</i>
COI or Committee	Committee of inspection

the Companies, Axsesstoday, the Group	The companies in voluntary administration: Axsesstoday Limited (ACN 603 323 182) A.C.N. 603 303 126 Pty Ltd (ACN 603 303 126) Axsesstoday Operations Pty Ltd (ACN 604 340 785) Axsesstoday Retail Pty Ltd (ACN 161 130 696)
Creditors' Portals	AXL: https://core.ips-docs.com/case/Axsess01 ACN Co: https://core.ips-docs.com/case/Axsess02 AXL Operations: https://core.ips-docs.com/case/Axsess03 AXL Retail: https://core.ips-docs.com/case/Axsess04
Consolidated Group	Axsesstoday Limited and its subsidiaries
Convening Period	The period between the date of the appointment of the Administrators and the date the Administrators provide notice (convene) of the second creditors' meeting
Court	Supreme Court of Victoria
Covenant Breaches	The breaches of the financial covenants of the Debt Facility Agreements as set out in paragraph 4.1.2.4
Creditors' Trust	Proposed Creditors' Trust
D&O	Directors and Officers
DB	Deutsche Bank AG
Debt Facilities	The facilities available to the Group in terms of the Debt Facility Agreements
Debt Facility Agreements	The SFA Agreement, Notes Documents and the Offer Specific Prospectus, Replacement Offer Specific Prospectus and Base Prospectus in respect of the SCB
Deed Administrators	Vaughan Strawbridge, Salvatore Algeri and Glen Kanevsky
Deloitte	Deloitte Financial Advisory Pty Ltd
Directors	Directors of each entity listed in Section 3.2.1 at the relevant point in time as the context requires
DIRRI	Declaration of Independence and Relevant Relationships and Indemnities
DOCA	Proposed Deed of Company Arrangement between the Administrators, the Companies and PH304
ESOP	Estimated statement of position
Excluded Employees	Directors or a relation of the Directors, as defined in Section 556 of the Act
FEG	Fair Entitlements Guarantee Scheme
FY16/FY17/FY18/FY19	Financial year ended 30 June 2016/17/18/19
FY18 AFR	FY18 annual financial report
FY19 Interim Report	The unsigned interim financial report for the six months ended 31 December 2018, prepared for the Group on a consolidated basis and reviewed by the Auditor
FY19 YTD Financial Results	The financial results for the period 1 July 2018 to 31 March 2019, prepared for the Group on a consolidated basis and not reviewed by the Auditor
GST	Goods and services tax

Insured Claim	A claim defined as an Insured Claim under the terms of the DOCA
IPR	Insolvency Practice Regulations of the Corporations Act 2001
IPS	Insolvency Practice Rules of the Corporations Act 2001
Insolvency Practice Rules	<i>Insolvency Practice Rules (Corporations) 2016</i> (Cth)
m	Millions
Moelis	Moelis Australia Advisory Pty Limited
Moelis Report	The findings from the strategic review completed by Moelis in March 2019
MBL	Macquarie Bank Limited
Management	Management of the Group, including the chief executive officer, chief financial officer, chief operations officer at that time
NBIO	Non-binding indicative offers
PAYG	Pay as you go withholding tax
PH304 or Purchaser	Promontoria Holding 304 BV, a subsidiary of Cerberus
PMSI	Purchase money security interest
PPSR / Personal Property Securities Register	The register established and maintained under the Personal Property Securities Act 2009 (Cth)
PWC	PricewaterhouseCoopers
Receivables or Receivables Book	Lease receivables and loan receivables
Reissued FY18 AFR	The Groups' audited annual financial report for the period ended 30 June 2018 as restated and reissued on 29 November 2018, prepared on a consolidated basis
ROCAP	Report on Company Activities and Property
SCB	Simple Corporate Bonds issued by AXL on 4 July 2018 totalling \$55,000,000
Security Trustee	Permanent Custodians Limited in its capacity as trustee of the Axesstoday Security Trust and Axesstoday Second Security Trust
Senior Lenders	The Syndicate Lenders and the Warehouse Lender
Series 1 Notes	A secured note issued in 2015 for \$50m, ranking after the Series 2 Notes, and held by Bank of New York Mellon as the trustee of the Axesstoday Second Note Trust and Permanent Custodians Limited as security trustee of the Axesstoday Second Security Trust. These have in the past been referred to as the subordinated notes
Series 2 Notes	A secured note issued in May 2017 for a total of \$30m and ranks between the Series 1 Notes and the Senior Lenders. Held by Bank of New York Mellon as the trustee of the Axesstoday Note Trust and Permanent Custodians Limited as security trustee of the Axesstoday Security Trust
SFA	The Syndicated Facilities Agreement dated 9 November 2016 between, amongst others, Axesstoday Limited, CBA, MBL and the Agent (as amended and/or amended and restated from time to time)
SPV	Special Purpose Vehicle

Subordinated Notes	The Series 2 and Series 1 Notes
SWF	Securitised Warehouse Facility, being the securitisation facility provided to the Group pursuant to the terms of the SWF Agreements
SWF Agreements	The Subscription Agreement – Axesstoday Equipment Warehouse Trust dated 26 March 2018 and as most recently amended on 24 May 2019, together with all related finance documents
SWF Trustee	Perpetual Corporate Trust Limited in its capacity as the trustee of AEWT
Syndicated Bank Facility	The facilities provided to the Group under the SFA, which includes the revolving credit facility, the bank guarantee facility, the overdraft facility and the corporate credit card facility
Syndicate Lenders	CBA and MBL under the Syndicated Bank Facility and DB from 17 May 2019
Trustees	The Deed Administrators in their capacity as the Trustees of the Creditors Trust
Trust Deed	The trust deed establishing the Creditors' Trust
Trust Fund	Funds held pursuant to the Creditors' Trust
Warehouse Lender	MBL at the date of our appointment and DB from 17 May 2019, in its capacity as the holder of class A notes under the SWF Agreement

1 Executive summary

1.1 Appointment

On 7 April 2019 we, Vaughan Strawbridge, Sal Algeri and Glen Kanevsky (**Administrators** or **Deed Administrators** as the context requires), were appointed Administrators of Axesstoday Limited (ACN 603 323 182) (**AXL**), A.C.N. 603 303 126 Pty Ltd (**ACN Co**), Axesstoday Operations Pty Ltd (ACN 604 340 785) (**AXL Operations**), and Axesstoday Retail Pty Ltd (ACN 161 130 696) (**AXL Retail**) (**the Companies or the Group**) by resolutions of the Directors pursuant to Section 436A of the Corporations Act 2001 (**Act**).

Our appointment as Administrators was ratified by creditors at the concurrent first meeting of creditors held on 17 April 2019. At this meeting, committees of inspection (**COI**) were formed for each of the Companies.

1.2 Conduct of administration and sale campaign

Upon appointment, we took immediate steps to control the Companies' assets and continued to carry on the Group's business.

We immediately sought expressions of interest for the sale of the Group. In order to provide us with sufficient time to conduct this process we applied to the Supreme Court of Victoria (**Court**) for an extension of the time (**Convening Period**) in which we needed to hold the second meeting of creditors.

Our application was heard on 10 May 2019 and the Court granted orders for an extension of the Convening Period to 15 November 2019. Further details for the reasons and benefits for the extension of the Convening Period are set out in **Section 2.3**.

After receiving seven non-binding indicative offers (**NBIO's**), we shortlisted a number of parties to conduct further due diligence ahead of submitting a binding offer. On 1 July 2019 we entered into an exclusivity agreement with Promontoria Holding 304 BV (**PH304**), a subsidiary of Cerberus Capital Management L.P. (**Cerberus**). The proposal put forward by PH304 involves the recapitalisation of ACN Co, AXL Operations (being the main two operating entities), AXL Retail, and if required, 50388865 BL Pty Ltd, via a Deed of Company Arrangement (**DOCA**). The proposal does not include AXL which will be subject to a sale agreement with another party.

Further details regarding the sale process are detailed in **Section 6.3** and **Section 9**.

1.3 Deed of Company Arrangement

The intent of the proposed DOCA is the recapitalisation and continued operation of the business conducted by the Group, with the current employees retaining their employment and entitlements and the provision of a significant return to creditors.

The DOCA proposal is ultimately subject to creditors' approval at the second meeting of creditors. For the DOCA to come into effect, the majority of creditors present at the second meeting of creditors and entitled to vote will need to pass a resolution voting in favour of the DOCA proposal in respect to each Company.

Upon completion of the DOCA, the proposed Creditors' Trust (**Creditors' Trust**) will be created to deal with the claims of the Companies' creditors. Based on our analysis, it is estimated the implementation of the proposed DOCA will provide a greater return to creditors than would be achieved in a liquidation scenario. The

key elements of the proposed DOCA and the Creditors' Trust are set out in **Section 9 and Section 10** of this report, respectively.

1.4 Estimated return to creditors

A detailed comparison of returns to creditors under the proposed DOCA versus a liquidation scenario are set out in the Estimated Statement of Position (**ESOP**) in **Section 11** of this report.

A summary is provided below:

cents in the \$	the Group			
	Liquidation		DOCA	
	Low	High	Low	High
Syndicated Bank Facility	100.0	100.0	100.0	100.0
Securitised Warehouse Facility	100.0	100.0	100.0	100.0
Series 2 Notes	100.0	100.0	100.0	100.0
Series 1 Notes	88.1	100.0	100.0	100.0
Priority Creditors	100.0	100.0	100.0	100.0
Unsecured Creditors	0.0	18.8	33.9	34.9

Given that unsecured creditors will not be paid in full, there will be no return to shareholders of AXL under either the proposed DOCA scenario or liquidation scenario from the sale of the subsidiaries or realisation of AXL's assets.

1.5 Investigation, offences, voidable transactions

Our investigations are preliminary and at an early stage, however it is our view that the Group only became insolvent on Friday 5 April 2019, being the date the Syndicate Lenders advised the Group that there would be no extension of the forbearance beyond 5 April 2019. Having regard to our conclusion as to the earliest date of insolvency, we are of the view that there are no insolvent voidable transactions that are likely to be recoverable by a liquidator in the event the Companies under administration are wound up, other than the director-related transactions noted in **Section 7.4.1** totalling c. \$341k.

Preliminary investigations also indicate there may be a number of possible contraventions under the Act including potential breaches of the civil obligations of Directors under Sections 180 and 182 of the Act. These contraventions (or any others subsequently identified against the directors or other parties) may give rise to potential claims by creditors and/or shareholders. Further investigations will be required in relation to all potential claims/breaches should a liquidator be appointed.

1.6 Administrators' opinion

In accordance with Section 75-225(3) of the Insolvency Practice Rules (**IPS**) we provide the following statement:

- It is our opinion that it is in the creditors' interests to approve the proposed DOCA as this will result in a significantly greater return to creditors than would be achieved if the Companies were wound up
- It is our opinion that it is not in the creditors' interests for the voluntary administration of the Companies to end
- It is our opinion that it is not in the creditors' interests for the Companies to be wound up.

The reasons for our opinion are contained in Section 7 Investigations and Section 11 Estimated Return to Creditors. Should the Group proceed to execute the proposed DOCA, we have sought to preserve any claims which would have been entitled to priority in a liquidation of the Group under Section 562 of the Act and which meet the definition of "Insured Claim" in the DOCA.

The details of the proposed DOCA and Creditors' Trust are contained in **Section 9 and Section 10** of this report.

1.7 Second meetings of creditors

Pursuant to Section 439A of the Act, **the second meeting of creditors** for the Companies will be held concurrently on Friday 30 August 2019 at 11.00am at the following address:

CQ Functions
Level 2, Room 201
113 Queen Street
Melbourne, Victoria 3000

For details regarding the second meeting of creditors, please see **Section 14** of this report and the attached Form 529 - Notice of Meeting (**Appendix A**).

Should you wish to attend the meeting via telephone, please email axesstoday@deloitte.com.au to receive dial in details for you to join the meeting.

2 Introduction

2.1 Purpose of the appointment and report

The purpose of the appointment of administrators is to allow for independent insolvency practitioners to take control of and investigate the affairs of a company. Creditors' claims are put on hold as at the date of the administrators' appointment and remain so for the duration of the voluntary administration.

Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the directors and officers, and deal with the company's assets in the interests of creditors.

The intention of a voluntary administration is to maximise the prospects of a company, or as much as possible of its business, continuing in existence, (via a DOCA or sale of the company's business) or, if that is not possible, then to achieve better returns to creditors than would have been achieved by its immediate liquidation.

Administrators are required to provide creditors with sufficient information and recommendations to assist them in making an informed decision on a company's future.

The purpose of this report is to provide creditors with information regarding the Companies' business, property, affairs and financial circumstances, (including our recommendations) to assist creditors to make an informed decision on the Companies' future. This report provides information on the following:

- Background information about the Companies
- The results of our investigations into the affairs of the Companies
- The estimated returns to creditors
- Details of the proposed DOCA
- The options available to creditors and our opinion on each of these options.

Although each of the companies under voluntary administration are part of the group of companies that are consolidated for accounting purposes, we are required to provide information and consider the position of each entity individually in forming our recommendations to creditors.

2.2 First meeting of creditors

On 17 April 2019, a concurrent meeting of creditors of the Companies was held in accordance with Section 436E of the Act. At this meeting, our appointment as Joint and Several Administrators was confirmed.

A copy of the minutes of the concurrent first meeting of creditors was lodged with the Australian Securities and Investments Commission (**ASIC**) on 30 April 2019.

At the meeting, it was resolved that a COI be formed for each of the Companies. The following creditors volunteered and were elected as members for each of the Companies:

COI - AXL

Representative	Company / Creditor being represented
Thomas Jacquot	FIIG Securities Limited
Adam Vincent of CBA (alternate Michael Salonga) Linda Blore of Macquarie (alternate Kyle Harding)	CBA Corporate Services (NSW) Pty Ltd as Security Trustee
Kevin Lee of Macquarie (alternate Andrew Claney)	Macquarie Bank Ltd as financier in respect to the Axsesstoday Equipment Warehouse Trust
James Daniel	Thomson Geer
Jeremy Hollingsworth of BNY Mellon as the Note Trustee	Permanent Custodians Limited as Security Trustee in respect to the subordinate notes
Brad Newcombe of BGC Partners	VSI Hardware Pty Ltd as Bondholder of Simple Corporate Bonds
Yvonne Kelaher	Sargon CT Pty Ltd, Trustee for the Simple Corporate Bonds

COI - ACN Co

Representative	Company / Creditor being represented
Thomas Jacquot	FIIG Securities Limited
Adam Vincent of CBA (alternate Michael Salonga) Linda Blore of Macquarie (alternate Kyle Harding)	CBA Corporate Services (NSW) Pty Ltd as Security Trustee
Kevin Lee of Macquarie (alternate Andrew Claney)	Macquarie Bank Ltd as financier in respect to the Axsesstoday Equipment Warehouse Trust

COI - AXL Operations

Representative	Company / Creditor being represented
Thomas Jacquot	FIIG Securities Limited
Adam Vincent of CBA (alternate Michael Salonga) Linda Blore of Macquarie (alternate Kyle Harding)	CBA Corporate Services (NSW) Pty Ltd as Security Trustee
Kevin Lee of Macquarie (alternate Andrew Claney)	Macquarie Bank Ltd as financier in respect to the Axsesstoday Equipment Warehouse Trust
Konrad Pels	Aksesstoday employees
Olga Colyvas	Aksesstoday employees

COI - AXL Retail

Representative	Company / Creditor being represented
Thomas Jacquot	FIIG Securities Limited
Adam Vincent of CBA (alternate Michael Salonga) Linda Blore of Macquarie (alternate Kyle Harding)	CBA Corporate Services (NSW) Pty Ltd as Security Trustee
Kevin Lee of Macquarie (alternate Andrew Claney)	Macquarie Bank Ltd as financier in respect to the Axsesstoday Equipment Warehouse Trust

No COI meetings have been called as we have been in regular contact with all of the committee members. It is noted that subsequent to the first meeting of creditors, James Daniel of Thomson Geer resigned, and Commonwealth Bank of Australia (**CBA**) and Macquarie Bank Ltd (**MBL**) are no longer on the COI's as these entities no longer hold security interests over the Companies assets and are no longer creditors of the Companies – see **Section 3.2.3** for further information in this regard.

2.3 Extension of Convening Period

Administrators are required by the Act to convene a second meeting of creditors within 20 business days of the date of their appointment, and to hold this meeting within five business days either side of the end of this convening period. Given the size and nature of the Group's business and our objective to maximize the prospects of the business to continue as a going concern, this period was considered too short a period.

Accordingly, we applied to the Court on 10 May 2019 for orders extending the length of the Convening Period by six months. The Court granted orders extending the Convening Period to 15 November 2019 and creditors were notified of this outcome on 13 May 2019. A copy of the orders is available on the Creditors' Portal.

2.4 Second meeting of creditors

Pursuant to Section 439A of the Act a second meeting of creditors is to be held on **Friday, 30 August 2019 at 11.00am at CQ Functions, Level 2, Room 201, 113 Queen Street, Melbourne, Victoria, 3000**. The notice of the second creditors meeting is attached to this report as **Appendix A**.

This will be a concurrent meeting for all four Companies with votes on proposed resolutions being taken separately.

At this meeting, creditors will be asked to make a decision regarding the Companies' future. Creditors will be asked to select one of the options below, for each entity of which they are a creditor, and will be asked to vote on that option in order to pass a proposed resolution. The options available to creditors are:

- The company execute a DOCA;
- The voluntary administration ends and management of the company handed back to the Directors; or
- The company is wound up.

We have recommended in this report that the creditors vote in favour of the Companies executing a DOCA as we estimate this will provide the best return to creditors. Our reasons as to why we consider this the best option for creditors is detailed in **Section 12** of this report.

Additionally, at the meeting creditors will be asked to approve our remuneration as Administrators, Deed Administrators and Trustees if appointed. Full details of the remuneration claims are found in **Section 13** and **Appendix B**.

Further information for creditors who wish to attend and vote is contained at **Section 14** of this report.

2.5 Administrators' independence, relationships and indemnities

In accordance with Section 436DA of the Act, a Declaration of Independence, Relevant Relationships and Indemnities (**DIRRI**) was provided with the first report to creditors dated 9 April 2019 and was also tabled at the first meeting of creditors. The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Group and any indemnities received in relation to these appointments (in this case there were none).

We conduct ongoing assessments as to whether any potential conflict of interest issues develop during the course of the voluntary administration. There have been no changes to circumstances or new information identified that cause a real or potential risk to our professional independence that requires us to update our DIRRI dated 9 April 2019 and attached as **Appendix C**.

2.6 Creditor Portal

Electronic communication is speedy and cost effective and reduces the expenses incurred in an administration. Creditors have previously been notified about how to access information, and this report, via our creditor portal. The portal requires you to nominate an email address for further correspondence, notices, and reports.

If you are having difficulty with the portal, or have lost your username and password, please contact Barbara Kekatos at axsesstoday@deloitte.com.au or on (02) 9322 5526. Alternatively, if you do not have access to the internet and would like to receive future correspondence by post, please inform us.

3 Background information

3.1 Background

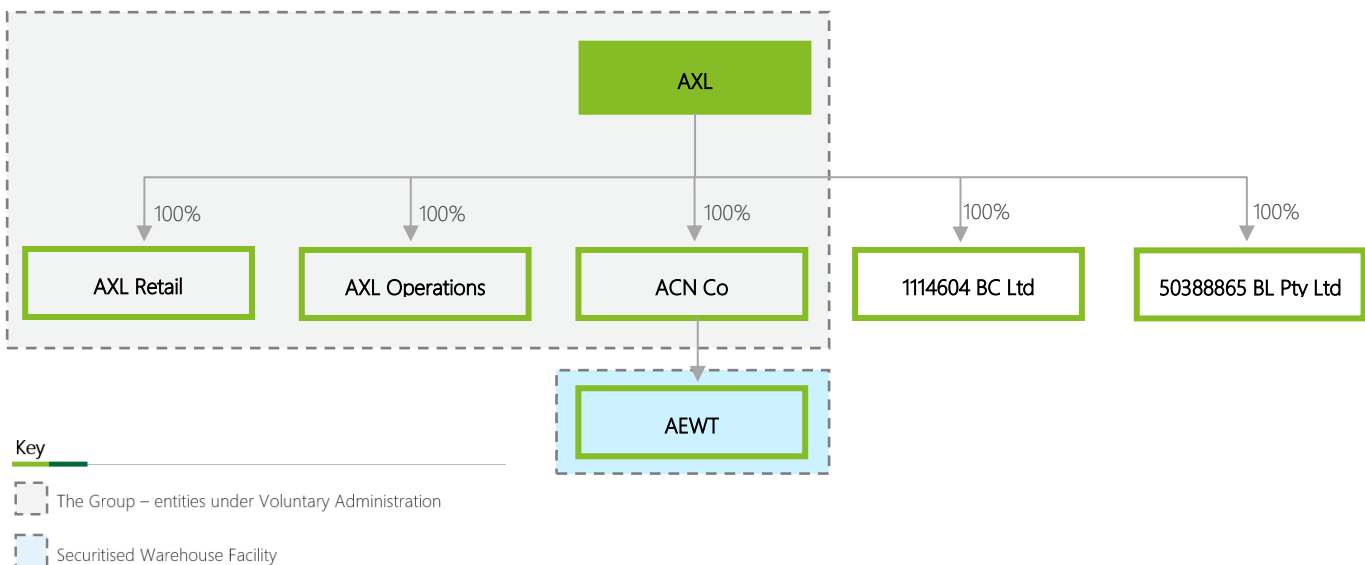
Below is a brief summary of the background of the Group. More information can be found in The Group’s Reissued 2018 Annual Report (**Reissued FY18 AFR**), which is available at <https://www.axsesstoday.com.au/>.

3.1.1 AXL

AXL was incorporated in 2012 and listed on the Australian Securities Exchange (**ASX**) on 21 December 2016. It is the listed holding company and parent of five local and overseas wholly-owned subsidiaries including ACN Co, AXL Operations and AXL Retail. Collectively these entities will be referred to as **the Consolidated Group** for the purposes of this report, whereas **the Group** will refer to just those entities under voluntary administration.

The Consolidated Group operates from Level 9, 360 Collins Street, Melbourne Victoria 3000. It is a specialist lender providing asset finance to small-to-medium sized enterprises, in the hospitality and transport industries. Its core product offerings are equipment leases and chattel mortgages and it has a current loan and lease receivable book (**Receivables** or **Receivables Book**) of approximately 12,000 leases/loans.

The corporate structure is as follows:



3.1.2 AXL Retail

AXL Retail was incorporated in Melbourne in 2012 and offered retail lending products. Due to poor performance these products were discontinued in approximately April 2016.

3.1.3 AXL Operations

Incorporated in Melbourne in 2015, AXL Operations is the operating and employing entity for the Consolidated Group. It engages with suppliers and employees and does not generate any revenue. At the time of our appointment, this entity held 58 employees.

3.1.4 ACN Co

ACN Co was incorporated in Melbourne in 2013 and started trading in December 2014. ACN Co is the main contracting and trading entity of the Consolidated Group. This entity does not hold any employees.

3.1.5 Axesstoday Equipment Warehouse Trust (AEWT)

The AEWT was established on 9 March 2018 and on 26 March 2018 issued a series of notes as part of a \$200m securitised warehouse facility (**SWF**). The concept of a securitised warehouse facility is to allow the asset financiers to obtain funding by packaging and selling loans as securities to lenders through a securitisation vehicle. Funding is typically provided by a small number of lenders to a special purpose vehicle (**SPV**) and secured on a portfolio of assets acquired by the SPV from the originator. The funding is often in the form of a funding note which will fund only a portion of the assets with the remainder funded by the asset financier in the form of a subordinated note. The asset financier is entitled to residual income after all the payments to lenders and costs have been met.

On establishment, the Consolidated Group sold a portion of its Receivables into the AEWT and continued to sell in qualifying Receivables through a number of subsequent tranches up to early July 2018. The AEWT is funded by Securitisation Notes of which 70% were initially held by MBL as the lender to the AEWT (**Warehouse Lender**) and 30% by ACN Co. Following our appointment, on 17 May 2019 MBL sold its debt to Deutsche Bank AG (**DB**). Perpetual Corporate Trust Limited is the trustee of the trust (**SWF Trustee**).

The financial results of the AEWT are consolidated in the Consolidated Group's financial statements. All financial assets in the AEWT continue to be held on the Consolidated Group balance sheet and a liability is recorded for the proceeds of the funding transactions.

3.1.6 1114604 BC Ltd & 50388865 BL Pty Ltd

1114604 BC Ltd (**AXL Canada**) was established in September 2017 to provide similar products in the hospitality sector in Canada. Operations ceased in August 2018 and the business is in wind down. 50388865 BL Pty Ltd was established in early 2017 to provide short term business loans. In October 2018 operations ceased as a result of poor performance. The entity contains a small number of business loans in run-off and is otherwise not trading. We are not appointed to these entities however, we are working with the Directors to realise their assets for the benefit of creditors of the Group. See **Section 6.3** for further information.

3.2 Statutory information

3.2.1 Officers

The ASIC database indicates that during the 12-month period prior to the Administrators' appointment, the Directors and officers of the Companies were:

Entity	Name	Position	Appointed	Ceased
AXL	Michael Sack	Current director	11 Dec 14	-
	Yaniv Meydan	Current director	11 Dec 14	-
	Matthew Reynolds	Current director	21 Dec 16	15 Apr 2019
	Kerry Daly	Former director	19 Oct 16	29 Nov 18
	Peter Ferizis	Former director	11 Dec 14	13 Sep 18
	Melanie Jaye Leydin	Company secretary	11 Feb 19	-
	Joseph Bergin Flanagan	Former company secretary	22 Nov 16	11 Feb 19
ACN Co	Michael Sack	Current director	10 Dec 14	-
	Yaniv Meydan	Current director	10 Dec 14	-
	Kerry Daly	Former director	30 Nov 16	29 Nov 18
	Peter Ferizis	Former director	10 Dec 14	13 Sep 18
	Melanie Jaye Leydin	Company secretary	11 Feb 19	-
	Joseph Bergin Flanagan	Former company secretary	13 Feb 17	19 Feb 19
AXL Operations	Michael Sack	Current director	20 Feb 15	-

Entity	Name	Position	Appointed	Ceased
	Yaniv Meydan	Current director	20 Feb 15	-
	Kerry Daly	Former director	30 Nov 16	29 Nov 18
	Peter Ferizis	Former director	20 Feb 15	13 Sep 18
	Melanie Jaye Leydin	Company secretary	11 Feb 19	-
	Joseph Bergin Flanagan	Former company secretary	13 Feb 17	19 Feb 19
	Michael Sack	Current director	7 Nov 12	-
	Yaniv Meydan	Current director	9 Sep 13	-
AXL Retail	Kerry Daly	Former director	30 Nov 16	29 Nov 18
	Peter Ferizis	Former director	15 Nov 13	13 Sep 18
	Melanie Jaye Leydin	Company secretary	11 Feb 19	-
	Joseph Bergin Flanagan	Former company secretary	13 Feb 17	19 Feb 19

3.2.2 Shareholders

3.2.2.1 AXL shareholders

Below is a list of the largest shareholders of AXL as at January this year. The company entered into a trading halt on 12 September 2018 and has been in voluntary suspension since 14 September 2018.

Registered shareholder	Number	%
Program Force Pty Ltd	11,825,246	18.14
HSBC Custody Nominees (Australia) Limited	9,914,101	15.21
J P Morgan Nominees Australia Ltd	5,974,703	9.16
MRGS Pty Ltd	4,026,536	6.18
Nahta Pty Ltd	4,026,536	6.18
BNP Paribas Noms Pty Ltd	3,564,381	5.47
Innvale Pty Ltd	3,010,870	4.62
National Nominees Limited	2,767,345	4.24
Marlion Custodians Pty Ltd	1,802,826	2.77
Citicorp Nominees Pty Limited	1,265,730	1.94
Sargon CT Pty Ltd	1,183,694	1.82
Aust Executor Trustees Ltd (No 2)	833,880	1.28
Snowtec Pty Ltd	828,993	1.27
Chesapeake Capital Ltd	400,000	0.61
BNP Paribas Nominees Pty Ltd Hub 24Custodial Serv Ltd	351,534	0.54
B & R James Investments Pty Limited	250,000	0.38
Netwealth Investments Limited	247,065	0.38
Jamplat Pty Ltd	233,138	0.36
BNP Paribas Nominees Pty Ltd	201,722	0.31
Marlon Superannuation Pty Ltd	185,000	0.28
One Tree Pacific Pty Ltd	180,389	0.28
Total	53,073,689	81.42

3.2.2.2 Other entities

A search of the records maintained by ASIC as at the date of our appointment as Administrators reveals the following details:

Entity	Registered shareholder	Class	Number	%
ACN Co	Aksesstoday Limited	Ordinary	2	100
AXL Retail	Aksesstoday Limited	Ordinary	1,700	100
AXL Operations	Aksesstoday Limited	Ordinary	2	100

3.2.3 Security interests

The Personal Property Securities Register (**PPSR**) identified the following security interests over the Companies' assets as at the date of the Administrators' appointment:

AXL

Secured Party	Collateral	Number
CBA Corporate Services (NSW) Pty Limited	All PAAP	1
JB HI-FI Group Pty Ltd, Clive Anthony Pty Ltd*	Other	1
Permanent Custodians Limited	All PAAP	1

*Security interest(s) has subsequently been discharged following our appointment

ACN Co

Secured Party	Collateral	Number
Bucher Municipal Pty Ltd*	Motor vehicle/other goods	2
CBA Corporate Services (NSW) Pty Limited	All PAAP	1
JB HI-FI Group Pty Ltd, Clive Anthony Pty Ltd*	Other	1
Permanent Custodians Limited	All PAAP	2
The trustee for the Aksesstoday Equipment Warehouse Trust	All PAAP/Other	3

*Security interest(s) has subsequently been discharged following our appointment

AXL Operations

Secured Party	Collateral	Number
CBA Corporate Services (NSW) Pty Limited	All PAAP	1
Permanent Custodians Limited	All PAAP	1
Ricoh Australia Pty Ltd	Other goods	3

AXL Retail

Secured Party	Collateral	Number
CBA Corporate Services (NSW) Pty Limited	All PAAP	1
Permanent Custodians Limited	All PAAP	1

At the date of our appointment, the Senior Lenders held security over the whole or substantially the whole of the property of the Group (an **All PAAP**). CBA Corporate Services (NSW) Pty Ltd act as agent for the Syndicated Lenders. On 17 May 2019 DB acquired the debt of the Group from CBA and MBL and became the lender to the Group, under the Syndicated Facilities Agreement (**SFA**) (**Syndicate Lender**), and also became the Warehouse Lender (together the **Senior Lenders**).

Permanent Custodians Limited is the security trustee of the Axesstoday Security Trust and Axesstoday Second Security Trust (**Security Trustee**) which holds the rights of the holders of the Series 1 Notes, issued in October 2015, in the amount of \$50m (**Series 1 Notes**) and the Series 2 Notes, issued in May 2017, in the amount of \$30m (**Series 2 Notes**) (together the **Subordinated Notes**).

Further information relating to the above security interests has been provided in **Section 5.1.2** of this report.

3.2.4 Winding-up applications

There were no-winding up applications outstanding as at the date of our appointment for any of the Companies.

4 Historical financial performance

4.1 Overview

4.1.1 Reissued Annual Report 2018

The last financial report to shareholders of the Consolidated Group was prepared for the period ending 30 June 2018 and audited by PricewaterhouseCoopers (**PWC**). These consolidated financial statements include related entities which are not subject to voluntary administration.

The annual report was initially released on 27 August 2018, but was withdrawn and reissued on 29 November 2018 due to the impact of the Consolidated Group's covenant breaches under the SFA and Subordinated Notes Agreements, and later all Debt Facilities (**Covenant Breaches**). The initial Covenant Breaches were identified by the Consolidated Group in September 2018, but applied retrospectively before/at 30 June 2018. Refer to **Section 4.1.2.4** for a full list of the Covenant Breaches.

Creditors are encouraged, if they have not already done so, to read the Reissued FY18 AFR, which provides further detail to our summary below.

4.1.2 Events after 30 June 2018

4.1.2.1 Failure to lodge December 2018 half year accounts

On 28 February 2019, the Consolidated Group informed the market via notice to the ASX that its financial report for the six month period ended 31 December 2018 (**FY19 Interim Report**) would not be lodged by the 28 February 2019 deadline and that the Consolidated Group anticipated releasing this report by 15 March 2019.

The executive management team of the Consolidated Group (**Management**) cited that the significant delay in finalising the Consolidated Group's FY19 Interim Report was due to the Consolidated Group's adoption of the accounting policy AASB 9, other recommended changes to policies relating to the recognition of lease receivable impairments and the updated strategic review being completed by the Consolidated Group.

Further notice was released to the market on 15 March 2019 stating that the Directors had determined that the financial model being prepared as part of the updated strategic review may impact certain forward looking assumptions on which the FY19 Interim Report relies. For that reason, the Directors determined to delay the finalisation of the FY19 Interim Report until they had sufficiently considered the financial model and impacts on the FY19 Interim Report.

The financial model and updated strategic review was completed on or around 31 March 2019. However, following the Senior Lenders' decision to not extend the waiver of the Covenant Breaches, or provide further forbearance past 5 April 2019, the Directors appointed the Voluntary Administrators on 7 April 2019 and accordingly the FY19 Interim Report was not signed by the Directors of AXL and has not been released to the market.

When a company is under voluntary administration, ASIC grants an automatic six month extension from the date of the appointment to lodge financial accounts as required under the Act. The FY19 Interim Report is currently prepared on a going concern basis. Given the voluntary administration, this may no longer be appropriate and will need to be considered by the Directors of AXL prior to signing the accounts. Given the reporting period is prior to the voluntary administration, it is not appropriate for us to sign the accounts.

4.1.2.2 Adoption of accounting standards

The financial results for the period 1 July 2018 to 31 March 2019 (**FY19 YTD Financial Results**) reflect the Consolidated Group's adoption of AASB 15: Revenue from contracts with customers, and AASB 9: Financial instruments. Although permitted by AASB 15 and AASB 9, the Consolidated Group's comparative financial information has not been restated.

AASB 9 replaces accounting standard AASB 139 and is required to be adopted for annual reporting periods beginning on or after 1 January 2018. AASB 9 addresses the classification and measurement of financial assets and liabilities, provides a new set of hedge accounting rules and prescribes new principles for the impairment of financial assets. In lay terms and by way of a very general overview, general accounting principles require accounts to give a true and fair view of the financial position of the business. This means that when the fair value of assets may be less than their book value, i.e. impaired, then a provision or reduction should be recorded against that asset's book value.

In preparation for the introduction of the new standard, the Consolidated Group engaged a number of advisers in January 2019 to assist with the design of its policy and modelling to account for the impact of the new standard on its financial position. The Consolidated Group transitioned to AASB 9 in the Reissued FY18 AFR and fully adopted AASB 9 with effect from 1 July 2018. The Consolidated Group recorded the cumulative effect of the adoption of the new standard as a negative \$20.1m adjustment to opening retained earnings from 1 July 2018. This consisted of a \$28.7m increase in provisions, offset by an increase in tax assets of \$8.6m. The effect of this was a c. 30% reduction in net assets at 1 July 2018.

The key difference in provisioning between the two standards is that AASB 9 uses an *expected* credit loss impairment model, compared to AASB 139's *incurred* credit loss model. Under AASB 139 recognition of impairment was dependant on the Consolidated Group first identifying a credit loss event. Pursuant to AASB 9, the Consolidated Group is required to estimate an 'expected loss' considering a broader range of information, including:

- Past events, such as experience of historical losses for similar financial instruments
- Current economic conditions and outlook
- Reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument.

Furthermore, the Consolidated Group updated:

- Its definition of default, being the reference point for the calculation of the expected loss components. Default is defined as the point when the borrower is unlikely to pay its credit obligations in full or the borrower is more than 90 days past due
- Its recognition of arrears to include Receivables which are in arrears for a period of less than or equal to 180 days
- Its policy to write off loans when there is no realistic probability of recovery or the borrower is more than 360 days past due.

4.1.2.3 Impairment of property, plant and equipment and intangible assets

Based on the Consolidated Group's management accounts for the six months to 31 December 2018, the Consolidated Group recognised a \$5.2m impairment of its non-current assets, details as follows:

- A \$4.7m impairment of intangible assets, such as software development and infrastructure and branding
- A \$768k impairment of other fixed assets, such as electronics and leasehold improvements.

4.1.2.4 Re-classification of Debt Facilities as a result of covenant breaches

As a result of a number of covenant breaches, the Syndicated Bank Facility provided to the Consolidated Group in terms of the SFA (the **Syndicated Bank Facility Agreement**) and Subordinated Notes were re-classified as current liabilities in the Reissued FY18 AFR. In the FY19 Interim Report, the SWF and Simple Corporate Bond (**SCB**) were also classified as current liabilities. The Syndicated Bank Facility, Subordinated Notes, SWF and SCB (the **Debt Facilities**) are further discussed at **Section 5.1.2** and **Section 7**. The Covenant Breaches are reported in the Reissued FY18 AFR and FY19 Interim Report as follows:

Covenant Breaches	Breach exist at or before 30 June 2018	Breach existed at or before 31 Dec 2018
Syndicated Bank Facility		
• The credit adjusted senior financial indebtedness is less than the rental payment amount (Liquidity ratio)	Yes	Yes
• Gearing ratio (Bank loans : Eligible Receivables) less than 40%	Yes	Yes
• Arrears ratio less than 4%	Yes	Yes
• Industry concentration ratio	Yes	Yes
• Interest cover ratio to be greater than 2.00:1	Yes	Yes
SWF		
• Arrears ratio (3 month average)		Yes
• Excess available income (3 month average)		Yes
• Annualised gross loss rate (6 month average)		Yes
Subordinated Notes		
• The equipment receivables ratio must at all times be greater than 90.00%.	Yes	Yes
• Ratio of all amounts drawn under any Senior Debt to the eligible Receivable Balance of the Issuer of the Subordinated Notes (being ACN Co, the Issuer) is not greater than 0.85:1.	Yes	Yes
• Ratio of all financial indebtedness of the Consolidated Group to the eligible Receivable Balance of the Issuer is not greater than 0.85:1.	Yes	Yes
• Dividend restrictions	Yes	Yes
• The credit adjusted senior financial indebtedness is less than the rental payment amount (Liquidity ratio)	Yes	Yes
• Interest cover ratio to be greater than 2.00:1	Yes	Yes
SCB		
• Interest cover ratio to be greater than 1.75:1		Yes
• Ratio of all financial indebtedness of the Group to the eligible Receivable Balance of the Issuer is not greater than 0.90:1		Yes

Note: Defined words used in this table are as defined in the relevant Debt Facility Agreements.

Source: FY19 Interim Report.

4.2 Consolidated Group financial statements

The Consolidated Group's statement of profit and loss, balance sheet and statement of cash flows set out in the audited FY16, FY17 and Reissued FY18 AFR, FY19 Interim Report and unaudited management accounts for the nine months ended 31 March 2019 (**FY19 YTD**) are summarised in **Sections 4.2.1 to 4.2.3** below.

These accounts are for the Consolidated Group and include entities that are not in voluntary administration. Caution should be taken when comparing figures across each of the periods, in the tables below, due to the difference in time periods, changes in accounting standards and differences in classification between audited and reviewed accounts and management accounts.

4.2.1 Consolidated Group statement of profit and loss

\$'000	Audited Annual Report			Interim Report FY19	FY19 YTD
	FY16	FY17	FY18 (Reissued)		
	12 months			6 months	9 months
Income					
Revenue from continuing operations	8,451	21,305	49,671	29,053	44,138
Other income	242	894	1,539	653	793
Total income	8,692	22,199	51,210	29,706	44,931
Expenses					
Employee benefits expense	(2,033)	(4,814)	(9,205)	(6,275)	(9,585)
Registration costs	(271)	(782)	(1,802)	(1,192)	(155)
General administration and marketing expenses	(305)	(1,576)	(3,271)	(1,544)	(5,528)
Other expenses	(709)	(901)	(3,566)	(4,440)	(4,252)
Finance costs	(2,513)	(6,333)	(20,307)	(15,335)	(21,433)
Provision for lease impairment	(833)	(2,523)	(8,427)	(10,413)	(20,937)
Impairment of property, equipment and intangible assets	-	-	-	(5,234)	(5,670)
Depreciation and amortisation expense	(14)	(100)	(332)	(500)	(500)
Total expenses	(6,678)	(17,029)	(46,911)	(44,935)	(68,060)
Profit before income tax	2,015	5,170	4,299	(15,229)	(23,129)
Income tax expense	(584)	(1,521)	(1,253)	1,268	1,268
Profit for the year	1,430	3,649	3,046	(13,960)	(21,861)

Source: Audited financial accounts and unaudited management information

A summary of the Consolidated Group's expenses as a percentage of revenue is provided below:

%	Audited Annual Report			Interim Report FY19	FY19 YTD
	FY16	FY17	FY18 (Reissued)		
	12 months			6 months	9 months
Expenses as a % of revenue					
Employee benefits expense	23%	22%	18%	21%	21%
Registration costs	3%	4%	4%	4%	0%
General administration and marketing expenses	4%	7%	6%	5%	12%
Other expenses	8%	4%	7%	15%	9%
Finance costs	29%	29%	40%	52%	48%
Provision for lease impairment	10%	11%	16%	35%	47%
Impairment of property, equipment and intangible assets	-	-	-	18%	13%
Depreciation and amortisation expense	0%	0%	1%	2%	1%
Total expenses	77%	77%	92%	151%	151%
Profit before income tax	23%	23%	8%	(51%)	(51%)

Source: Audited financial accounts and unaudited management information

We draw creditors' attention to the following key results and trends:

- Revenue: The Consolidated Group reported significant revenue growth in FY17 (152%) and FY18 (133%) as a result of the rapid expansion of the underlying Receivables Book. In the FY19 YTD Financial Results the rate of revenue growth declined to 17% (on an annualised basis) as a result of the Consolidated Group tightening its lending criteria and making changes in respect of its product offerings.
- Net profit/loss before tax: In FY16 and FY17 net profit before tax as a percentage of revenue remained steady at 23%. However, for the FY19 YTD the Consolidated Group reported a net loss before tax of (\$23.1m) due to the increased provision for lease impairments, one-off impairment expenses in respect of property, equipment and intangible assets and increased finance costs incurred as a result of the Covenant Breaches.

4.2.2 Consolidated Group balance sheet

\$'000	Audited Annual Report			Interim Report FY19	FY19 YTD
	FY16	FY17	FY18 (Reissued)		
	12 months			6 months	9 months
Current assets					
Cash and cash equivalents	600	2,404	11,641	17,640	21,865
Receivables - current	18,184	46,216	108,541	100,279	17,707
Other receivables	1,611	5,953	7,566	808	474
Intercompany	-	-	-	-	(0)
Current Tax Receivables	-	-	336	810	-
Total current assets	20,395	54,574	128,084	119,537	40,046
Non-current assets					
Receivables - non-current	34,329	121,234	225,741	227,750	284,877
Other receivables - long term	-	-	499	-	-
Property, plant and equipment	114	667	908	-	(0)
Intangible assets	453	819	2,955	7,714	-
Deferred tax asset	-	-	-	-	8,072
Total non-current assets	34,896	122,720	230,103	235,464	292,949
Total assets	55,291	177,294	358,188	355,001	332,995
Current liabilities					
Trade and other payables	(940)	(3,328)	(3,497)	(4,284)	(2,249)
Borrowings - current	(26,050)	-	(140,041)	(314,921)	(301,395)
Derivative financial instruments	(495)	(551)	(1,308)	(1,852)	(3,045)
Current tax liabilities	(178)	(290)	-	-	(608)
Provisions - ST	(74)	(283)	(512)	(326)	-
Other	-	-	-	-	-
Total current liabilities	(27,737)	(4,452)	(145,357)	(321,383)	(307,297)
Non-current liabilities					
Borrowings	(21,239)	(137,640)	(144,185)	-	-
Deferred tax liabilities	(512)	(1,582)	(2,224)	-	-
Provisions - LT	-	(338)	(250)	(294)	(272)
Total non-current liabilities	(21,752)	(139,560)	(146,659)	(294)	(272)
Total liabilities	(49,488)	(144,012)	(292,016)	(321,677)	(307,569)
Net assets	5,803	33,283	66,172	33,324	25,426
Equity					
Contributed equity	4,501	28,371	60,901	60,901	60,901
Other reserves	(346)	(385)	(361)	848	872
Retained earnings	1,648	5,297	5,632	(28,424)	(36,347)
Total equity	5,803	33,283	66,172	33,324	25,426

Source: Audited financial accounts and unaudited management information

A summary of the Consolidated Group's Receivables and Debt Facilities is provided below:

\$'000	Audited Annual Report			Interim Report FY19	FY19 YTD
	FY16	FY17	FY18 (Reissued)		
	12 months			6 months	9 months
Total loan receivables	52,514	167,451	334,282	328,029	302,584
Total Debt Facilities	47,289	137,640	284,226	314,921	301,395
<i>Receivables Book to Debt Facilities</i>	<i>111%</i>	<i>122%</i>	<i>118%</i>	<i>104%</i>	<i>100%</i>

Source: Audited financial accounts and unaudited management information

The financial position of the Consolidated Group is characterised by a high growth in the Receivables Book in FY17 (219%) and FY18 (100%), which was funded by similar growth in the Debt Facilities and contributed equity. However, following the strategic review and the Covenant Breaches identified in September 2018, the Consolidated Group reported a decline of 62% (\$40.7m) in its net asset position for FY19 YTD. The major movements in net assets in the FY19 YTD period are summarised below:

- A \$31.7m net reduction in total Receivables, driven by the impairment of certain Receivables following the adoption of AASB 9 in December 2018 and tighter credit policies being applied for new loans
- The write-off of property, plant and equipment and intangible assets to nil as at 31 March 2019
- A \$17.2m net increase in total Debt Facilities as a result of the SCB being raised in July 2018. We note that the proceeds of the SCB were used to pay down the Syndicated Bank Facility, which was then drawn

to fund new Receivables. We are advised that in July 2018, Management determined that further use of the SWF would breach the net indebtedness covenant of the SWF and therefore instead used the Syndicated Bank Facility to fund new loans.

4.2.3 Consolidated Group statement of cash flows

The Consolidated Group held cash and cash equivalents of \$21.9m at 31 March 2019, with \$13.8m relating to cash quarantined in the AEWT in respect of SWF related Receivables. Analysis of the Consolidated Group's cash flow is provided in **Section 7.5.6** of this report.

The audited FY16, FY17 and reissued FY18 statements of cash flow and the unaudited management accounts for the six month period to 31 December 2018 are summarised as follows:

\$'000	Audited Annual Report			Interim Report
	FY16	FY17	FY18 (Reissued)	FY19
	12 months			6 months
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax)	22,122	48,005	91,503	98,925
Payments to suppliers and employees (inclusive of goods and services tax)	(53,633)	(153,850)	(237,681)	(108,079)
	(31,510)	(105,844)	(146,178)	(9,155)
Interest paid	(3,031)	(4,540)	(10,839)	(10,495)
Income taxes paid	-	(174)	(1,125)	(375)
Net cash (outflow) from operating activities	(34,541)	(110,558)	(158,141)	(20,025)
Cash flows from investing activities				
Payments for property, plant and equipment	(54)	(617)	(428)	(55)
Payments for intangibles	(203)	(428)	(2,281)	(1,764)
Net cash (outflow) from investing activities	(257)	(1,045)	(2,709)	(1,819)
Cash flows from financing activities				
Proceeds from issues of shares and other equity securities (net of costs)	500	23,870	31,906	-
Proceeds from subordinated notes	19,239	57,725	(263)	-
Repayment of subordinated notes	-	-	-	(15,450)
Proceeds from simple corporate bond (net of costs)	-	-	-	53,352
Proceeds from bank borrowings (net of costs)	14,300	123,812	144,847	57,000
Repayment of bank borrowings	-	(89,250)	(152,000)	(53,029)
Proceeds from securitisation notes (net of costs)	-	-	144,010	14,364
Repayment of securitisation notes	-	-	-	(24,203)
Payment of dividends	-	-	(2,607)	-
Proceeds from related party borrowings	750	400	-	-
Repayments of related party borrowings	-	(3,150)	-	-
Net cash inflow from financing activities	34,789	113,407	165,894	32,035
Cash and cash equivalents at the beginning of the financial year	609	600	2,404	7,439
Net (decrease) increase in cash and cash equivalents	(9)	1,804	5,044	10,191
Foreign exchange translation	-	-	2	10
Cash and cash equivalents at the end of the financial year	600	2,404	7,450	17,640

Source: Audited financial accounts and unaudited management information

The Consolidated Group's cash flow in FY17 and FY18 is characterised by increasing net cash outflows from operating activities as a result of the growth of its Receivables Book, which is mirrored by increasing cash inflows from new debt and equity raised to fund the growth. The contraction in cash outflow from operating activities and cash inflow from funding activities in the six months to December 2018 is reflective of the tightened credit policies and strategic changes to the business following the identification of the Covenant Breaches in September 2018. Although the business has experienced significant impairments of its Receivables in the FY19 YTD period, the Consolidated Group has maintained positive cash flows by reducing loan originations and implementing a number of cost reductions.

4.2.4 Working capital

Working capital is a financial measure which represents operating liquidity available to a company, measuring the entity's ability to pay its short term debts. Net working capital is calculated as current assets minus

current liabilities. The following table shows the Consolidated Group's net working capital and current ratio over the period FY16 to FY19 YTD.

\$'000	Audited Annual Report			Interim Report FY19	FY19 YTD
	FY16	FY17	FY18 (Reissued)		
	<i>12 months</i>			<i>6 months</i>	<i>9 months</i>
Total current assets	20,395	54,574	128,084	119,537	40,046
Total current liabilities	(27,737)	(4,452)	(145,357)	(321,383)	(307,297)
Net working capital	(7,342)	50,122	(17,273)	(201,846)	(267,251)
Current ratio	0.74	12.26	0.88	0.37	0.13

Source: Audited financial accounts and unaudited management information

The current ratio is a measure that can be used to determine a company's ability to pay its short-term debt obligations. The current ratio is calculated as current assets divided by current liabilities and shows working capital as a ratio.

As mentioned above, a portion of the Consolidated Group's Debt Facilities was re-classified as current liabilities in the Reissued FY18 AFR and all Debt Facilities were re-classified as current by December 2018. This has resulted in a negative net working capital position from FY18 onwards. Usually, a current ratio below 1 is an indicator that the company would not be capable of repaying its debts as they fall due over the short term (less than 12 months).

Further analysis of working capital is detailed in **Section 7.5.6**.

4.2.5 Transactions with related entities

Neither the Reissued FY18 AFR nor the FY19 Interim Report disclosed any related entity transactions outside the Consolidated Group.

The management accounts reported the following intercompany loan balances as at 31 March 2019:

Balances of inter-company transactions as at 31 March 2019				
\$'000	AXL	ACN Co	AXL Operations	AXL Retail
Receivables				
ACN Co	170,298			55
AXL Operations	15,750	5,472		70
AXL Retail	297			
AXL Canada	3,911			
AEWT	1,400	3,528	203	
Total	191,657	9,000	203	125
Payables				
AXL		(170,298)	(15,750)	(297)
ACN Co			(5,472)	
AXL Operations				
AXL Retail		(55)	(70)	
AXL Canada				
AEWT				
Total	-	(170,353)	(21,292)	(297)
Total	191,657	(161,353)	(21,089)	(172)

Source: unaudited management information

As mentioned in **Section 3** of this report, the Consolidated Group operates as a consolidated entity. ACN Co is the main trading entity and has historically been used to originate new Receivables and to fund the trading costs of the Consolidated Group.

4.2.6 Related party loans

We have not identified any loans made to the Directors of the Consolidated Group or other key management staff related to the Consolidated Group (including their related parties) for the 12 months prior to appointment.

4.3 Individual entities under voluntary administration

The following section provides information on the performance and position of the individual entities under voluntary administration.

As discussed in the Background section of this report, the individual entities within the Consolidated Group each had its own purpose but the entities operated together as one business. Whilst we summarise the performance of the individual entities below, we note that creditors should consider the performance of the Consolidated Group as a whole.

The purpose of each individual entity under voluntary administration, from a financial reporting point of view, is summarised below:

- **AXL:** As the listed entity and holding company, AXL does not have any income generating operations. AXL holds both the Syndicated Bank Facility and SCB and is responsible for meeting listing expenses (including registration and legal expenses), financing costs and other minor Consolidated Group costs
- **ACN Co:** As the main contracting entity, Receivables Book related revenue and expenses are recognised within ACN Co. ACN Co holds the Consolidated Group's interest in the AEWT and is the issuer of the Subordinated Notes
- **AXL Operations:** As the operating and employing entity, AXL Operations does not have any income generating operations. AXL Operations engages both employees and suppliers to facilitate the delivery of the Consolidated Group's Receivables Book operations. AXL Operations also holds the Consolidated Group's fixed and intangible assets, which were impaired to nil value in December 2018. AXL Operations is funded through intercompany transactions
- **AXL Retail:** For financial reporting purposes, AXL Retail does not have any material operations. AXL Retail is almost dormant, with a small number of residual loans generating an immaterial amount of revenue
- **AEWT:** For financial reporting purposes AEWT is consolidated in the Consolidated Group's financial results. AEWT holds the Receivables sold to the AEWT and the debt liability under the SWF.

4.3.1 Individual statements of profit and loss

The unaudited profit and loss for the nine months from 1 July 2018 to 31 March 2019 is summarised as follows:

\$'000	AXL	ACN Co	AXL Operations	AXL Retail
	<i>Management accounts</i>			
Income				
Revenue from continuing operations	-	15,444	(230)	33
Other income	-	11,923	-	6
Total income	-	27,368	(230)	39
Expenses				
Employee benefits expense	-	-	(9,398)	-
Registration costs	(155)	-	(0)	-
General administration and marketing expenses	(335)	(252)	(4,799)	(15)
Other expenses	(2,107)	(207)	(1,895)	-
Finance costs	(8,391)	(3,754)	-	-
Provision for lease impairment	-	(15,610)	(10)	(198)
Impairment of property, equipment and intangible assets	-	-	(5,670)	-
Depreciation and amortisation expense	-	-	(496)	-
Total expenses	(10,987)	(19,824)	(22,269)	(213)
Profit before income tax	(10,987)	7,543	(22,499)	(174)
Income tax expense	1,268	-	-	-
Profit for the year	(9,719)	7,543	(22,499)	(174)

Source: Audited financial accounts and unaudited management information

Please note this excludes the financial performance of AEWT which is included in the profit and loss statement in **Section 4.2.1**.

4.3.2 Individual balance sheets

The unaudited management accounts as at 31 March 2019 are summarised as follows:

\$'000	AXL	ACN Co	AXL Operations	AXL Retail
<i>Management accounts</i>				
Current assets				
Cash and cash equivalents	80	9,109	34	20
Receivables - current	-	22,189	672	1
Other receivables	47	57	333	-
Intercompany	191,657	(165,565)	(21,089)	(172)
Current tax receivables	-	-	-	-
Total current assets	191,785	(134,211)	(20,050)	(152)
Non-current assets				
Receivables - non-current	-	137,737	-	(1)
Other receivables - long term	-	-	-	-
Property, plant and equipment	-	-	(0)	-
Intangible assets	-	-	-	-
AEWT interest	-	52,027	-	-
Deferred tax asset	8,072	-	-	-
Total non-current assets	8,072	189,765	(0)	(1)
Total assets	199,856	55,554	(20,050)	(152)
Current liabilities				
Trade and other payables	32	(790)	(983)	-
Borrowings - current	(115,000)	(65,000)	-	-
Derivative financial instruments	(3,045)	-	-	-
Current tax liabilities	(12,979)	(511)	207	(3)
Provisions - short term	-	-	-	-
Other	-	-	-	-
Total current liabilities	(130,992)	(66,300)	(776)	(3)
Non-current liabilities				
Borrowings	-	-	-	-
Deferred tax liabilities	-	-	-	-
Provisions - long term	-	-	-	-
Total non-current liabilities	-	-	-	-
Total liabilities	(130,992)	(66,300)	(776)	(3)
Net assets	68,864	(10,747)	(20,826)	(155)
Equity				
Contributed equity	60,900	-	-	1
Other reserves	0	-	872	-
Retained earnings	7,964	(10,747)	(21,969)	(156)
Total equity	68,864	(10,747)	(21,097)	(155)

Source: Unaudited management information

Please note this excludes the financial performance of AEWT which is included in the balance sheet in **Section 4.2.2**.

5 Directors' Report on Company Activities and Property

5.1 Summary

Under Section 438B of the Act, the Directors are required to provide a Report on Company Activities and Property (**ROCAP**) for the Companies as at the date of our appointment within five business days of receipt of the request from the Administrators or such longer period as the Administrators allow.

The Directors individually prepared a ROCAP for each of the Companies and submitted the ROCAP's by 21 June 2019. These were all lodged with ASIC by 26 June 2019.

The ROCAP represents the Directors' views of the Companies' assets and liabilities' positions and are summarised in the table below.

Please note that the values shown in the ROCAP do not necessarily reflect actual realisable values for a return to creditors. An estimate of the return to creditors under the proposed DOCA and liquidation scenarios is detailed in **Section 11** of this report.

Creditors may inspect Part A of the ROCAP's provided for each of the Companies by emailing axesstoday@deloitte.com.au.

The Directors withheld certain information regarding the main assets of the Group as it was deemed to be commercially sensitive on the basis the Group was undergoing a sale process and Part A of the ROCAP is lodged with ASIC as a publicly available document. We had access to this withheld information through our control of the Group's operations and the Directors have co-operated with us.

Below is a summary of the Companies' assets and liabilities at the date of our appointment based on the views of the Directors and detailed in Part A of the ROCAP:

No.	Responses to ROCAP questions	\$,000	AXL	ACN Co	AXL Operations	AXL Retail
A4	Does the company owe money to its employees?	5.1.1	-	-	(268)	-
A5	Does the company owe money, goods or services to others (other than employees)?	5.1.2				
	Secured		(138,645)	(125,719)	(125,000)	(125,000)
	Unsecured					
	SCB		(55,000)	(55,000)	(55,000)	(55,000)
	Other unsecured		(119)	(511)	(991)	-
	Related party		-	(170,353)	(21,292)	(297)
	Total question A5		(193,764)	(351,583)	(202,283)	(180,297)
A6	Is the company owed money?	5.1.3	191,657	5,472	203	125

No.	Responses to ROCAP questions	\$,000	AXL	ACN Co	AXL Operations	AXL Retail
A7	Does the company own any assets?					
	Bank accounts	5.1.4	12	9,120	35	20
	Plant and equipment		-	-	-	-
	Other assets					
	Prepayments and other		-	57	333	-
	Tax assets/refunds		8,882	-	207	3
	Receivables Book		-	Withheld	-	-
	Total question A7		8,894	9,177	576	23

Our comments to the responses provided in the ROCAP's are set out below:

5.1.1 Does the company owe money to its employees?

The ROCAP's for AXL Operations disclosed employee claims for annual leave totalling \$268k. The accrued annual leave liability in the management accounts for FY19 YTD is \$307k.

On our appointment, AXL Operations employed 58 employees consisting of 54 full-time employees, three part-time employees and one contractor.

We have reviewed the entitlements owing to all employees. If we had ceased trading and terminated all employees on appointment, employee entitlements in AXL Operations would have crystallised with employee claims totalling approximately \$1.16m.

The claims of the employees represent a priority claim pursuant to Section 556 of the Act. This means employees have the right to be paid their outstanding entitlements in priority to unsecured creditors.

Entitlement category \$'000	Directors' ROCAP	Administrators' estimated realisable value
Wages	-	148
Annual leave	268	268
Long service leave	N/A	-
Payment in lieu of notice	N/A	359
Redundancy/Termination	N/A	374
Superannuation	-	13
Total priority claims	268	1,162
Excluded employee claims		-
Total entitlements	268	1,162

The variance in the ROCAP entitlements and our estimate is principally due to:

- The Directors did not record the redundancy/termination and pay in lieu of notice entitlements on the basis that such amounts had yet to crystallise. We have estimated the amounts owing for redundancy/termination and payment in lieu of notice entitlements for all employees of AXL Operations under the terms of their contract and/or the national employment standards as at the appointment date
- Wages, superannuation and redundancy payments that had accrued prior to our appointment but were only due to be paid after our appointment.

Prior to our appointment two positions in the Group had been identified as not required by the business. Shortly after our appointment we made the staff in these positions redundant and paid their entitlements in full. In addition, we paid the full entitlements of a further staff member who had been made redundant in March 2019 and whose notice period concluded in May 2019.

Since our appointment 11 employees have resigned and their annual leave balances were paid out on cessation of their employment.

These payments, together with the pre-appointment wages and superannuation are summarised below:

Payment type	\$'000
Pre-appointment wages	146
Pre-appointment superannuation	13
Annual leave balances	69
Redundancy and termination payments	67
Total	295

We continue to pay staff their entitlements on an ongoing basis.

Prior to our appointment, three ex-employees had made claims against the Group, of which two were under the Fair Work Act. Both parties have issued proceedings in court, however these proceedings are on hold under Section 440D of the Act which states that during the administration of a company, proceedings in a court against a company cannot be commenced or continued without the administrators' consent or leave of the court.

Management of the Group dispute the claims and we have not yet made a determination on the liability of entities within the Group with respect to these claims. However, to the extent that these claims are determined to be outstanding wages and superannuation contributions, leave entitlements or retrenchment payments and are provable claims falling within section 556(1) of the Act, such claims will be payable in accordance with the priorities prescribed by that section under the provisions of the proposed DOCA and Creditors Trust (detailed in **Sections 9** and **10**) as they would be in liquidation.

5.1.1.1 Excluded employees

Excluded employees are Directors or relatives of Directors of the company (**Excluded Employees**).

The priority claims for Excluded Employees are capped at different amounts for different classes of entitlements pursuant to Section 556 of the Act, with the balance being classed as an unsecured claim against the relevant Companies. The maximum amount an Excluded Employee can receive via a distribution to priority creditors is \$3.5k each. This is made up of a capped amount of \$2.0k for wages and superannuation and \$1.5k for annual leave and long service leave, with the balance of claims ranking as an unsecured claim against the relevant company.

The claims of each of the Directors is less than the capped amounts noted above. Accordingly, their claims for unpaid employee entitlements will be a priority claim against the relevant company.

5.1.2 Does the company owe money, goods or services to others (other than employees)?

5.1.2.1 Creditors with security interests

The ROCAP's list the following amounts owing to secured creditors:

Creditors with security interests \$'000	AXL	ACN Co	AXL Operations	AXL Retail
CBA Corporate Services (NSW) Pty Ltd ATF the Axesstoday Senior Security Trust	(60,000)	(60,000)	(60,000)	(60,000)
Commonwealth Bank of Australia	(668)			
Perpetual Corporate Trust Limited ATF Equipment Warehouse Trust	(12,978)			
Permanent Custodians Limited as Trustee for the Axesstoday Security Trust	(30,000)	(30,000)	(30,000)	(30,000)
Permanent Custodians Limited as Trustee for the Axesstoday Security Trust	(35,000)	(35,000)	(35,000)	(35,000)
BNY Mellon		(719)		
Total	(138,645)	(125,719)	(125,000)	(125,000)

On our appointment, we conducted a search of the PPSR and identified 19 Security interests registered against the Companies, as summarised under **Section 3.2.3** of this report.

We make the following comments with regard to the various registered security interests as compared to amounts disclosed in the ROCAP's:

- The ROCAP's did not include security interests registered by two parties identified in **Section 3.2.3** that have subsequently been discharged. These registrations were either not valid registrations or there are no monies owing to the parties and the Companies had no immediate intention to continue to procure goods from the supplier
- The ROCAP's also did not include three security interests registered against AXL Operations relating to the provision of photocopier equipment which we have continued to use since our appointment
- The balance of the registered security interests relate to the Debt Facilities of the Group which are described below.

The Debt Facilities and overdraft facilities of the Group are summarised below:

\$'000	Notes	Jun-17	Jun-18	Dec-18	Mar-19
Borrowing limits					
<u>Secured</u>					
Syndicated Bank Facility	1				
Bank loans		(112,000)	(60,000)	(60,000)	(60,000)
Overdraft		(2,500)	(5,000)	(5,000)	(3,000)
SWF	2		(200,000)	(200,000)	(200,000)
Subordinated Notes	3				
Series 2 Notes		(30,000)	(30,000)	(30,000)	(30,000)
Series 1 Notes		(50,000)	(50,000)	(35,000)	(35,000)
<u>Unsecured</u>					
SCB	4		-	(55,000)	(55,000)
Total limits		(194,500)	(345,000)	(385,000)	(383,000)

\$'000	Notes	Jun-17	Jun-18	Dec-18	Mar-19
Used at the reporting date					
<u>Secured</u>					
Syndicated Bank Facility					
Bank loans		(62,000)	(56,000)	(60,000)	(60,000)
Overdraft		-	(4,191)	-	-
SWF			(144,760)	(134,921)	(121,395)
Subordinated Notes					
Series 2 Notes		(30,000)	(30,000)	(30,000)	(30,000)
Series 1 Notes		(50,000)	(50,000)	(35,000)	(35,000)
<u>Unsecured</u>					
SCB			-	(55,000)	(55,000)
Total used		(142,000)	(284,951)	(314,921)	(301,395)

Source: Audited financial statements and unaudited management information

The Group's Debt Facilities and available funding is discussed further in **Section 7.5.6.2**, however we make the following comments in regards to the table above compared to amounts disclosed by the Directors in the ROCAP's:

1. On 31 March 2019, the Syndicated Bank Facility was fully drawn to \$60m. The Syndicated Lenders exercised their right to set-off credit funds held in their bank accounts against the outstanding liabilities and collectively swept the account balances totalling c. \$8.4m. On our appointment, after accrued interests and costs, the Syndicated Bank Facility totalled c. \$52.6m.

The borrowers under the Syndicated Bank Facility are AXL, ACN Co and AXL Operations. AXL Retail is a guarantor. The amount owing under the SFA is reflected in the ROCAP in each company under the name of the agent, CBA Corporate Services (NSW) Pty Ltd ATF the Axesstoday Senior Security Trust. The amount of \$668k listed as owing to the CBA, in the Directors' ROCAP's, relates to interest and line fees accrued under the Syndicated Bank Facility.

Based on the Debt Facility Agreements, amounts owing under the SFA rank ahead of all other registered security interests, excluding a number of purchase money security interests (**PMSI**).

As discussed in **Section 3.2.3**, the CBA and MBL sold their debt to DB on 17 May 2019.

2. As noted at **Section 3.1.5** of this report, on 1 May 2018, the Consolidated Group announced the settlement of the \$200m SWF. The AEWT is the unit trust for the SWF and Perpetual Corporate Trust Limited is the trustee of the trust. The SWF Trustee has registered security interests in respect of the securitisation arrangement. The security interests registered by the SWF Trustee are first ranking with regard to any amounts owing in terms of the SWF under the SWF Agreements.

The AEWT is funded by Securitisation Notes of which 70% were initially held by MBL as the Warehouse Lender to the AEWT (**Warehouse Lender**) and 30% by ACN Co.

The balances outstanding under the SWF Agreement as at March 2019 are shown in the table above. However, the balance is not included in the Directors' ROCAP's as it was categorised as funding provided to the AEWT rather than the Group.

The Directors have recorded an amount of \$13m owing to the SWF Trustee. This is in respect to a goods and services tax (**GST**) liability when Receivables were initially sold into the AEWT on a GST inclusive basis.

The SWF Agreements included an International Swaps and Derivatives Association master agreement that supported the provision of derivative financial instruments, utilised by the Consolidated Group, in the normal course of business to hedge exposure to fluctuations in interest rates. This was in accordance with the Consolidated Group's financial risk management policies.

As at 31 March 2019 the Consolidated Group recorded a liability with regard to interest rate swap contracts totalling c. \$3.1m. On 8 May 2019, MBL notified the Administrators that they had terminated the Group's interest rate swap positions over the SWF which resulted in an early termination charge of c. \$2.8m being payable to MBL.

On 17 May 2019 MBL sold its debt to DB at the same time the Syndicated Bank Facility was sold. Subsequent to the sale, as a condition to DB's continued support to the voluntary administrations and allowing the use of Receivable income to fund continued trading rather than towards repayment of their debt, DB re-negotiated the SWF Agreements with the Group. This allowed the Group to obtain funds by selling-in qualifying Receivables into the AEWT during the voluntary administration period. In addition to the interest and charges under the SWF Agreements, DB also levied an additional "Incoming Fee" of \$4.8m. After a significant negotiation about terms, we agreed to this fee as it was our view that the continued trading of the business would provide a better outcome for the sale campaign and ultimately a better outcome for creditors, compared to the estimated outcome from selling the assets of the Group if it had ceased trading.

3. As noted in **Section 3.2.3**, Permanent Custodians Limited is the security trustee of the security trusts who hold the rights of the holders of the Series 1 Notes issued in October 2015 in the amount of \$50m (**Series 1 Notes**) and the Series 2 Notes issued in May 2017 in the amount of \$30m (**Series 2 Notes**) (together the **Subordinated Notes**). Bank of New York Mellon (BNY) is the trustee of the security trusts.

ACN Co is the issuer of the Subordinated Notes with AXL, AXL Operations and AXL Retail being guarantors under the Subordinated Notes Agreements. The Subordinated Notes are subject to an inter-creditor deed, with the Syndicate Lenders, which ranks the security of the Senior Lenders first, then the Series 2 Notes, and lastly the Series 1 Notes.

As detailed by the Directors in their ROCAP's the outstanding balance of the Series 1 Notes is \$35m and Series 2 Notes \$30m.

The Directors have also recorded an amount owing to BNY Mellon of \$719k. This relates to interest owed on Series 1 Notes in the amount of \$664k and amounts due under Series 2 Notes of \$55k. These amounts were paid immediately prior to our appointment.

4. Included in the Group's Debt Facilities is \$55m in SCB's issued by AXL on 4 July 2018. The Axesstoday Bonds Trust is constituted by a Trust Deed dated 26 June 2018 with Sargon CT Pty Ltd acting as the Trustee. ACN Co, AXL Operations and AXL Retail are guarantors under the Trust Deed. The SCB holders (**SCB Holders**) are unsecured creditors whose rights and obligations are represented by the trustee.

The amounts owed to SCB Holders are included as unsecured creditors in the Directors' ROCAP's.

The current estimate of amounts outstanding under the Debt Facilities is as follows:

\$'000	Principal	Interest, fees and charges	Total
<u>Secured</u>			
Syndicated Bank Facility	(52,686)	(2,187)	(54,873)
SWF	(105,348)	(5,192)	(110,560)
Subordinated Notes	(65,000)	(2,463)	(67,463)
Total secured	(223,034)	(9,842)	(232,876)
<u>Unsecured</u>			
SCB	(55,000)	(1,505)	(56,505)
Total	(278,034)	(11,347)	(289,381)

The above amounts include interest payments due but not paid under the Subordinated Notes and SCB as well as default interest up to 31 August 2019.

5.1.2.2 Unsecured creditors

The ROCAP discloses \$1.6m in unsecured creditors excluding the SCB Holders discussed above. This compares to \$2.9m in the management accounts, as at March 2019, consisting of \$2.3m in accounts payable and \$608k in taxation liabilities. However, accrued interest and other fees incurred under Debt Facility Agreements are included in the accounts payable amount of \$2.3m but excluded from the total of unsecured creditors in the table above, having instead been included in the amounts listed as owing to secured creditors. During the voluntary administration we have not been notified of any claims by unsecured creditors that are materially different to what has been included in the Directors' ROCAP's and the books and records of the Group.

5.1.2.3 Related party

The amounts disclosed in the ROCAP's are consistent with amounts disclosed as related entities transactions in **Section 4.2.5**.

5.1.3 Is the company owed money?

The amounts disclosed by the Directors in the ROCAP consist wholly of transactions with related entities within the Consolidated Group and are consistent with the amounts disclosed in **Section 4.2.5** with the exception of an account between ACN Co and the AEWT which has not been included in the Directors' ROCAP's. This account reflects direct debit income collected by the Group on the portion of the Receivables Book sold into the AEWT. This income is subsequently swept into the AEWT and reconciled on a monthly basis.

5.1.4 Does the company own any assets?

5.1.4.1 Cash at bank

The ROCAP's disclose cash at bank as at 31 March 2019 totalling \$9.1m. This compares to \$9.2m recorded in the Group's management accounts as at 31 March 2019. Both figures include \$1.1m in an account controlled by the AEWT. Excluding the \$1.1m, total cash in the Group accounts as at 31 March 2019 was \$8.1m and the cash on our appointment on 7 April 2019 was \$8.4m. As stated in **Section 5.1.2.1**, the Syndicated Lenders exercised their right to set-off credit funds held in the Groups' bank accounts, on our appointment, against their outstanding liabilities and collectively swept the account balances.

5.1.4.2 Plant and equipment

The ROCAP's do not disclose any plant and equipment however AXL Operations owns office furniture and IT equipment. On our appointment we engaged Slattery Asset Advisory to provide a high level valuation based on a listing we provided to them. Slattery Asset Advisory provided an estimated market value of \$92k for all items. The plant and equipment had been fully depreciated in the FY19 Interim Report.

5.1.4.3 Other assets

The Directors' ROCAP's listed other assets including prepayments, GST refunds, deferred tax assets, rental bonds and the Receivables Book, with the most material items being the deferred tax assets and the Receivables Book.

The Directors have provided an estimated value of \$8.1m for the deferred tax assets within AXL. In the normal course of a business, deferred tax assets may be used to reduce future taxable income. However, the ATO places restrictions on whether these assets can be realised when there are changes to ownership or the nature of the business.

As stated above, the Directors withheld the estimated realisable value of the Receivables Book as it was deemed to be commercially sensitive on the basis the Group was undergoing a sale process. We note that AXL's interest in its subsidiaries, not under voluntary administration, was not separately included in the Directors' ROCAP's.

As stated in **Section 3.1.6** these subsidiaries include 1114604 BC Ltd, containing a Canadian receivables book in run-down, and 50388865 BL Pty Ltd containing a small business loan book in run-down. Assets of 1114604 BC Ltd are subject to a separate sale process and the shares of 50388865 BL Pty Ltd are included in the DOCA. Further detail on the sale process is provided at **Section 6.3**.

5.2 Explanations for financial difficulties

5.2.1 Directors' explanation

The Directors have advised that in their opinion the reasons for the financial difficulties were as follows:

"Poor management by the executive. Misinformation by management in reporting to the board and in response to direct questions and queries from the board. This ultimately led to aggressive growth, under capitalisation, increased arrears, breach of material contracts and an inefficient capital structure."

5.2.2 Administrator's opinion

Based on preliminary investigations including our review of the Consolidated Group's operations, correspondence and discussions with the Directors, our view is that the financial difficulties of the Companies were largely due to Management's focus on aggressively growing the Receivables Book and the impact this had on the risk profile of the business. To achieve the growth targets credit quality standards appear to have been compromised, new higher risk products were introduced and an offshore expansion strategy was initiated. Further, the growth required increasing amounts of funding, which led to the Consolidated Group's capital structure evolving to include more complex funding structures and facilities.

Over this period of high growth there appears to have been limited investment in additional resources and controls that would have been required to effectively manage the increasing risk and complexity. This appears to have led to inadequate, and at times inaccurate, data reporting, which in turn contributed to compromised decision making by the Board and Management. The increased risk was also compounded by an apparent culture of disregard for compliance by some of the senior management team and a lack of requisite experience in managing and operating an ASX listed entity with complex debt structures.

When the Covenant Breaches were first identified the Board became actively involved in the management of the business and over a period of c. six months the extent of the operating issues was uncovered and notified to the Syndicate Lenders and the market. During this time, the Board took steps to address the issues including engaging appropriate advisors, running a process to raise capital and appointing a new management team. However, the extent of the issues uncovered and the lack of progress in resolving these issues over the six month period led to a loss of confidence by the Syndicate Lenders in the Consolidated Group's prospects of raising new capital to remedy the numerous Covenant Breaches. Accordingly, on 5 April 2019 the Syndicate Lenders withdrew their support for the business.

Although the Syndicate Lenders had not taken enforcement action at this point and the Consolidated Group was able to generate positive cash flow by collecting on the Receivables Book and ceasing all new loan originations, this strategy would erode the value of the Senior Lender's security. Given no alternative solution had been identified, the Board concluded the Group was likely to become insolvent in the future. The minutes of the Board meeting held on 5 April 2019, disclose that the Board, having taken into account the financial position of the Group (including future liabilities and contingent liabilities), were of the opinion that the Group was likely to become insolvent at some future time, therefore, administrators of the Group should be appointed.

6 The Administrators' actions to date

6.1 Actions to date

On appointment, we conducted operational and statutory tasks, including an initial assessment of the financial viability of the business, and implemented a strategy aimed at maximizing the best outcome for creditors. A detailed outline of tasks performed over the course of the voluntary administration is provided with the Remuneration Report at **Appendix B**. A summary of these actions are as follows:

6.1.1 Taking control of the business and maintaining the operations of the Companies

We attended the Group's head office and took immediate control of the Group's business and operations, and secured the Companies' books and records. This involved ongoing discussions with the Directors and Management regarding the Groups' day-to-day operations and implementing trading processes for the voluntary administration period. We developed a trade-on strategy including cash flow forecasts to allow the Group to continue operations as a going concern during the sale program.

Since our appointment, we have undertaken the following:

- A review of the internal management controls and approval process across the operations and implemented additional Administrators' controls
- Contacted suppliers and service providers to ensure continued supply
- Reviewed business systems and processes and implemented performance improvement initiatives around key work streams, including settlements, collections, litigation and repossession
- Implemented business improvement strategies to cure delinquent customers
- Continued to originate new loans
- Continued to work with Management and employees throughout the voluntary administration period to ensure minimal disruption to the business performance
- Provided weekly updates to secured creditors
- Undertook negotiations with the new Senior Lender to re-open the Warehouse
- Liaised with key stakeholders to facilitate a sale of the Groups business assets.

6.1.2 Compliance and administrative procedures

The key statutory tasks we have undertaken includes:

- Attended to our statutory duties and reporting with ASIC, the ATO and other various statutory authorities
- Convened the first concurrent meetings of creditors
- Applied to the Court to obtain approval to extend the time in which we held the second meeting of creditors
- Liaised with shareholders /creditors and other key stakeholders
- Communicated with various regulatory authorities with regard to various compliance and reporting requirements.

6.1.3 Investigations and litigations

Our investigation work is detailed in **Section 7**.

6.2 Administrators' trading performance and receipts and payments

A summary of the Group's receipts and payments in respect of the voluntary administration, for the period 7 April 2019 to 31 July 2019, is attached at **Appendix D**.

We currently hold funds on hand of c. \$24.5m, not including funds held in the AEWT. This exceeds our short-term cash flow forecast, in part due to a lower volume in originations during the voluntary administration period.

Below is our actual cash flow for the period to 11 August 2019 for the Group

\$'000	3 weeks to 28-Apr	5 weeks to 2-Jun	4 weeks to 30-Jun	4 weeks to 28-Jul	2 weeks to 11-Aug
Receipts					
Receivables and interest income	8,132	13,125	10,365	10,123	5,025
Receivables payouts	1,993	1,900	2,621	2,056	677
Arrears collections	325	420	660	342	253
AEWT Management Fee	83	76	459	739	394
AEWT SWF drawdown	0	4,010	2,217	0	0
Total receipts	10,533	19,531	16,321	13,259	6,349
Payments					
Cash sweeps	(2,289)	(6,936)	(4,935)	(4,931)	(2,573)
Settlements	(1,455)	(4,626)	(4,417)	(2,915)	(1,240)
Staff costs	(466)	(783)	(354)	(381)	(26)
Trading costs	(128)	(631)	(950)	(839)	(268)
GST payable	0	0	0	0	(308)
Bank charges	(12)	(29)	(20)	(20)	(6)
Total payments	(4,350)	(13,004)	(10,675)	(9,086)	(4,420)
Net cash inflows / outflows	6,183	6,526	5,645	4,173	1,929
Opening Cash Balance	0	6,183	12,710	18,355	22,528
Net cash flows	6,183	6,526	5,645	4,173	1,929
Closing Cash Balance	6,183	12,710	18,355	22,528	24,457

Key items in the cash flow are summarised below:

- Receivables and interest income include the Group and AEWT
- Receivables payouts refers to customers who have paid out their loans early
- Arrears collections are receipts from collection processes undertaken
- AEWT Management Fee is the agreed service fee plus a reimbursement of a portion of AEWT's share of the costs of operating the business of the Group
- AEWT SWF drawdown is the receipt of cash from selling loans into the AEWT which were originated post our appointment
- Cash sweeps are remittances of receivables and interest income received which relate to the AEWT, excluding GST which will be remitted by the Group
- Settlements relate to the purchase of equipment and vehicles relating to new loan originations and includes broker and introducer commissions paid.

6.3 Sale of business process

6.3.1 Engagement of advisor

On our appointment, we commenced an immediate campaign for the sale and/or recapitalisation of the Group.

Moelis Australia Advisory Pty Ltd (**Moelis**) was engaged by the Consolidated Group, prior to our appointment, to undertake a strategic review of the business and consequently had developed an in depth understanding of the business. They had also been engaged by the Directors to undertake a sale campaign, although this work had not progressed at the time of our appointment. Having considered the complexity of the business, the timeframe in which we were seeking to complete a transaction, and work they had already undertaken, we continued Moelis' services under new terms to assist with the sale and/or recapitalisation of the Group.

6.3.2 Sale campaign

We advertised the business for sale in the Australian Financial Review on 17 April 2019, seeking that interested parties confirm their interest by 3 May 2019. Interested parties were then requested to submit a NBIO by 27 May 2019. The key requirements of the NBIO were:

- Bidder identity
- Nature of transaction
- Value and consideration
- Source and application of funds
- Financing and capital structure
- Transaction structure
- Stage two due diligence requirements
- Material conditions
- Approvals and certainty
- Timing.

Interested parties were invited to consider a range of alternative transaction structures to acquire the Group, which included:

1. A DOCA in relation to the acquisition of the shares in AXL and its subsidiaries, which would require the written consent of the owner of the shares or the leave of the Court
2. A DOCA in relation to the subsidiaries in voluntary administration only, should the interested party be interested in the operation and assets of the business only
3. An asset sale of all or part of the assets including the Receivables Book.

Interested parties involved in the sales process included:

- 53 parties, both from the previous strategic review undertaken by Moelis and whose interest was generated by the advertisement, were contacted including private equity firms, strategic parties and individual investors
- 41 parties signed non-disclosure agreements and accessed an electronic data room to conduct due diligence
- Seven NBIO's were received from six parties. Four NBIO's were for the whole business operations as a going concern with the remaining NBIO's for either the Receivables Book only, parts of the Receivables Book or parts of the business.

In addition to the seven NBIO's we also received two offers for the ASX listed corporate shell without any assets or business activities (**AXL Listed Shell**).

We assessed the offers together with Moelis. The factors we considered included:

- Value of the offers
- Structure of the offers
- Financing arrangements to support the offers
- Ultimate impact on creditors
- Certainty around execution including:
 - Complexity of the transaction
 - Access to financing
 - Completion timeframe and completion risk
 - Support from creditor groups, including the secured creditors.

The shortlisted interested parties for the whole business were then invited into a second stage due diligence process. These parties were provided access to the stage two data room, which allowed the interested parties to conduct final due diligence with access to detailed information relating to the Consolidated Group. Interested parties were required to submit a binding offer by 5 July 2019.

6.3.3 Offers

6.3.3.1 Sale of business operations

In late June 2019 we received an offer from PH304 to enter into an exclusivity agreement to negotiate and finalise the terms of the proposed acquisition of the main business and operations of the Group via an acquisition of shares in ACN Co, AXL Operations, AXL Retail and 503 888 65 BL Pty Ltd (**AXL Subsidiaries**) by way of a DOCA in relation to the Group.

Having considered the factors above, including the NBIO's received from other parties, as well as the status of other parties' due diligence and access to financing and execution prospects, we determined that PH304's bid represented the best offer for the Group and the best return to all creditors. It is noted that all four NBIO's for the whole business operations as a going concern did not include maintaining the existing Debt Facilities other than potentially with the Secured Lender. Rather, all four NBIO's indicated that new third party financing would likely need to be secured for the Receivables Book.

On 1 July 2019, we entered into an exclusivity agreement with PH304. The initial exclusivity period was until 8 July 2019 but could automatically be extended to 31 August 2019 if certain conditions were satisfied or waived.

On 7 August 2019 we entered into an Implementation Deed with PH304 which provides that Cerberus and the Voluntary Administrators must take all steps reasonably necessary to execute, exchange and effectuate the DOCA.

The obligations of Cerberus and us to enter into the DOCA are conditional upon satisfaction of certain conditions, including:

- The secured lenders to the Group consenting to the terms of the repayment of their secured debt; and
- Creditors of the Group resolving to enter into the DOCA at the second creditors meeting.

The Implementation Deed provides that the conditions to entering into the DOCA need to have been satisfied by 30 August 2019 (or such later date as Cerberus agrees), and that the DOCA must be completed (effectuated) in relation to the sale of the ACN Co, AXL Operations, AXL Retail and 50388865 BL Pty Ltd by 13 September 2019.

PH304's total consideration offered for the business is made up of:

- Repayment in full to the Syndicated Lenders
- Payment to the Warehouse Lender of amounts owing to it under the SFW Agreements
- Repayment of principal and accrued interest of Subordinated Noteholders up to the date the DOCA is completed
- Continuation of employment for current employees
- Payment of \$16.2m into a Creditors' Trust for distribution to unsecured creditors. Where the Noteholders agree to receive principal and all accrued ordinary interest in full satisfaction of the Group's obligations in respect of the Notes, an additional amount of c. \$1.5m will be paid into a Creditors' Trust for distribution to unsecured creditors.
- Any cash at bank after payment of all trading liabilities and costs of the voluntary administration, DOCA and Creditors' Trust are to be applied in reduction of the Senior Lender's debt.

The total value of the transaction is estimated to be \$259.7m.

Further information on the transaction and estimated return to unsecured creditors is detailed in **Sections 9, 10** and **11** of this report.

6.3.3.2 Sale of AXL Listed Shell and other assets

We have separately received two offers for the sale of the AXL Listed Shell. One of these parties is currently conducting due diligence with a binding offer expected by the time the DOCA is likely to be effectuated. The funds received from this offer will be paid into the Creditors' Trust for distribution to unsecured creditors.

There are a number of organisations that buy and sell listed shell companies for the purposes of reverse takeovers or backdoor listings on the stock exchange. The sale of a listed corporate shell in voluntary administration typically involves voluntary administrators using their powers under the Act to replace the existing directors of the company with representatives of the buyer of the shell in exchange for a cash consideration. This has the effect of transferring control of the shell to the buyer. The funds received from the sale are distributed to creditors after payment of the administrator's costs. Shareholders retain ownership of their shares during this period. Following control of the company by the new directors, the company may seek to raise further capital (which may lead to existing shareholders being diluted). Further information can be obtained at:

<https://www.moneysmart.gov.au/investing/shares/keeping-track-of-your-shares/backdoor-listings>

We have also received an offer for the sale of the assets in the AXL subsidiary, 1114604 BC Ltd. As mentioned in **Section 3.1.6**, this entity provided similar products to the Group in the Canadian market and was in wind-down prior to our appointment due to poor performance. This entity owes AXL \$3.9m. On completion of the wind up of its affairs we estimate we will receive \$950k to \$1.5m in repayment of the inter-company loan. Under the DOCA all these funds will form part of the assets of the Creditors' Trust for the benefit of unsecured creditors.

7 Investigations

7.1 Introduction

Section 438A(a) of the Act provides that as soon as practicable after an administration begins the administrators must investigate the company's business, property, affairs and financial circumstances and form an opinion as to whether it would be in the interests of the Group's creditors for:

- The Group to execute a DOCA; or
- The voluntary administration to end; or
- The company to be wound up (that is, placed in liquidation).

Pursuant to Section 75-225 of the Insolvency Practice Regulations of the Act (**IPR**) the administrators are also required to provide a statement setting out such other information known to them as will enable the creditors to make an informed decision about each matter covered above. Additionally, the administrators are required to investigate and report on any possible transactions that appear to them to be voidable transactions in respect of which money, property or other benefits which may be recoverable by a liquidator should creditors resolve that the company be wound up.

A liquidator has the power to pursue recoveries from voidable transactions and to pursue directors of a company in respect of certain offences under the Act. An explanation of the possible offences by a director and insolvent and voidable transactions that a liquidator could pursue is attached at **Appendix E**. This information sheet has been prepared by the Australian Restructuring Turnaround Association of Australia (**ARITA**) and is intended to reduce the amount of generic information included as part of the body of this report. Creditors who are not familiar with the nature of offences and liquidator actions should refer to the appendix for explanations. If further explanation is required of the material contained in **Appendix E** or of our investigations, creditors should contact us.

7.2 Overview of investigations

In the time available to us, we have undertaken the following investigations to prepare this report and formulate our opinions:

- ASIC and real property searches
- PPSR searches
- Review of books and records of the Companies under administration
- Discussions with and review of questionnaires completed by the Directors
- Review of the ROCAP's completed by the Directors
- Discussions with a number of Management and employees
- Discussions with creditors
- Review of the financial accounts of the Companies under administration and the Consolidated Group.

In the time available our investigations of the Group's affairs have been detailed, but are still only preliminary. Our statements and opinions are based on those preliminary investigations of the Group's affairs, undertaken in a limited timeframe. A liquidator would undertake further investigations if appointed.

Whilst we have no reason to doubt any information contained in this report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially change from the date of this report. After issuing our report, if we become aware of any additional information which may assist creditors making a decision on how they will vote at the second creditors' meeting, we may provide a further written report and/or table the information at the second meeting.

Our assessment of potential claims and offences are made on a preliminary basis on information available to us at the date of this report. We reserve our right to alter our assessment if further relevant information is provided after the date of this report or as a result of further investigations in the event any entities within the Group are wound up.

We have conducted our investigations and assessed the solvency of each entity within the Group however, the Consolidated Group operates as one business and it is not appropriate to assess the solvency of the individual entities without reference to the obligations each company had to the Consolidated Group, from both an operational and financial perspective. None of the entities can operate on a standalone basis due to the interdependence of the Companies on each other to carry out trading activities. The Consolidated Group reported its financial results on a consolidated basis although it did not meet the criteria under *ASIC Corporations Act (Wholly-owned Companies) Instrument 2016/785 (Class Order Relief Instrument)*, which applies to relieve wholly-owned companies from separately reporting financial information. We consider that to the extent that there was a breach of any record keeping requirements it is of a minor or technical nature.

7.3 Key events leading to the voluntary administration

7.3.1 Key pre-appointment events that caused the Group to enter voluntary administration

In performing our investigations we considered what led to the appointment of the Voluntary Administrators by the Group, as detailed in the summary below.

On 7 April 2019 the Board resolved to appoint the Voluntary Administrators following the decision by the Syndicate Lenders to not extend the forbearance they had previously granted the Group in response to the Breach of Covenants.

Based on our review of the Group's company records, it appears that Management and the Board first became aware of a breach in the Arrears Ratio Covenant under the SFA, as a result of a query raised by the Syndicate Lenders on 3 September 2018, regarding inconsistencies between the management accounts of the Consolidated Group, which had been submitted to the Syndicate Lenders in July 2018 to test covenants, and the statutory accounts of the Consolidated Group, which had been released to the market on 27 August 2018.

The breach of the Arrears Ratio Covenant appears to have arisen as a result of the Consolidated Group adopting an amended arrears and impairment recognition policy consistent with the establishment of the SWF, industry standards and the transition to AASB 9. The new policy discloses all Receivables in arrears but not yet written off. Receivables are only written off if they are outstanding for greater than 365 days or if there is no prospect of recovery before then. The old policy automatically wrote off Receivables outstanding for a period greater than 120 days.

Corporate balance sheet as at 31 July 2018	Previous recognition methodology \$'000	New recognition methodology \$'000
Arrears 30-60 days	2,080	2,080
Arrears 60-90 days	972	972
Arrears 90-120 days	2,171	2,171
Arrears greater than 120 days	n/a	7,103
Total arrears	5,222	12,326
Arrears ratio	3.25%	7.67%

Source: Letter to Syndicate Lenders dated 5 September 2018

As a result of the adoption of the new policy the arrears ratio disclosed in the FY18 AFR increased to 7.67% of Receivables, compared to 3.25% under the old policy. Based on a review of the minutes of the Audit Committee meetings, Board meetings and general correspondence between Management and the Board, it appears that work performed in preparation for the adoption of the new policy was only performed post 30 June 2018. Before the finalisation of the audited FY18 AFR it appears there was discussion about the policy

having a potential impact on the sufficiency of the existing provision for lease impairments, but there was a lack of clarity on the quantum of the impact.

Following a request from the Syndicate Lenders, the Consolidated Group submitted an updated covenant certificate to the Senior Lenders on 6 September 2018, which confirmed a breach of the Arrears Ratio Covenant. The Syndicate Lenders granted the Consolidated Group a conditional waiver of the covenant breach to allow the Consolidated Group time to remedy the breach.

On 9 September 2018 the Consolidated Group placed its securities (ordinary equity and SCB) in a trading halt on the ASX, following which it requested a voluntary suspension of its trading on 14 September 2018 to allow the Board time to undertake a strategic review of the Consolidated Group. At this point, the CEO (Peter Ferizis) resigned and two members of the Board, Michael Sack and Kerry Daly, took up executive positions to resolve the issues facing the Consolidated Group.

During the performance of the strategic review a further four covenant breaches of the Syndicated Bank Facility, six covenant breaches of the Notes and two covenant breaches of the SCB were identified. A complete list of the Covenant Breaches can be found at **Section 4.1.2.4**.

Over the period of the strategic review the Board was working to resolve the Covenant Breaches through engagement with the various lenders in respect of extensions to the waivers, amendments to the Debt Facility Agreements (where appropriate) and raising capital.

A number of the Covenant Breaches identified applied retrospective to before/at 30 June 2018. As a result, the Consolidated Group withdrew its financial report released on 27 August 2018 and reissued these statements on 29 November 2018. The key change in the Reissued FY18 AFR was a reduction in profit after tax to \$3.1m, which was a 55.7% decrease from the previously reported profit of \$7m. This decrease was largely driven by a \$3.8m increase in borrowing costs as a result of the Covenant Breaches. In addition, the Syndicated Bank Facility was re-classified as a current liability.

The reissue of the FY18 AFR, late in November 2018, delayed the Consolidated Group's attempt to raise capital into December, which is a quiet period in the market due to the holiday season. The Consolidated Group did not raise capital in December and the capital raise rolled into the new year. However, attempts to raise capital in 2019 were frustrated by delays in the preparation and announcement of the FY19 Interim Results. During the preparation of the results it became apparent that the Consolidated Group's performance had deteriorated further owing to the full adoption of AASB 9, and the Board and new management team, appointed in early 2019, wanted a firm understanding of the results before raising further capital. Accordingly, in February 2019, the Board informed the market of its decision to delay the capital raise.

Over the period, from 10 September 2018, the Syndicated Lenders extended their forbearance a number of times and ultimately to 5 April 2019, by which stage the Consolidated Group's capital raise had been placed on hold. In an ASX announcement on 4 April 2019, the Consolidated Group released a revised earnings update for the interim period to 31 December 2018 which forecast a \$13m-\$15m loss and a further breach of the recently revised Interest Cover Ratio of 1.75x.

After considering, amongst others, the financial position of the Consolidated Group, the multiple events of default and the failed attempt to raise capital, the Syndicate Lenders notified the Consolidated Group on 5 April 2019 that they would not be able to extend any further forbearance to the Consolidated Group.

The Board met on Friday, 5 April 2019 and again on Sunday, 7 April 2019 to consider the decision of the Syndicate Lenders and the alternatives for the Consolidated Group. At the meeting on Sunday, 7 April 2019 the Board agreed that, although the Syndicate Lenders had not accelerated the repayment of their debt yet, it was likely that the Consolidated Group would become insolvent at a future date and the Board resolved to appoint Vaughan Strawbridge, Sal Algeri and Glen Kanevsky of Deloitte Financial Advisory Pty Ltd (**Deloitte**) as Voluntary Administrators to the Group.

7.3.2 PWC audit findings

During the performance of our investigations we noted three Section 311 notifications by PWC to ASIC regarding suspected contraventions of the Act by the Consolidated Group. Under Section 311 and 601HG of the Act, auditors are obliged to notify ASIC about matters that they have reasonable grounds to suspect amount to a significant contravention of the Corporations Act. PWC made the following notifications:

- 7 November 2018: Notification of suspected contraventions of sections of the Act, including Sections 296, 297 and 674 (refer to the table below for a brief description of these sections), PWC reported that:
 - There were reasonable grounds to suspect that the FY18 AFR issued on 27 August 2018 likely contained a misclassification of Debt Facilities and an inadequate subsequent events disclosure
 - The misclassification is likely material to the annual financial report such that the Consolidated Group may not have complied with Accounting Standards or presented a true and fair view of the financial position of the Consolidated Group
 - The Consolidated Group was considering the impact of the error in the annual financial report and no announcement had been made in this respect

The Consolidated Group released a Notice of Circulating Resolution and Explanatory Memorandum to the market on 7 November 2018, which included information regarding various covenant breaches. This information was also provided to the Subordinated Noteholders on this date.

- 20 December 2018 (sighted as a draft copy only): Notification of suspected contraventions of Sections 249L, 250R, 300A, 315 and 675 of the Act. PWC reported that:
 - The Consolidated Group reissued its financial statements for the period ended 30 June 2018 on 29 November 2018. The Consolidated Group also held its annual general meeting (**AGM**) on the 29 November 2018 after ASIC declined to grant the Consolidated Group an extension of time to hold the AGM. The AGM sought to pass resolutions on the director's report and remuneration report included in the Reissued FY AFR. However, in the notice of the AGM the director's report and remuneration report (included in the annual financial report issued on 27 August 2018, which were later withdrawn) was provided to shareholders for consideration
 - Information included in the annual financial statements issued on the 27 August 2018 and FY19 earnings guidance suggested that the Consolidated Group had quantified the impact of the adoption of AASB 9 and incorporated this in its earnings guidance. The earnings guidance was later withdrawn and the impact of AASB 9 was corrected and included in the Reissued FY18 AFR.
- 8 April 2019: Notification of suspected contraventions of Sections 180, 181, 182, 296, 320, 674 and 588G. PWC reported that:
 - The Consolidated Group had identified that a former Director undertook certain activities including claiming expenses that were suspected to be personal expenses
 - At the time of preparing the Reissued FY18 AFR there were certain loans made by the Consolidated Group which were not aged although the customer was in financial distress or steps had been taken by the Consolidated Group to repossess the goods over which the loan was secured. This information was not provided to the audit team, which resulted in the receivables impairment provision being understated by \$1.55m in the Reissued FY18 AFR
 - The Consolidated Group failed to lodge its FY19 Interim Report with ASIC within 75 days of the interim period end, being 31 December 2018
 - There were reasonable grounds to suspect that the Consolidated Group was unable to pay its debts as they fell due and was continuing to incur debts. On the date of this letter the Consolidated Group was already under administration.

For the purposes of clarity, a brief description of the section references are as follows:

Section	Description
296	The financial report for a financial year must comply with the accounting and regulations standards
297	True and fair view (financial statements)
674	Continuous disclosure - obligation to disclose in accordance with listing rules
249L	Notice of meetings of members
250R	The business of an AGM
300A	Annual directors' report - specific information to be provided by listed companies
315	Deadline for reporting to members
675	Continuous disclosure - other disclosing entities
180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties
181	Failure to act in good faith
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage
320	Lodgement of half-year reports with ASIC
588G	Director's duty to prevent insolvent trading by company

Section 674 of the Act relates to a listed entity's continuous disclosure obligations to the market. We note that the allegations of non-disclosure were in respect of the period when trading in the securities of the Consolidated Group was in voluntary suspension. Our investigations into the Group's books and records indicate the Board of the Consolidated Group had received legal advice at the time in respect of their continuous disclosure obligations and it appears they were in the process of regularising the relevant issues. Notwithstanding the fact that the Consolidated Group's securities were in voluntary suspension, the Consolidated Group is required to remain compliant with all continuous disclosure obligations and it may be argued that the Directors had not ensured that policies and systems were in place to ensure compliance with all obligations.

7.4 Voidable transactions

Section 75-225(3)(b)(vi) of the Insolvency Practice Rules Corporations 2016 (Cth) (**Insolvency Practice Rules**) requires an administrator to specify in a Section 439A Report whether there are any transactions that appear to the administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.

This issue is relevant to creditors of a company in administration if they are being asked by an administrator to decide whether to vote in favour of a proposed DOCA or instead, in favour of liquidation, because any voidable transactions can only be pursued by a liquidator in the event that the company goes into liquidation.

Voidable transactions include:

- Unfair preferences (Section 588FA)
- Uncommercial transactions (Section 588FB)
- Unfair loans to a company (Section 588FD)
- Arrangements to avoid employee entitlements (Section 596AB)
- Unreasonable director-related transactions (Section 588FDA)
- Transactions with the purpose of defeating creditors (Section 588FE(5))

- Discharging a debt of a related entity (Section 588FH)
- Voidable security interests (Section 588FJ).

Further detail regarding these transactions is set out in **Appendix E**.

It is important to note that some of the transactions listed above will only be voidable if they are found to be "insolvent transactions" of the Group (that is, broadly, that they were entered into at a time when the Group was insolvent or the Group became insolvent as a result of entry into the transaction). Accordingly, in order for a liquidator to recover amounts in respect of these transactions, it would first be necessary to establish that the Group was in fact insolvent at the time of the transaction or became insolvent as a result of entry into the transaction.

Our view is that the earliest likely date of the insolvency of the Companies under administration was Friday, 5 April 2019, being the date the Syndicate Lenders advised the Group that there would be no extension of the forbearance beyond 5 April 2019. In this regard, we refer creditors to **Section 7.5** of this report where we outline our investigations into the solvency of the Group.

Following our investigations, and having regard to our conclusion as to the earliest date of insolvency, we are of the view that there are no insolvent voidable transactions that are likely to be recoverable by a liquidator in the event the Companies under administration are wound up, other than the director related transactions noted in **Section 7.4.1** of this report.

Further investigations will need to be undertaken around the identified director-related transactions discussed further in **Section 7.4.1** below. It would be up to a liquidator to determine whether it is in the creditors' best interests to commence or pursue such recovery actions against a former director of the Group.

Generally, actions by liquidators to recover voidable transactions are expensive and are likely to require Court applications. Therefore, in the event that there are inadequate funds available to a liquidator, a liquidator may consider it uncommercial or not in the creditors' best interests to commence or pursue such recovery actions.

In these circumstances, any creditors wishing to fund any such actions themselves may do so. Should any funds be recovered from these creditor-funded actions, those creditors providing the funding may be entitled to receive their contribution (and possibly a premium) in priority to any other creditors.

Litigation insurance may also be available to fund these actions. However, such funding is generally only available where legal advice indicates that there are strong prospects of success and the quantum of funds likely to be recovered is high.

We have outlined the results of our investigations in the table below:

Types of Voidable Transactions	Commentary
Unfair Preference Payments (Section 588FA)	On the basis that we conclude that the Companies under administration were not insolvent in the six months prior to our appointment, there do not appear to be any unfair preference payments available for recovery by a liquidator.
Unfair Loans (Section 588FD)	Our investigations of the books and records of the Companies revealed that none of the Companies had entered into any loans with parties which committed them to extortionate terms.
Uncommercial Transactions (Section 588FB)	Our investigations have not identified any transactions that would constitute an uncommercial transaction in any of the Companies under administration.

Types of Voidable Transactions	Commentary
Discharging a Debt of a Related Entity (Section 588FH)	Our investigations have not identified any transactions, which would constitute discharging a debt of a related entity under Section 588FH of the Act.
Unreasonable Director-Related Transactions (Section 588FDA)	Our investigations have identified potential unreasonable director-related transactions that may be claimed by a Liquidator. We note that the cumulative value of these transactions are not material to the anticipated return to creditors under any scenario. Our findings in this regards are set out in Section 7.4.1 below.
Arrangements to Avoid Employee Entitlements (Section 596AB)	We have not to date identified any transactions of this nature.
Transactions with the Purpose of Defeating Creditors (Section 588FE(5))	We have not identified any transactions that appear to have been undertaken for the purpose of defeating creditors.
Circulating Security Interests Created Within Six Months (Section 588FJ)	A search of the PPSR reveals that no circulating security interests were registered on the PPSR in respect of the assets of the Companies under administration during the six months prior to the date of appointment of the Administrators. On this basis, it would appear that there are no transactions of this nature.

7.4.1 Unreasonable director-related transactions (Section 588FDA)

Our investigations of the Companies' books and records to date, including the results of an internal investigation conducted by the Board, have identified approximately \$341k in potentially unauthorised transactions by a former Director, which potentially may be classified as unreasonable director-related transactions under Section 588FDA of the Act.

Further investigations would need to be undertaken by any liquidator appointed. We have included the full recovery of this amount in our liquidation scenario at **Section 11**, however, in our view any recoveries will not be material to the creditors assessing any of the various proposed scenarios.

7.5 Insolvent trading

Directors have a positive duty to prevent a company from trading whilst it is insolvent (Section 588G of the Act). If a director is found to have contravened Section 588G he or she may be ordered to pay an amount of compensation to the company equal to the amount of loss or damage suffered by creditors of the company as a result of the contravention.

Information about possible insolvent trading is relevant to creditors when making a decision about the future of a company as directors of a company can only be pursued for insolvent trading if a company is in liquidation.

As with the voidable transaction analysis above, creditors have to assess the advantages to them of voting in favour of a DOCA (which relevantly will not include any amounts that might be recoverable by a liquidator from insolvent trading actions) and compare this with the likely return in a liquidation which would include such amounts.

It is important to note that a director can raise a number of possible defences to a claim for insolvent trading, including (see Section 588H of the Act):

- The director had reasonable grounds to expect, and did expect, that the company was solvent and would remain solvent

- The director:
 - Had reasonable grounds to believe, and did believe, that a competent and reliable person was responsible for providing adequate information to the director about the company's solvency and that person was fulfilling that responsibility
 - Expected, on the basis of that information, that the company was solvent and would remain solvent
- The director, because of illness or for some other good reason, did not take part in the management of the company at the relevant time
- The director took all reasonable steps to prevent the company from incurring the debts in question.

On 19 September 2017, the *Treasury Laws Amendment (2017 Enterprise Incentives Np. 2) Act 2017* came into effect, which provides protection to directors under the safe harbour amendments made to the existing insolvent trading laws in certain circumstances (see Section 588GA of the Act).

Given our preliminary conclusions detailed in **Section 7.5.2** of this report regarding the solvency position of the Group, it is not necessary for us to investigate whether the Directors would be justified in seeking safe harbour immunity, or raising statutory defences, in respect of any personal liability for insolvent trading debts that might have been incurred by the Group. If a liquidator is appointed, a liquidator would investigate this issue further.

7.5.1 Information used to determine solvency

As set out in **Section 3.1.1** of this report, AXL and its subsidiaries is made up of seven entities, of which four are subject to administration. As discussed in **Section 7.2** the seven entities are interdependent and predominantly operate as one business. The Consolidated Group did not maintain individual entity management accounts prior to July 2018, with the exception of AEWT for the first two months of its existence in May and June 2018. Individual entity management accounts were only maintained from 1 July 2018. As a result, comparable financial information prepared on a monthly basis is only available for the period from 1 July 2018.

We have been advised that while a budget was prepared for FY19, there appears to have been no tracking of the budget against actual results.

Accordingly, we have based our financial analysis of the solvency of the Consolidated Group on the following available information:

- The audited consolidated financial report for the years ended 30 June 2017 and 30 June 2018
- The reviewed consolidated interim report for the interim periods ended 31 December 2016, 31 December 2017 and 31 December 2018
- The unaudited consolidated monthly management accounts for the period 1 July 2018 to 30 April 2019
- The unaudited monthly management accounts for AXL, AXL Operations, AXL Retail and ACN Co for the period 1 July 2018 to 30 April 2019.

7.5.2 Administrators' conclusions regarding solvency

Our investigations into the solvency of the Group have been extensive, but are only preliminary at this stage. We have set out in the following sections our analysis of the various indicators of insolvency, which have led to our conclusions noted in this section.

As detailed in **Section 7.5.4**, the Consolidated Group was profitable for the two-year period to 30 June 2018. However, from July 2018 the Consolidated Group's financial performance deteriorated and at the time of the appointment of the Administrators, the management accounts for the nine month period to 31 March 2019 recognised a loss before tax of (\$23.1m). The Consolidated Group does not prepare a cash flow statement as part of its monthly management reporting. However, we note that the Consolidated Group reported a net cash inflow of \$10.2m for the six months to 31 December 2018 and held cash and cash equivalents of \$17.6m.

As mentioned in **Section 4**, the Consolidated Group maintained positive cash flows through reduced loan originations and implementing a number of cost reductions. Further, we note that our investigations indicate the Group was generally paying its debts as and when they fell due, noting the waivers of the Covenant Breaches (as discussed further below) remaining in place. We note that the Group was paying its debts with the support of the Syndicated Lenders, including by borrowing additional funds to meet the Group's payment obligations. Courts have held that borrowed funds are a resource of a company which may properly be taken into account when determining solvency: see for example *Lewis v Doran* [2004] NSWSC 608 at 410. Accordingly, the fact that debts were being paid with borrowed funds and with the support of the Syndicate Lenders does not alter the Administrators' assessment of the solvency of the Companies below.

The deteriorated financial performance lead the Consolidated Group to breach certain of its financial covenants relating to its Syndicated Bank Facility initially, and later all its Debt Facilities. The Syndicate Lenders provided the Consolidated Group with waivers of the Covenant Breaches to allow the Consolidated Group time to remedy the breaches. These waivers were extended on numerous occasions between the period 10 September 2018 and 5 April 2019, which allowed the Consolidated Group to continue trading solvently over this period.

At the time of the appointment of the Administrators on 7 April 2019, the Consolidated Group had been in discussions with numerous investors to raise capital over a period of c. seven months. However, the continued deterioration in the Consolidated Group's financial performance, as illustrated in the Reissued FY18 AFR and the FY19 Interim Report, and the numerous Covenant Breaches meant that the Consolidated Group was unable to raise the capital required to cure the financial covenant breaches, and without an alternate plan, which the Syndicate Lenders were willing to support, the Syndicate Lenders declined to waive the covenant breaches beyond 5 April 2019.

Although the Syndicate Lenders had not taken enforcement action or accelerated the repayment of their facilities at this date, the Syndicate Lenders had the right to take this action at any time upon the expiry of any forbearance or waiver, which would have placed the Consolidated Group in an insolvent position.

Faced with the deteriorating financial performance of the Consolidated Group, no access to new capital and the continuing Covenant Breaches, it is our view that it was at the point when the Syndicate Lenders declined to extend the forbearance and the waivers of the covenant breaches, that the Director's first became aware, or a reasonable director in the position of the Directors should have been aware, that there were reasonable grounds to suspect that the Consolidated Group was insolvent or would likely become insolvent. We note that the Board was consulting with legal advisors throughout this period and had been actively renegotiating with all the lenders (including by reference to the Moelis Report) shortly prior to this time (refer to **Section 7.5.6.3**). We also note that the solvency position is complicated as the Group had a positive net asset position on its balance sheet and cash flow statement, which was managed through the support of the Syndicate Lenders. The "cash flow test" is the key test to determine solvency and is set out in the Act. It requires an assessment of whether a company has sufficient cash or other liquid assets to pay debts as they become due and payable. Although the cash flow statement showed positive cash flow, this was largely due to the waivers which were not extended beyond 5 April 2019, and so cash flow would likely not have been positive beyond that date. In relation to the positive net asset position, whilst the "balance sheet test" can be useful in assessing solvency, it is not determinative. That is because the law recognises that creditors are entitled to be paid when due, and if a company's assets are not readily realisable so as to permit payment of the company's debts when due, the company will not be solvent. Accordingly, the positive net asset position does not alter the Administrators' assessment of the solvency of the Companies.

Ultimately, the issue of insolvency would need to be determined on the basis of available evidence presented to a Court. In instances where insolvency can be proven, a liquidator would investigate further the possibility of commencing action against the Directors of the Group under administration for breaches of their duties to prevent insolvent trading. If it is established that a Director has breached his or her duties to prevent the company from incurring debts whilst it is insolvent, and there are no defences or exceptions available to the Director (for example, under the safe harbour regime), then a liquidator could recover from those Directors an amount equal to the loss that has been suffered by the creditors whose debts remain unpaid. We note that the Group's Directors and Officers (D&O) insurance expired on 24 January 2019 and the Board was advised at the

time that a new policy would only become effective once, amongst other things, the Consolidated Group recommenced trading on the ASX.

If a liquidator chooses to pursue an insolvent trading action, creditors are prevented from taking their own action against the Director(s) for compensation for their individual losses. If a liquidator chooses not to take any action in this regard, a creditor may commence proceedings on its own behalf but only with the consent of the liquidator or the Court.

7.5.3 Tests of the Companies' solvency

Under Section 95A of the Act, a person (including a company) is solvent "if and only if the person is able to pay all the person's debts, as and when they become due and payable." A company is therefore insolvent if it cannot pay its debts as and when they become due and payable. In assessing insolvency we consider many different indicators or "tests" of insolvency. The relevant factors are discussed in the table below, with further information in respect of each indicator set out in the sections that follow.

Indicators of insolvency	Section reference	Commentary
Financial		
Continuing losses	7.5.4	The Consolidated Group was profitable for the two-year period ended 30 June 2018. However, profits started declining in FY18 following the Consolidated Group's adoption of an amended arrears and impairment recognition policy, and at the appointment date, the management accounts for the nine months ended 31 March 2019 recognised a loss before tax of \$23.1m.
Balance sheet test	7.5.5	Based on our review of the Consolidated Group's balance sheet, the Consolidated Group had a positive net asset position for the two years prior to appointment, and continued to have a positive net asset position (of \$25.4m) up to the appointment date.
Working capital	7.5.6	A current ratio below 1 is considered to be an indicator of insolvency as it signifies that a company does not have sufficient current assets to meet its current liabilities. The Consolidated Group's current ratio was below 1 from 30 June 2018, principally due to the re-classification of certain of the Consolidated Group's debt from non-current to current as a result of the Covenant Breaches. This suggested that the Consolidated Group was unable to pay its debts as they fell due on 30 June 2018, however, the Syndicate Lenders provided waivers of the Covenant Breaches for the period 10 September 2018 to 5 April 2019 and the Consolidated Group was therefore likely to have been solvent over this period.
Operations and cash flow		
Monthly trade creditor payments	7.5.7	The books and records and ATO records indicate the Group's lodgements and payments were consistently late. Notwithstanding this, our investigations have shown that other creditor balances were predominately current during the nine months prior to our appointment. Despite the

Indicators of insolvency	Section reference	Commentary
Overdue Commonwealth and State taxes	7.5.8	trading losses noted above, the Group continued to pay trade creditors as they fell due. The books and records and ATO records indicate the Group's lodgements and payments were consistently late, and in October 2018 the Consolidated Group entered into a payment arrangement for outstanding pay as you go tax (PAYG) totalling \$1.1m. The ATO has submitted a claim of \$3.8k against both AXL Retail and ACN Co. The ATO has also advised of a small number of outstanding lodgements, which we consider not material.
Inability to borrow further funds/ no access to further funds and/or inability to raise further equity capital	7.5.6.3	<p>The Consolidated Group raised \$55m to fund the growth in its Receivables book through the issue of the SCB in July 2018. However, once the Board became aware of a breach of its covenants under the SFA in September 2018, and the subsequent events of default thereafter, the Consolidated Group's access to funding started to deteriorate and by 5 April 2019 the Consolidated Group had lost access to all existing and new sources of funding, details as follows:</p> <p>The Syndicate Lenders granted waivers of the Covenant Breaches for the period 10 September 2018 to 5 April 2019 to allow the Consolidated Group time to remedy the defaults through, amongst other things, a capital raise.</p> <p>Over this period the Consolidated Group's financial performance continued to deteriorate and the management accounts show that by 31 March 2019 the Consolidated Group had recognised a loss before tax of \$23.1m for the nine months YTD.</p> <p>In an announcement on the ASX on 21 February 2019 the Consolidated Group advised the market that it had placed its capital raise on hold to allow its newly appointed Management team time to finalise the FY19 Interim Report. On 4 April 2019, the Consolidated Group advised the market that it expected to record a \$13-\$15m loss for the FY19 interim period. This worse than expected financial performance significantly impacted its prospects of successfully raising capital.</p> <p>As a result of the Covenant Breaches, from 6 September 2018 the Consolidated Group was unable to access further funding under the Syndicated Bank Facility. Further, the Consolidated Group placed its securities in a voluntary trading suspension on the ASX, which, after 10 days of suspension, lead to an event of default under the SWF and the Warehouse Lender stopped purchasing Receivables into AEWT on 14 September 2018.</p>

Indicators of insolvency	Section reference	Commentary
		<p>By the end of March 2019 the Consolidated Group had therefore lost access to funding under its existing Debt Facilities and further recognised it was unable to access any form of new capital.</p> <p>Accordingly, when the waiver of the Covenant Breaches expired on 5 April 2019 the Syndicate Lenders advised the Consolidated Group they were unable to provide any further extension of the waivers or forbearance and the Consolidated Group's \$2.5m overdraft facility was withdrawn. At this point, the Group's available cash balance was \$8.3m, excluding funds held in the AEWT.</p>
Suppliers placing the company on C.O.D or demanding special payments before resuming supply/creditors unpaid outside trading terms	7.5.7	We are not aware of any suppliers placing any of the Companies on "cash on delivery" terms or special payment plans prior to appointment.
Issuing of post-dated cheques / dishonoured cheques	N/A	We are not aware of any post-dated cheques / dishonoured cheques.
Special payments with selected creditors/payments to creditors of rounded sums which are not reconcilable to specific invoices	7.5.8	<p>The Consolidated Group entered into a payment arrangement with the ATO for outstanding PAYG withholding tax for the months of July 2018 to October 2018 totalling \$1.1m.</p> <p>At the date of writing this report, our investigations have not revealed any other special payments to creditors.</p>
Solicitors letters, summons, judgments entered or warrants issued	N/A	<p>We are not aware of any claims of this nature or judgements entered against any of the Companies under Administration.</p> <p>However, AXL Operations was subject to four unfair dismissal claims prior to our appointment; two of which remain ongoing. These actions are on hold during the voluntary administration. See Section 5 for further information.</p> <p>Our view is that none of these claims had or will have a material impact on the solvency of the Group, nor are they valid indicators of the solvency of the Group as the dismissals were unrelated to the Group's ability to pay the employee entitlements.</p>
Overdue employee wage payments	N/A	According to the books and records, there were no overdue wages or superannuation owing to employees as at the date of our appointment.
Inability to produce timely and accurate financial information to display the company's trading performance and financial position, and make reliable forecasts	7.6.2	Our investigation into the books and records of the Group revealed some shortcomings in the Group's ability to produce accurate financial information, which is consistent with a company in a high growth phase. Although the record keeping was not in accordance with best practice, it was sufficient to allow PWC to successfully complete its audit of

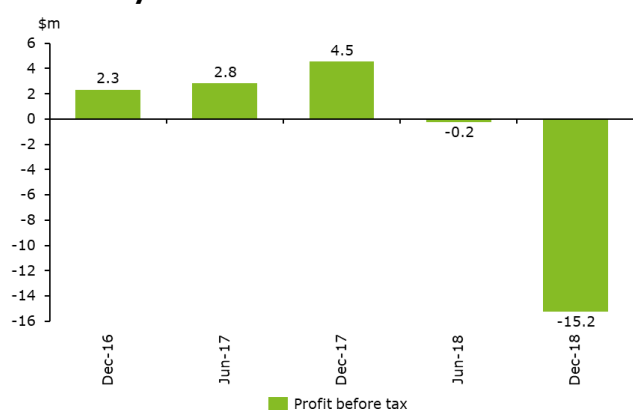
Indicators of insolvency	Section reference	Commentary
		<p>the financial results for FY18 and the review of the interim results for the six months to December 2018.</p> <p>However, we note that the FY18 AFR was withdrawn and reissued as a result of the identification of the Covenant Breaches post the release of the original FY18 AFR.</p> <p>Further, the Covenant Breaches had a material impact on the financial performance and sustainability of the Consolidated Group. It could be argued that the Group’s controls and policies were not sufficient to monitor and identify material risks to the Group. However, to the extent that there was a breach of record keeping requirements such breaches appear to have been of a minor or technical nature.</p> <p>In addition, the FY19 Interim Report notes that the balance sheet has been adjusted to correct a prior period error to increase the provision for impairment of receivables by \$1.6m. This is further discussed at Section 7.6.2.</p>

Further detail in respect of the above indicators is set out in the sections to follow.

7.5.4 Continuing losses from trading

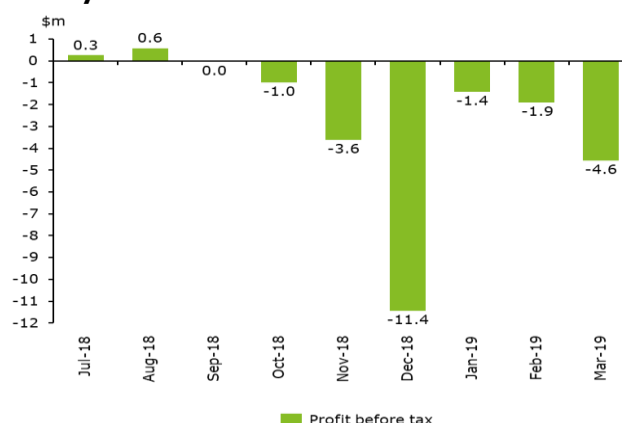
The historical financial statement of profit and loss for the Consolidated Group is discussed in **Section 4.2.1**, noting that the Consolidated Group’s audited financial reports disclose profits before tax of \$2m and \$5.2m in FY16 and FY17 respectively. The Consolidated Group’s financial performance started to deteriorate in FY18, and a profit before tax of \$4.3m was disclosed in the Reissued FY18 AFR. The Consolidated Group’s financial performance continued to deteriorate post June 2018, and at the appointment date the management accounts for the nine month period to 31 March 2019 recognise a YTD loss before tax of \$23.1m. Details as follows:

Six monthly results



Source: Audited annual and interim financial statements

Monthly results



Source: Management accounts

In respect of the above analysis we note the following:

- The Consolidated Groups’ profit before tax decreased significantly between 31 December 2017 and 31 December 2018, which can be largely attributed to:
 - The Consolidated Group adopting an amended arrears and impairment recognition policy consistent with the establishment of the SWF, industry standards and the transition to AASB 9, which resulted in

an increase in the Receivables impairment expense from 11.4% of revenue for FY17 to 46.6% for the nine months to March 2019

- Increased finance costs, from 28.5% of revenue in FY17 to 39.7% in FY18 and 51.6% for the six months to 31 December 2018
- A \$5.2m impairment of property, equipment and intangible assets in December 2018
- An increase in staff costs as a result of a number of staff redundancies in late 2018, which resulted in one-off employee costs.

Further, we note in respect to the management accounts:

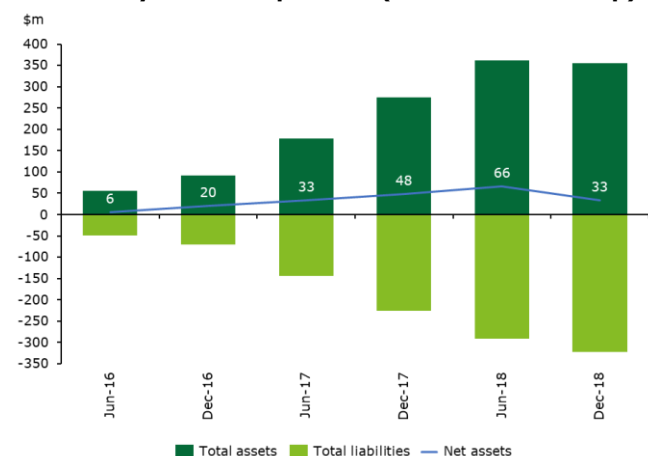
- That up to 30 June 2018 the management accounts did not reflect the amended arrears and impairment recognition policy. The impairment of the Receivables was determined during the audit of the Consolidated Group and processed as a post year end adjustment
- The December 2018 management accounts contain a number of accounting entries made as a result of the review conducted by PWC as part of the FY19 Interim Reporting process.

7.5.5 Balance sheet test / net asset deficiency

Whilst the cash flow test is generally viewed as the key test for assessing solvency in accordance with Section 95A of the Act, the balance sheet test is still a relevant indicator and commonly used in assessing a company's solvency, as it reviews whether a company has sufficient (realisable) assets to meet its liabilities.

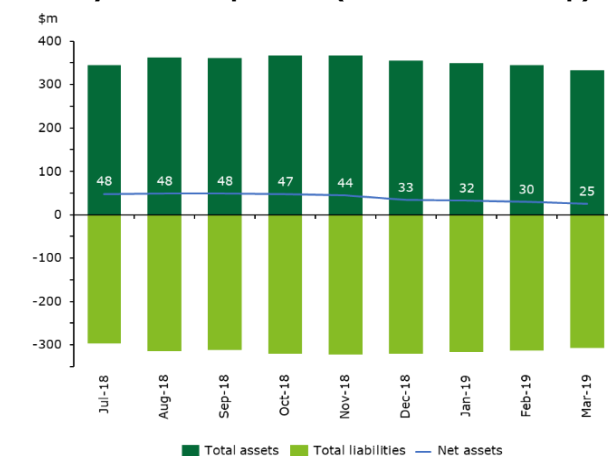
We have presented below the net asset position for the Consolidated Group, to assess whether the combined assets could meet the combined liabilities of the Consolidated Group for the period January 2018 to March 2019:

Six monthly net asset position (Consolidated Group)



Source: Audited annual and interim financial statements

Monthly net asset position (Consolidated Group)



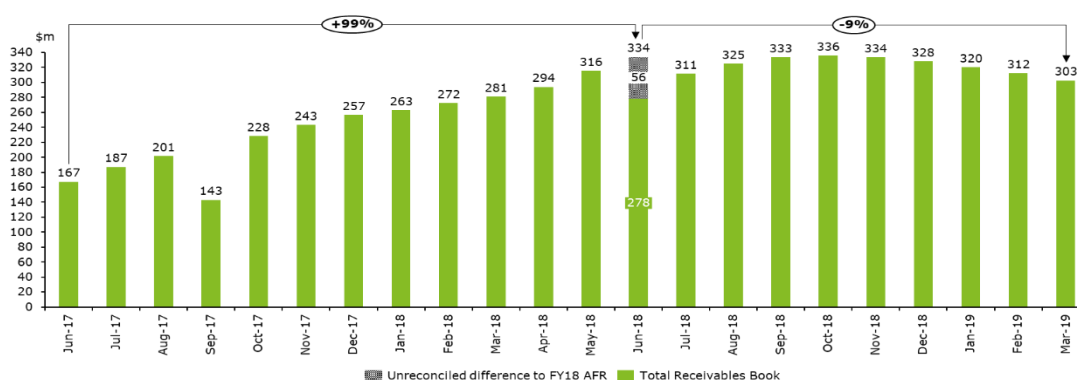
Source: Management accounts

In respect of the above analysis we note the following:

- The Consolidated Group has maintained a positive net asset value since 30 June 2016
- The growth in the net assets over the period to June 2018 is attributable to the high growth in the Receivables Book. This growth was mainly funded by increased Debt Facilities, with some additional equity raised as and when required to maintain a suitable debt to equity capital split
- The net asset value of the Consolidated Group peaked in June 2018 at \$66.2m and declined thereafter to close at \$25.4m at 31 March 2019, which just preceded the appointment date
 - We note that there was a material increase in the provision for the impairment of Receivables to \$5.1m (1.5% of total Receivables) in FY18, from \$1.9m (1.1% of total Receivables) in FY17. This was due to the adoption of the new Receivables impairment recognition policy as discussed further in

Section 4.1.2.2. This increased provision is largely masked by the significant overall growth (100%) in the Receivables Book over the 12 month period to 30 June 2018

- This new impairment recognition policy was not applied in the preparation of the management accounts to 30 June 2018
- There was a once-off impairment of the Receivables Book in the amount of \$0.9m resulting from a legacy unreconciled difference in the Receivables Book.
- The main driver of the declining net asset position post June 2018 is a decline in the value of the Receivables Book, as illustrated in the graph below:



Source: Management accounts and AEWT trial balance for May and June 2018

We make the following comments in respect of the Receivables Book:

- In June 2018 the Consolidated Group tightened its lending criteria slowing the volume of new leases/loans
- The value of the Receivables Book in the above graph includes principal, accrued interest and fees and is net of provision for impairment. The provision for impairments has increased post June 2018
- The SWF was implemented in May 2018, following which Receivables were sold into AEWT. Although AEWT forms part of the Consolidated Group for accounting purposes, AEWT was not consolidated in the management accounts in the period May and June 2018. We have reconstructed the consolidated Receivables Book for this period using the trial balances for AEWT.

7.5.6 Working capital

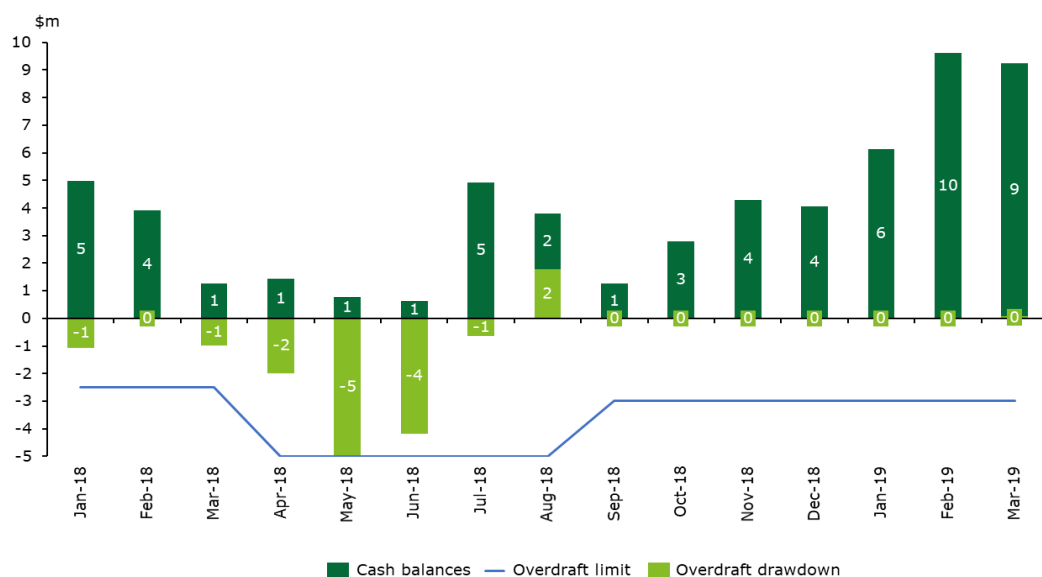
In **Section 4.2.3** of this report we considered the cash flow statement for the Consolidated Group for FY16, FY17, FY18 and for the six month period to 31 December 2018. The Consolidated Group did not maintain cash flow statements as part of their management accounts. We have therefore based our analysis of the Consolidated Group's cash flow position on a review of:

- The Consolidated Group's bank accounts over the period January 2018 to March 2019
- The funding available to the Consolidated Group over the period January 2018 to 31 March 2019 and the utilisation of these facilities over this period.

Further, the nature of the Consolidated Group's business is such that it is able to manage its cash flow on a daily basis to ensure that the Consolidated Group is expected to be able to meet its debts as they fall due by matching its new loan advances to its available funding, provided its Debt Facilities do not become due and payable. Accordingly, it was only on the 5 April 2019, when the Syndicate Lenders declined to extend further forbearance to the Consolidated Group, that the Group was at risk of not being able to pay its debts as they fell due.

7.5.6.1 Cash balances review

The Group's cash balance and overdraft facilities for the period January 2018 to March 2019 were as follows:



Source: Management accounts

We make the following observations:

- The cash balances disclosed in the above graph are based on the management accounts for each of the entities in the Group and excludes cash recorded in the management accounts of entities not subject to administration
- Cash held in the AEWT (restricted cash) is therefore not included above with the exception of \$1.1m recorded in the management accounts of ACN Co but controlled by the AEWT
- The Group was within its overdraft limits over the period.

7.5.6.2 Available funding

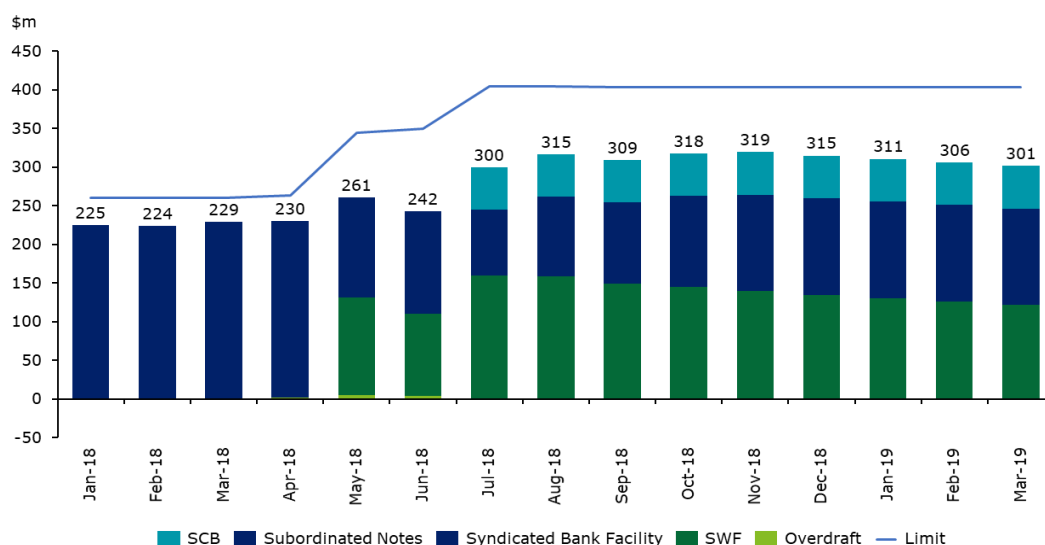
At 31 March 2019 the Consolidated Group had access to c.\$383m of debt facilities, which were 78.7% utilised at the time. The facilities at this date included:

- **The Syndicated Bank Facility:** The Consolidated Group originally established a revolving credit facility with CBA in November 2016. In June 2017 the Consolidated Group sought to increase the facility and MBL formed a syndicate with CBA, which led to the establishment of the Syndicated Bank Facility, with an initial credit limit of \$112m. The credit limit on the Syndicated Bank Facility was increased to \$175m on 13 October 2017 and later decreased to \$60m on 1 May 2018 to accommodate the SWF. The Consolidated Group formally notified the Syndicate Lenders of a breach of the Arrears Covenant Ratio of the Syndicated Bank Facility on 6 September 2018. From this date the unutilised limit of the Syndicated Bank Facility was cancelled and any further drawdown of this facility was subject to the Syndicate Lenders consent. Subsequently, the Consolidated Group identified a number of further breaches of the Syndicated Bank Facility. Refer to **Section 4.1.2.4** for a full list of the Covenant Breaches.
- **The SWF:** On 26 March 2018 the Consolidated Group established the SWF with MBL with a credit limit of \$200m. The SWF operated by the Consolidated Group selling qualifying Receivables into the **AEWT** at full value. The AEWT is funded 70% by the Warehouse Lender through a securitised note (as the lender to the SWF) held by the Warehouse Lender and 30% by the Consolidated Group through a securitised note held by ACN Co. The SWF is secured by the Receivables sold into the Warehouse. All repayments of the Receivables are collected in the Warehouse and used to pay the costs of the Warehouse, including the financing costs of the SWF, and the balance is used to repay the principal on the securitised notes held by the Warehouse Lender and ACN Co. The securitised notes held by the Warehouse Lender rank in priority to

the securitised notes held by ACN Co. The Receivables sold into the Warehouse have a lower credit risk and the interest rate attached to the SWF is accordingly lower. The first sale of Receivables into AEWT was in May 2018 for an amount of \$155m. The proceeds received from this sale were used to pay down the Syndicated Bank Facility to within its reduced credit limit. Approximately six tranches of loans were sold into the AEWT between May and July 2018. At this point management determined that further sell-ins would breach the net indebtedness covenant under the SWF and ceased to use it. On 14 September 2018 the Consolidated Group requested a voluntary suspension of its securities on the ASX. This voluntary suspension is a "Stop Purchase Event" under the SWF Agreement in terms of which the Warehouse Lender is not obliged to fund and thereby purchase any further Receivables into the Warehouse. Accordingly, the balance outstanding on the SWF started to decline as the Receivables were collected in the normal course of business. Up to the date of our appointment, the Group continued to receive its share of the profits and cash flow from AEWT.

- **The Subordinated Notes:** Include the Series 1 Notes and the Series 2 Notes, the Subordinated Notes are secured but subordinated to the Syndicated Bank Facility, and the Series 2 Notes rank ahead of the Series 1 Notes. As discussed under the SCB below, on 8 October 2018 \$15m of the Series 1 Notes were redeemed by the Consolidated Group.
- **SCB:** On 4 July 2018 the Consolidated Group raised further funding in the amount of \$55m by way of the SCB, which is listed on the ASX. The SCB is unsecured and subordinate to all other debt facilities. Based on correspondence with the Board, we note that the intention was for the SCB to be the preferred funding mechanism for the Consolidated Group going forward given its efficiencies. The proceeds of the SCB were paid into the Syndicated Bank Facility, which was then used to fund new Receivables originations. The Syndicate Lenders consented to the SCB subject to at least \$15m of the proceeds of the SCB being used to early redeem a portion of the Subordinated Notes. Accordingly, in August 2018 the Consolidated Group notified the Noteholders of the partial early redemption of the Series 1 Notes, which had a settlement date of 8 October 2018. When the Consolidated Group became aware of the covenant breaches on or about 3 September 2018, the Consolidated Group attempted to withdraw the redemption notification but failed as the redemption notice was irrevocable. On 8 October 2018 the Syndicate Lenders consented to the Consolidated Group drawing down on the Syndicated Bank Facility to fund the \$15m early redemption of the Series 1 Notes.
- **Overdraft and other facilities:** The Consolidated Group had access to an overdraft (limit of \$2m initially, which was increased to \$5m in May 2018 and reduced again in September 2018 to \$3m), corporate credit card facility and a guarantee facility. These facilities are advanced to the Consolidated Group in terms of the SFA and they are therefore secured and rank pro-rata with the Syndicated Bank Facility. On 5 April 2019, being the date that the Syndicate Lenders withdrew their support to the Consolidated Group, the Syndicate Lenders cancelled the unutilised limits on the overdraft, corporate credit facility and the guarantee facility. The overdraft was unutilised on this date and as such the full overdraft limit was cancelled.

We have detailed a summary of the utilisation of the Debt Facilities over the period 1 January 2017 to 31 March 2019 in the graph below. We note that over the period May 2018 to June 2018 the accounts for AEWT were not consolidated into the management accounts. Accordingly, the Receivables and related SWF debt over this period is not in the consolidated management accounts over this period. We have attempted to reconstruct the balance of the Debt Facilities over this period based on the trial balances for AEWT.



Source: Management accounts for the Consolidated Group (excl AEWT) and trial balance for AEWT for May and June 2018

The table below summarises the borrowing limits and levels of utilisation of the Debt Facilities on the reporting dates over the period June 2018 to 31 March 2019:

\$'000	Jun-17	Jun-18	Dec-18	Mar-19
Borrowing limits				
<u>Secured</u>				
Syndicated Bank Facility	(112,000)	(60,000)	(60,000)	(60,000)
Overdraft	(2,500)	(5,000)	(5,000)	(3,000)
SWF		(200,000)	(200,000)	(200,000)
Subordinated Notes				
Series 2 Notes	(30,000)	(30,000)	(30,000)	(30,000)
Series 1 Notes	(50,000)	(50,000)	(35,000)	(35,000)
<u>Unsecured</u>				
SCB		-	(55,000)	(55,000)
Total limits	(194,500)	(345,000)	(385,000)	(383,000)
Used at the reporting date				
<u>Secured</u>				
Syndicated Bank Facility	(62,000)	(56,000)	(60,000)	(60,000)
Overdraft	-	(4,191)	-	-
SWF		(144,760)	(134,921)	(121,395)
Subordinated Notes				
Series 2 Notes	(30,000)	(30,000)	(30,000)	(30,000)
Series 1 Notes	(50,000)	(50,000)	(35,000) ¹	(35,000)
<u>Unsecured</u>				
SCB		-	(55,000)	(55,000)
Total used	(142,000)	(284,951)	(314,921)	(301,395)
Unused at the reporting date				
<u>Secured</u>				
Syndicated Bank Facility	(50,000)	(4,000)	-	-
Overdraft	(2,500)	(809)	(5,000)	(3,000)
SWF	-	(55,240)	(65,079)	(78,605)
Subordinated Notes				
Series 2 Notes	-	-	-	-
Series 1 Notes	-	-	-	-
<u>Unsecured</u>				
SCB	-	-	-	-
Available funds	(52,500)	(60,049)	(70,079)	(81,605)

Source: Management accounts and audited financial reports

Notes: 1. Early redemption of \$15m of the Series 1 Notes.

7.5.6.3 Indication of no further support

As discussed further in **Section 7.3.1** of this report, the Consolidated Group had waivers in place for the Covenant Breaches under its Debt Facilities dating back to 10 September 2018.

The waivers were conditional to the successful raising of \$20m (before costs) new capital. By December 2018 the Consolidated Group had failed to raise new capital owing to the reissue of the FY18 AFS on 29 November 2018, which delayed the capital raise into late December, a difficult time for raising capital due to the holiday period. The waivers were ultimately extended to the end of February 2019 and the amount of capital required to be raised reduced from \$20m to \$15m (before costs). The purpose of the capital raise, had it been successful, was to remedy certain of the covenant breaches.

By 28 February 2019, the Consolidated Group still had not raised the capital owing to delays in the preparation and announcement of the FY19 Interim Results for the period ended 31 December 2018. The Consolidated Group's financial performance had further deteriorated following the full adoption of the accounting policy AASB 9 and the Board wanted a firm understanding of the results before going to market to raise further capital. The Consolidated Group again requested an extension of the waivers of the Covenant Breaches until 31 March 2019. At this stage the Syndicate Lenders did not extend the waivers, however, they agreed that they would not take any enforcement action before 31 March 2019 (forbearance) to allow the Consolidated Group time to undertake a strategic review and formulate a recapitalisation plan. Moelis was appointed by the Consolidated Group on 4 March 2019 to complete the strategic review, and the findings thereof were presented to the Syndicate Lenders on 26 March 2019 (**Moelis Report**). The Moelis Report also included a number of proposals for a sale and/or recapitalisation of the Consolidated Group, presented to the Syndicate Lenders on behalf of the Consolidated Group. The Syndicate Lenders extended the period of forbearance to 5 April 2019 to allow themselves time to consider the findings and recommendations of the Moelis Report.

On 4 April 2019, the Consolidated Group released a revised earnings update for the interim period to 31 December 2018 which forecast a \$13m-\$15m loss and a further breach of the recently revised Interest Cover Ratio of 1.75x.

After taking into consideration the Consolidated Group's covenant breach history, continued ASX trading suspension, incomplete equity raise, continuing operational risks, loan portfolio performance and the projected financial performance of the Consolidated Group outlined in the Moelis Report, the Syndicate Lenders advised the Consolidated Group on 5 April 2019 that they were unable to support the proposals in the Moelis Report, and further that they were unable to provide any extension on the waivers of the Covenant Breaches beyond 5 April 2019.

7.5.6.4 Consideration by AXL Board

Based on our review of the board packs and minutes of the board meetings, we note that cash flows were generally not included in the review of the financial performance of the Consolidated Group during AXL board meetings. We note however that in the board meeting held on 28 June 2018, a quarterly cash flow forecast for the period to 30 June 2019 was presented to the Board. The information presented to the board appeared to change with the appointment of the new management team and from 21 December 2018, the Board started monitoring available cash flow, details as follows:

- On 21 December 2018, the forecast cash flow position was reviewed at the Board meeting and it was anticipated that the Consolidated Group would have cash flow of \$168k at the end of January 2019
- On 29 January 2019, it was anticipated the Consolidated Group would have sufficient cash flow to meet all commitments as they fell due until the end of February 2019
- On 13 February 2019, the above estimate of timing was extended to March/April 2019
- On 27 February 2019, the draft cash flow forecast indicated the Consolidated Group would have sufficient cash to meet all commitments for the upcoming 14 weeks
- On 20 March and 3 April 2019, it was noted that the Consolidated Group's actual cash flow position had been performing ahead of the forecast position and was being monitored on a daily basis.

The above cash flow expectations were all premised on the extension of the waivers of the continuing Covenant Breaches by the Syndicate Lenders. Further analysis of the Consolidated Group’s cash flow and working capital positions has been provided in **Section 4.2.3** and **4.2.4**, respectively.

7.5.6.5 Current ratio

When considering the cash flow of a company, the current ratio provides a useful insight into a company’s ability to meet short-term commitments. This ratio is calculated as follows:

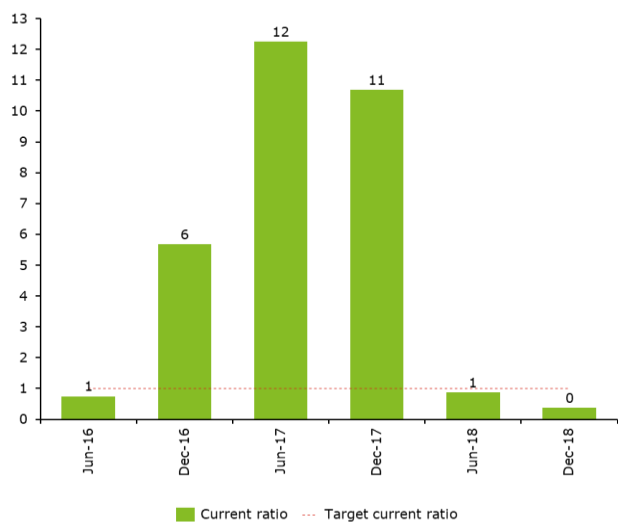
$$\text{Current Ratio} = \frac{\text{net current assets}}{\text{net current liabilities}}$$

A liquidity ratio (i.e. current ratio) below 1 is considered an indicator of insolvency as it signifies that a company does not have sufficient current assets to meet its current liabilities.

A company’s current ratio on its own is not a definitive indicator of insolvency and should be measured alongside the company’s access to alternative sources of finance. We discuss the Consolidated Group’s ability to access alternative finance above.

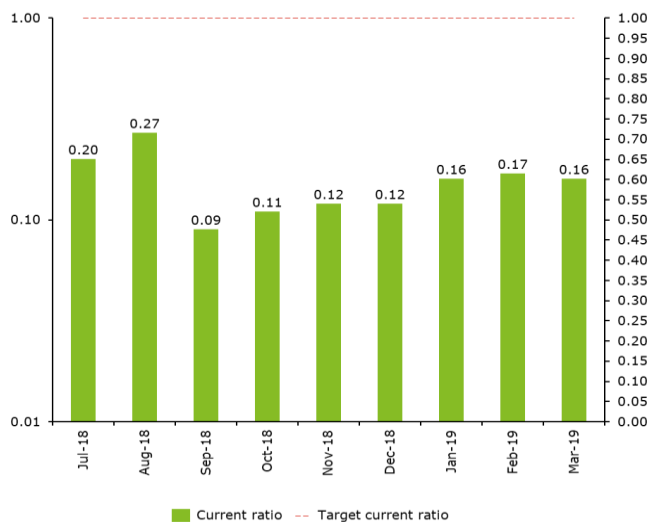
We have analysed the current ratio of the Consolidated Group over the period June 2016 to March 2019 below:

Current ratio - measured semi-annually



Source: Audited annual and interim financial statements

Current ratio – measured monthly



Source: Management accounts

In respect of the above analysis, we note the following:

- Current assets are predominantly the current portion of the Receivables asset. Current liabilities are generally not material as the nature of the business is such that the trade creditors are not significant. However, the interest accrued on the Debt Facilities is treated as a trade creditor and disclosed as a current liability. The trend of trade creditors is therefore generally reflective of the interest accrued but not yet paid at the reporting date.
- We have provided the current ratio for the management accounts for the period July 2018 to March 2019 but it should be noted that the management accounts do not maintain a classification of current and non-current Receivables in accordance with accounting standards. This classification is only done for the audited annual and reviewed interim financial statements.
- The steep increase in the current ratio over the period June 2016 to June 2017 reflects the high growth in the Receivables Book over the period. Approximately one third of the Receivables Book is generally

classified as current given that the lease contracts tend to be for a three year to five year period. We note that prior to the Covenant Breaches, all Debt Facilities (other than overdraft facilities) were classified as long-term.

- The Consolidated Group’s current ratio was significantly above 1 up to 31 December 2017, but fell below 1 in June 2018, indicating that from this date the Consolidated Group would not be capable of repaying its current debts should full repayment be demanded in the short term.
- This deterioration in the current ratio was due to the Covenant Breaches, which were first identified in September 2018 but which applied retrospectively in June 2018, and which resulted in the Consolidated Group’s liabilities under the Syndicated Bank Facility and the Subordinated Notes being re-classified as current liabilities with effect from June 2018.
- The SWF was identified as being in breach of its undertakings in September 2018 and was re-classified as a current liability from that date.
- The SCB was identified as being in breach of its financial covenants as at 31 December 2018 and was again re-classified, this time as a current liability, in the FY19 Interim Report. However, in January 2019 the SCB Holders waived the covenant breach and approved amendments to the covenants such that the SCB was re-classified as a long-term liability again with effect from January 2019.

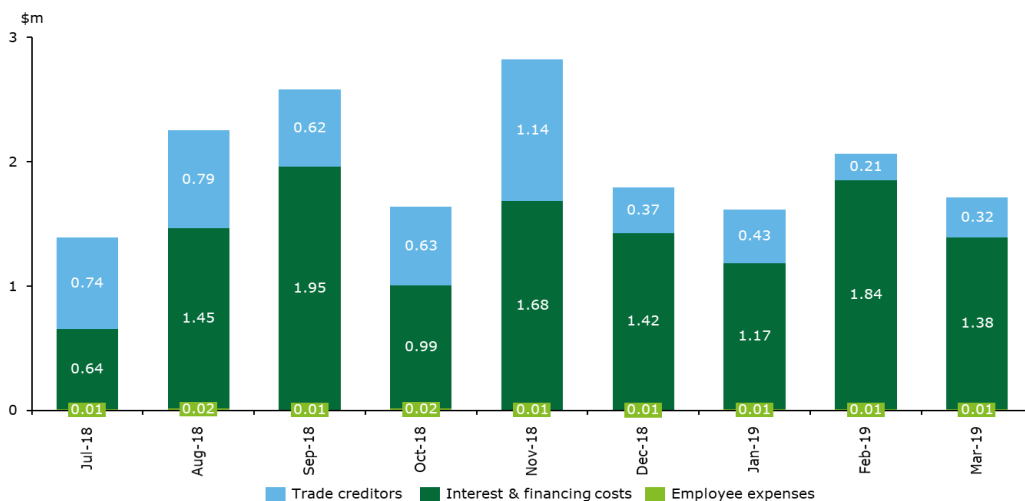
7.5.7 Creditor ageing, creditor pressure or legal actions

The dealings and correspondence between a company and its creditors is considered a strong indicator of insolvency albeit that it is usually a lag indicator, as creditors are more often reactionary in their dealings.

Our review of the books and records of the Group has revealed no evidence of creditors pressuring the Group to settle outstanding accounts nor is there any evidence of enforcement or legal action.

We have analysed the trade payables in the management accounts and make the following observations:

- Interest accrued but not yet paid on the Debt Facilities is recorded in trade payables. This accrued interest makes up the majority of the payables, and accounts for the lumpiness of the creditors based on the timing of interest payments
- Given the nature of the business, the balance of the creditors represent suppliers of general administrative goods and services and are not significant or material to the business
- The graph below provides the combined balances in the Accounts Payable account for AXL, AXL Operations and ACN Co, illustrating the split between trade creditors, interest and financing costs, and employee expenses.



Source: Management accounts

We have reviewed the ageing of the creditors and note the following:

- We have been advised by management that invoices were entered into the system as they were paid and as such, the ageing of creditors may not be an accurate representation of the actual creditor ageing position
- This is reflected in the management accounts which indicate creditor balances were predominately current during the period July 2018 to March 2019 and the total creditor balances did not consistently increase over the period prior to our appointment.

7.5.8 Overdue taxation obligations

The books and records of the Group and the ATO indicate the Group's lodgements and payments of taxes were consistently late.

We have been advised by staff of the Consolidated Group that significant work was undertaken to review and bring all statutory obligations up to date, including income tax, GST, superannuation and payroll tax. This work was completed by January this year, including the payment of any outstanding fines for late lodgements.

The ATO has submitted a claim of \$3.8k in the voluntary administration against both AXL Retail and ACN Co.

7.6 Offences by the Directors

There are a number of offences under the Corporations Act which may be identified by an administrator arising from a director's breach of duties, which may lead to civil and/or criminal liability. A summary of these offences is included in **Appendix E**.

7.6.1 Reports to ASIC

As the Administrators we are required to complete and lodge a report pursuant to Section 438D of the Act with ASIC where it appears to us that:

- A past or present officer or employee, or a member, of the Group may have been guilty of an offence in relation to the Group
- A person who has taken part in the formation, promotion, administration, management or winding up of the Group may have misapplied, retained, become liable or accountable for money or property of the company or may have been guilty of negligence, default, breach of duty or breach of trust in relation to the Group.

Any report lodged pursuant to Section 438D (or an investigative report lodged by a subsequently appointed liquidator pursuant to Section 533 of the Act) is not available to the public.

7.6.2 Books and records

Pursuant to Section 286 of the Act, a company must keep written financial records that correctly record and explain its transactions, financial position and performance and would enable true and fair financial statements to be prepared and audited in accordance with the accounting standards.

Failure by a company to maintain financial records in accordance with Section 286 of the Act provides a rebuttable presumption of insolvency of the company. However, this only applies in respect of a liquidator's application for compensation for insolvent trading and other actions for recoveries pursuant to Part 5.7B of the Act.

Our investigation into the books and records of the Group revealed some shortcomings consistent with a company in a high growth phase. In **Section 7.3.2** we noted that PWC made at least two notifications to ASIC in respect of suspected contraventions of the Act by the Consolidated Group. These notifications included instances of inaccurate disclosure, non-compliance with Accounting Standards and errors in the financial statements. Further the FY18 AFR was withdrawn and replaced with the Reissued FY18 AFR, which too has an error that was notified to ASIC and restated in the FY19 comparative information in the FY19 Interim Report.

These multiple corrections to the financial statements together with Management's erroneous covenant calculations significantly impacted the financial position of the Consolidated Group and were not of a standard that would be expected for a listed company with the complexity of that of the Consolidated Group.

However, we note that the books and records had been of a sufficient standard to allow PWC to successfully complete its audit and for the Consolidated Group to release the FY18 AFR, although it was later withdrawn and reissued.

7.6.3 Potential offences

During the performance of our preliminary investigations we have identified or been made aware of possible offences by the officers of the Group arising from potential contraventions of the following sections of the Act. As noted above at **Section 7.3.2**, PWC made a number of notifications to ASIC about suspected contraventions of the Act by the Consolidated Group. We have expanded on a number of these offences below.

Further investigation would be performed by an appointed liquidator, prior to determining whether there are grounds to pursue a claim in relation to any of these matters.

7.6.3.1 Section 180 – Care and diligence – civil obligation only

Section 180 specifies that a director or other officer of a corporation must exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they:

- Were a director or officer of a corporation in the corporation's circumstances; and
- Occupied the office held by, and had the same responsibilities within the corporation as, the director or officer.

Based on our preliminary investigations we consider there may have been potential breaches of Section 180, particularly in relation to:

- The effectiveness of the governance structures in place to manage the risks associated with the Group's aggressive growth strategy
- Potential deficiencies in the Group's systems and processes and lack of appropriately experienced and sufficient staff to manage complex capital structures, accounting and reporting (including financial reporting and earnings guidance)
- The issue of the SCB in July 2018 and the Covenant Breaches identified in September 2018, which were applicable pre June 2018 and what the Directors of the Group should have known
- The potential use of the Group's resources for personal use in respect to one former Director.

Under this Section, a director or officer may rely on the 'business judgement rule'. Under this rule, a director or officer must first show that they made a business judgment and that they made the judgment:

- In good faith and for a proper purpose
- With no material personal interest in the subject matter of the judgment
- After they informed themselves about the subject matter of the judgment to the extent they reasonably believed to be appropriate; and
- With a rational belief that the decision was in the best interests of the corporation.

A director or officer must be able to prove all these elements to rely on the rule. If they do, the Act considers that the director has fulfilled their obligations regarding care and diligence.

7.6.3.2 Section 181 – Good faith – Civil obligation only

Under Section 181 of the Act, a director or other officer of a corporation must exercise their powers and discharge their duties:

- In good faith in the best interests of the corporation; and
- For a proper purpose.

Based on our preliminary investigations we consider there may have been a potential breach of this Section in relation to the potential use of the Group's resources for personal use in respect to one former Director.

7.6.3.3 Section 182 – Use of position – Civil obligation only

Under Section 182 of the Act, a director, secretary, other officer or employee of a corporation must not improperly use their position to:

- Gain an advantage for themselves or someone else; or
- Cause detriment to the corporation.

Based on our preliminary investigations we consider there may have been a potential breach of this Section in relation to the potential use of the Group's resources for personal use in respect to one former Director.

Further investigations will be required in relation to all potential claims/breaches should a liquidator be appointed.

7.7 Summary

As stated above, our investigations are preliminary and at an early stage, however it is our view that:

- The earliest likely date of the insolvency of the Companies under administration was Friday, 5 April 2019, being the date the Syndicate Lenders advised the Group that there would be no extension of the forbearance beyond 5 April 2019
- Having regard to our conclusion as to the earliest date of insolvency, we are of the view that there are no insolvent voidable transactions that are likely to be recoverable by a liquidator in the event the Companies under administration are wound up, other than the director-related transactions noted in **Section 7.4.1** totalling c. \$341k
- There may be a number of contraventions under the Act including potential breaches of the civil obligations of Directors under Sections 180 to 182 of the Act.

These breaches (or any others subsequently identified against the directors or other parties) may give rise to potential claims by creditors and/or shareholders. We note that while we have considered the underlying causes of the failure of the Group, our investigations into claims arising from those events is at an early stage. A liquidator, if appointed, would be required to conduct further investigations. Ultimately, the final determination on any claims would need to be decided on the basis of available evidence presented to a court. Generally such actions would only be pursued when there is considerable certainty that there are sufficient funds available to meet any damages awarded in favour of the claimant. These actions are usually expensive, vigorously defended and take a considerable time to litigate and conclude. When making a decision about the future of the Group, creditors should consider the above information in conjunction with information provided in **Section 8** and the preservation of claims under the proposed DOCA as outlined in **Section 9** to form a view about what is in each creditors' best interest.

8 Notice of potential representative proceeding (class action)

8.1 Directors' and officers' insurance

For a period, the Group held a D&O insurance policy which may respond to claims against AXL or its directors and former directors. That policy expired in January 2019 and AXL was unable to obtain a renewal of the policy. A notification of circumstances has been made to the insurer for the purpose of preserving rights under the policy in respect of any claim made against one or more insured persons or entities arising from those circumstances. Due to confidentiality restrictions, we are unable to disclose any details of the policy or notification.

8.2 Proceeding potential action against AXL

On 2 May 2019, the Administrators received a request to access the books and records of AXL relating to any insurance policy(s) held by the Group from a litigation funder acting on behalf of two SCB Holders. The litigation funder asserts that it is also in communication with a wider group of shareholders and SCB Holders who may have potential claims against the Group, however neither the identity of those individuals, nor the size of the group has been disclosed.

The correspondence received relates to potential claims which are apparently being considered by way of representative proceedings against AXL in respect of conduct occurring between at least 12 February 2018 and 12 September 2018 (the Claim Period).

The potential claimants are said to be those shareholders who bought shares in the Claim Period (or possibly earlier) and those SCB Holders who bought SCB's on and from 26 June 2018.

The litigation funder suggests that the Group and its former directors may have failed to make disclosures and breached relevant provisions of the Act and Australian Securities and Investments Commission Act 2001 (Cth) by:

- Providing or maintaining earnings guidance for the 2018 and 2019 financial years which lacked reasonable grounds
- Failing to disclose to the market that its risk management framework was not equipped to deal with the complexities arising from the SWF and the issue of the SCB's
- Failing to disclose that it was in breach of banking covenants from at least the commencement of the SWF.

As at the date of this report, a right to inspect any insurance policy(s) of the Group has not been established to the satisfaction of the Administrators, and no policy(s) have been disclosed.

A liquidator (if appointed) would conduct a more detailed review of any policy(s) held by AXL, including whether any claims bought respond to any policy(s) held, and any remedies that may be available to the Group or creditors pursuant to such policy(s).

Should the Group proceed to execute the proposed DOCA, we have sought to preserve any responding claims which would have been entitled to priority in a liquidation of the Group under Section 562 of the Act and which meet the definition of "Insured Claim" in the DOCA.

9 Deed of Company Arrangement

9.1 Introduction

As detailed at **Section 6.3**, the sale of business involves the implementation of a single DOCA for the Group of AXL companies in Administration. As part of the DOCA, a Creditors' Trust will be created and will come into effect. This is discussed further at **Section 10**.

The single DOCA contemplates two transactions with separate effectuation dates, whereby:

- The operating business will be sold as a going concern, which is effected through a restructure and transfer of all operating assets and undertakings (including the shares in AXL Operations, AXL Retail and, if required by the PH304, 503 888 65 BL Pty Ltd) to ACN Co and the subsequent sale of the shares in ACN Co to PH304
- Following the sale of the operating business, the DOCA process will provide for the sale of the ASX Listed Shell.

Further, certain excluded assets will be transferred to the Creditors' Trust and preserved for the benefit of Creditors, including the AXL Listed Shell sale proceeds and, proceeds from the sale of the assets in 1114604 BC Ltd.

The single DOCA and Creditors Trust contemplates combining all creditors of the Group to claim against funds held in the Creditors' Trust. That is, a creditor of one entity in the Group will be treated under the DOCA as a creditor of all of the Group, without the need for creditors to prove their claim separately against each entity.

Given the amounts owed to SCB Holders are cross-guaranteed across the Group, a single DOCA and Creditors' Trust will provide for the most efficient mechanism to administer and pay a distribution of the proceeds from the sale.

It is anticipated that the proposed DOCA will allow a dividend of between 33.9 cents and 34.9 cents in the dollar to unsecured creditors with the final amount dependent on the level of creditor claims.

9.2 Key features

A high level summary of the DOCA's key features are as follows:

- The terms of the DOCA are such that, for it to be executed, a resolution must be passed by the creditors in each Company in favour of the DOCA. Failure to pass the resolution in each Company will mean the DOCA is incapable of execution
- The Administrators will become the Deed Administrators
- The completion of the DOCA in relation to the ACN Co, AXL Operations and AXL Retail will occur separately to the completion of the DOCA in relation to AXL (which will occur following completion of the separate sale transaction of the AXL Listed Shell)
- The Deed Administrators will continue to trade the business to allow for certain tasks to be met prior to the DOCA completion for ACN Co, AXL Operations and AXL Retail. (We note our comments in **Section 10** about completion risks and how we have sought to limit their impact)
- Control of the AXL Subsidiaries will transfer to PH304 on completion of the DOCA
- A Creditors' Trust will come into effect and creditors with eligible claims will become beneficiaries of the Creditors' Trust and paid a dividend from the Trust Fund, which will be distributed in accordance with Section 556 of the Act

- The Trust Fund will be the aggregate of:
 - Payment of \$16.2m from the sale proceeds from PH304
 - An amount of approximately \$1.5m, being the early redemption fee and default interest that would otherwise have been payable on the Subordinated Notes (defined under the DOCA as Estimated Amounts Surplus and further described in **Section 11.3.5**)
 - Proceeds from the sale of the assets in 1114604 BC Ltd of \$950k to \$1.5m
 - Sale proceeds from the sale of the AXL Listed Shell of \$660k.
- Senior Lenders will be paid in full and Subordinated Noteholders will be paid all of their principal and accrued ordinary interest up to the date of completion of the DOCA. Subordinated Noteholders will not be paid any default interest or early repayment fees from the proceeds of the sale, nor will they be able claim for these amounts from the Creditors' Trust
- Claims that a creditor may have in a liquidation under Section 562 of the Act that are covered under insurance are preserved to the extent possible and not extinguished by the DOCA
- All creditors must otherwise accept their entitlement under the DOCA and Creditors' Trust in full satisfaction and completely discharge all debts and claims against the Group
- Payment of all outstanding Administrators' and Deed Administrators' trading liabilities will be from funds generated in the ordinary course of trading
- Payment of the Administrators' and Deed Administrators' costs and expenses in connection with the voluntary administration and DOCA will be from funds generated in the ordinary course of trading
- There is no requirement in the DOCA for the Deed Administrators to report to creditors. However, the Deed Administrators may write to creditors at their discretion and when deemed appropriate
- Any surplus cash at bank at completion of the DOCA, after the above costs are paid, will be applied in reduction of the Senior Lender's debt
- The outcome of the DOCA will allow:
 - A return to creditors at terms greater than any return creditors would have received in a liquidation scenario
 - Certainty of a return
 - Continuation of the business of the Group, the ongoing employment for current employees and the security of employee existing entitlements.

9.3 Effect on unsecured creditors

As stated above, the effect of the DOCA and Creditors' Trust will be to release the claims by creditors against the Group on completion of the DOCA. Creditors with eligible creditor claims will become beneficiaries of the Creditors' Trust and be paid a dividend from the Trust Fund.

Eligible creditor claims include a debt owing by, or a claim against the Group (whether present or future, certain or contingent, ascertained or sounding only in damages), irrespective of whether the debt or claim arose by virtue of contract, at law (including by statute), in equity or otherwise, being a debt or claim any of the circumstances giving rise to which occurred on or before the date of our appointment and which would be admissible to proof (or would be admissible to proof but for the operation of Section 553B of the Act) against the Group had that entity been wound up and the winding up was taken to have commenced on the date of our appointment, including:

- Any claim of a SCB Holder
- Priority employee claims
- A debt arising from a failure by an AXL entity to pay a Superannuation Contribution; or
- A debt arising by way of a Superannuation Guarantee Charge.

but does not include an Excluded Claim.

9.3.1 Excluded claims

The DOCA proposes the following claims be excluded from participating in the Creditors' Trust. This includes any:

- Insured Claims – further discussed below
- Secured Lender claim - in respect of the Syndicated Bank Facility
- Excluded lessor claims – in respect to the landlord of the head office property
- Any claim by a borrower against an AXL Subsidiary under a contract giving rise to a receivable.

9.3.2 Interest claims

The terms of the DOCA specify that payment of interest claims in the Creditors' Trust are postponed until all other creditor claims in the Trust have been satisfied. Interest Claims are defined as a claim by a creditor (including for the avoidance of doubt the SCB Holders) in respect of any interest or default interest accruing from the date of appointment of the Voluntary Administrators on any amounts owing by the Group to that creditor.

9.3.3 Insured claims

The DOCA provides that claims defined as Insured Claims are not extinguished and released on completion of the DOCA. Insured Claims are defined in the DOCA as a claim which a creditor has against any entity in the Group, which would have been entitled to priority in a liquidation of the Group under Section 562 of the Act, where:

- That entity in the Group is insured against the claim under a contract of insurance (not being a contract of reinsurance) entered into before the date of appointment; and
- An amount in respect of that claim would be payable by the insurer to the entity of the Group under the contract of insurance.

The DOCA provides that if insurance is held by or on behalf of any entity in the Group, in respect of an Insured Claim:

- The creditor may, in relation to its Insured Claim and notwithstanding that completion of the DOCA has occurred, take action to recover the amount due in respect of the Insured Claim against the entity in the Group, but such action must not exceed what is necessary to obtain payment from the insurer
- To the extent that the creditor is able, by settlement, arbitral award or judgment, to obtain payment from the insurer on account of the Insured Claim, the creditor may retain that amount in full satisfaction of its claim
- The Group is not required to provide assistance to a creditor in relation to any Insured Claim or take any action in response to enforcement action taken by a creditor
- Where a creditor intends to take action in relation to a claim under this clause:
 - The creditor must, prior to taking any action in relation to the claim, provide the entity in the Group with an indemnity prior to, or during, any action in relation to the claim
 - If requested by the entity in the Group, provide evidence, to the reasonable satisfaction of the Group, that the creditor will be (and will continue to be) in a financial position, or have access to sufficient funds, to enable it to satisfy the indemnity
 - The Group may plead the DOCA as a bar to any action taken by a creditor in relation to the claim in circumstances where the creditor has not, prior to commencing that action, given the indemnity to the Group.

To the extent that the Creditor is unable to seek or obtain payment on account of its Insured Claim from the insurer (including by reason of any excess or deductible applicable to the insurance policy, or failure by the relevant entity in the Group to take any action) this DOCA operates as a complete release and bar to that part of the creditor's Insured Claim which has not been met by the insurer.

The DOCA also provides that any uninsured component of an Insured Claim is extinguished and released on the completion of the DOCA and creditors with Insured Claims are not entitled to participate in or receive any distribution from, and will not prove to recover any Insured Claim for the purpose of, or in relation to, the Trust Fund, in respect of an Insured Claim.

9.4 Effect on employees

The proposed DOCA does not have any impact on continuing employees. All current employment arrangements and employee entitlements will be preserved in full.

As noted in **Section 5.1.1** we have paid all entitlements in full of any employees who have completed their employment with us during the voluntary administration.

In the event an employee has an unpaid claim against the Companies, these claims will be transferred to the Creditors' Trust as beneficiaries and that employee will retain their priority to receive an amount equal to what they would have been entitled to if the property of the Companies had been applied in accordance with Sections 556, 560 and 561 of the Act.

9.5 Sunset date

The DOCA lists a Sunset Date of 13 September 2019. That is, the date that the DOCA is required to be completed (effectuated). This date can be extended with the agreement of both the Deed Administrators and PH304.

9.6 Conclusion

The DOCA provides the following benefits over liquidation of the Group:

- Greater return to creditors – this is detailed in **Section 11**
- Greater certainty of returns to unsecured creditors
- The return to all creditors will be considerably faster under a DOCA than under liquidation with the expected distribution of the majority of funds from the Creditors Trust to eligible creditors within four to six months
- Ongoing employment for current employees
- A continuing business with which creditors may wish to continue to trade.

If the DOCA proposal is not approved by creditors at the Second Meeting, in the absence of an alternative proposal, it is likely that a run-off of the Group's Receivables Book and liquidation of the assets of the Group would be pursued. The return to creditors under this situation is likely to be considerably less than the estimated return under a DOCA. Further detail is provided in **Section 11**.

10 Creditors' Trust

10.1 Purpose

A creditors' trust is a mechanism used to accelerate a company's exit from external administration. A creditors' trust provides for a trust to be formed to deal with the claims of creditors while allowing the return of the company back to the directors or to the purchaser without them having to operate with the term "Subject to Deed of Company Arrangement" after the company's name.

Under a DOCA, creditors' rights are regulated by both the terms of the DOCA and the provisions of the Act (which deal with such matters as the right of creditors to appeal against a rejection of a proof of debt).

Under a creditors' trust, the rights of creditors will transform into the rights of a beneficiary under the terms of the trust instrument with any additional rights under the Trustee Act 1925 (NSW).

The DOCA proposes the creation of a single creditors' trust to deal with the combined creditor claims of each company in voluntary administration. This means that one creditor of one entity will be considered as one creditor of all four entities in voluntary administration.

We consider the single DOCA and Creditors' Trust to be in the best interests of all creditors as this structure is an integral part of the proposal that provides the best return to creditors and no creditor will be unfairly prejudiced by the arrangements contemplated in the Creditors' Trust. The single Creditors' Trust will also allow for a more efficient, less costly and quicker turnaround for a distribution to creditors.

Creditors need to be aware that while we have taken steps to protect the interests of creditors by ensuring that creditors' claims are not released and the DOCA does not complete until the relevant conditions are met, creditors should understand that their rights under a Creditors' Trust are different to their rights under the DOCA. The differences are discussed in the sections below.

10.2 Proposed Creditors' Trust

Funds totalling \$16.2m will be paid into the Trust Fund, on completion of the DOCA date with an estimated further \$1.6m to \$2.1m to be received into the Trust Fund from the sale of the AXL Listed Shell and assets in 1114604 BC Ltd. In addition, if agreed by Subordinated Noteholders, a further \$1.5m from early redemption fees and default interest which would have otherwise been payable to the Subordinated Noteholders will be payable into the Trust Fund. The Trust Fund will be transferred to the Trustees for the benefit of eligible creditors in accordance with the Trust Deed.

It is important to note that the proposed Trust Deed reflects the same order of priorities that would ordinarily apply in a liquidation scenario governed by the Act. That is, all unsecured creditors would be treated equally and any distribution to unsecured creditors will be paid on a pro-rata basis.

While the Trust Deed is in draft and may change before the second meeting of creditors, we do not expect the Trust Deed to change materially or materially affect the projected return to creditors.

Creditors are advised that if they are unsure of their position in relation to the proposed Creditors' Trust they should seek their own legal advice prior to the second meeting of creditors.

10.3 Key information regarding Creditors' Trust

In accordance with ASIC's Regulatory Guide 82 titled "External Administrations: deeds of company arrangement involving a creditors' trust", we have provided below the information to be disclosed where a DOCA incorporating a creditors' trust has been proposed.

Information for creditors	Further comments
Reasons for the Trust Deed	<p>It is our opinion that the use of a DOCA combined with a Creditors' Trust will provide an accelerated exit of the Group from the DOCA. It will also allow the Trustees to finalise the Administrators' and Deed Administrators' trading liabilities and responsibilities and deal with the creditor claims of the Group.</p>
Key events – timing and implications	<p>The key events are as follows:</p> <ul style="list-style-type: none"> • Creditor approval is required for each company to execute a DOCA at the second meeting of creditors on 30 August 2019 • We will execute the DOCA, together with PH304, following the second meeting. This needs to occur within 15 business days from the date of the resolution approving the DOCA at the second creditors meeting (unless extended by court approval) • If the DOCA is not executed within this timeframe, the Companies will automatically be placed into liquidation • The DOCA specifies that it must be completed by the Sunset Date. The Sunset Date is the 13 September 2019 or other date agreed by us and PH304 • There are a number of conditions that must be met prior to the completion of the DOCA including: <ul style="list-style-type: none"> – The DOCA must be executed – The Trust Deed must be executed and held in escrow – All regulatory approvals must be granted – Any necessary consents have been obtained to novate material contracts with effect from completion of the DOCA – No repayments have been made in respect to SCB – PH304 provides evidence to confirm ACN Co has adequate capital to operate on a going concern following completion of the DOCA – Confirmation is provided by PH304 that it has funding to repay the Senior Lender and an additional \$16.2m which will form part of the Trust Fund – The Subordinated Note holders have provided any consents required for the early repayment of their debt – All relevant transaction documents have been signed by all parties and held in escrow – The Deed Administrators hold written consents for new officeholders of the Group – The DOCA hasn't been terminated in respect to any of the Companies in the Group – The DOCA has not be varied without the consent of PH304 • These conditions may be waived by agreement between us and PH304 • On completion of the DOCA for ACN Co, AXL Operations and AXL Retail, the Trust Deed is released from escrow, the Creditors' Trust is created and takes effect and \$16.2m will be paid into the Trust Fund

Information for creditors	Further comments
	<ul style="list-style-type: none"> • Once the Trustees have adjudicated on claims, if a creditors claim is admitted, the claim will be converted to a beneficial interest in the Creditors' Trust and the creditor will be entitled to a distribution from the Creditors' Trust in accordance with the relevant section below • In respect of ACN Co, AXL Operations, and AXL Retail, the DOCA will terminate once completion of the sale and transfer of the AXL Subsidiaries under the DOCA has occurred and the Deed Administrators have signed the required certificate • In respect of AXL, the DOCA will terminate on the earlier of, (i) once the Deed Administrators are satisfied that the Listing Proceeds (as defined in the DOCA) and any other recoveries from Excluded Assets (also as defined in the DOCA) have been realised or transferred as assets of the Creditors' Trust, or the Administrators form the view that such recoveries should not be pursued and they have signed the required certificate, or (ii) on the date that is 4 months following completion of the sale and transfer of the AXL Subsidiaries under the DOCA (or such later date as nominated by the Deed Administrators in writing) • In addition to the above, the DOCA may automatically terminate where the Court makes an order terminating it, or whether the creditors pass a resolution to terminate it • If the conditions are not met by the Sunset Date, under the terms of the DOCA we are required to call a meeting of creditors to determine the future of the Group • If the completion of the DOCA occurs in respect of the ACN Co, AXL Operations and AXL Retail but does not occur for AXL, the DOCA provides that AXL will be placed into liquidation • Proceeds from the sale of assets of 1114604 BC Ltd and AXL Listed Shell will be paid separately into the Trust Fund and the timing of these payments is dependent upon final agreement with the buyers of these assets being agreed and on the terms of those final agreements • In addition to the above funds, the DOCA provides that cash held by us in our Deed Administration accounts can to be used to pay our actual and expected costs up to the date of completion of the DOCA, including our actual and expected remuneration and expenses as Voluntary Administrators, Deed Administrators and Trustees. Any surplus funds after paying these costs will be remitted in reduction of the Senior Lender's debt.
<p>Return to creditors / beneficiaries</p>	<p>Other than where required by law, the funds in the Trust Deed will be distributed in the following order of priority:</p> <ul style="list-style-type: none"> • First: Trustees' Costs (please note additional funds will be withheld from cash at bank of the Group on completion of the DOCA to be paid to the Trustee's Account to cover the costs of the Trustees' up to a maximum of \$1m excluding GST (\$750k in respect to Trustee fees and \$250k in respect to expenses and costs)) • Second: Amounts approved, but unpaid to Administrators or Deed Administrators for remuneration and expenses (please note additional funds will be withheld from cash at bank of the Group on completion of the DOCA to cover any expected remuneration and expenses)

Information for creditors	Further comments
	<ul style="list-style-type: none"> • Third: Amounts incurred but not paid at completion of the DOCA in respect of the Administrators and Deed Administrators' trading (please note additional funds will be withheld from cash at bank of the Group on completion of the DOCA to cover all expected trading costs) • Fourth: All employee priority claims (and to the extent not paid in full, on a pro-rata basis) • Fifth: Admitted creditors on a pro-rata basis. <p>The initial payment to the Trust Fund will be made on completion of the DOCA, before the Sunset Date set out in the DOCA, being 13 September 2019. As set out above that payment is expected to be in the amount of \$16.2m.</p> <p>A further payment of \$1.6m to \$2.1m is expected to be received from the sale of the AXL Listed Shell and assets in 1114604 BC Ltd. The timing and exact amount of that payment will be dependent upon reaching final agreement with the buyers of those assets, however we anticipate that payment will be received within 4 months.</p> <p>Please refer to Sections 9 and 11 for further details on the timing and quantum of anticipated return to creditors.</p> <p>We note that the remuneration, expenses and taxation sections below should be considered together with this section.</p> <p>There is a risk that there could be a delay between execution of the DOCA and payment into the Trust Fund (and ultimately a return to creditors), however we consider that this risk is adequately addressed by the requirement for PH304 to satisfy us that it has funding sufficient to make the \$16.2m payment as a condition precedent to completion under the DOCA. Further:</p> <ul style="list-style-type: none"> • Creditors' claims will not be released under the DOCA until payment is made by PH304; and • For completeness, and by comparison, if there was no Creditors' Trust the return to creditors would likely be the estimated return to creditors in a liquidation scenario as set out in Section 11 because the Creditors' Trust is integral to the DOCA such that the DOCA would not be capable of implementation without it.
<p>Trustee particulars – identity, skills, experience, and insurance</p>	<p>The Administrators / Deed Administrators to be Trustees of the Creditors' Trust.</p> <p>We are registered liquidators and have the relevant experience and necessary skills to undertake the required duties and tasks. We have adequate professional indemnity and fidelity insurance that would cover our role as trustees of the Creditors' Trust.</p> <p>A summary of our experience is listed on our website www.deloitte.com.au.</p> <p>The DOCA Proposal requires us to be appointed Deed Administrators and Trustees of the Creditors' Trust. We do not consider that there is any potential conflict in them acting as Trustees of the Creditors' Trust.</p>

Information for creditors	Further comments
	<p>As the Trustees are registered liquidators, ASIC will have supervisory powers over the conduct of the Trustees under Division 40 of Schedule 2 of the Act.</p>
<p>Remuneration</p>	<p>The Creditors' Trust will provide for the payment of the Administrators', Deed Administrators' and Trustees' remuneration from the Trust Fund in priority to any payment to admitted creditors. This includes:</p> <ul style="list-style-type: none"> • Any approved remuneration and expenses owing to the Administrators and Deed Administrators that remained unpaid at the time of the establishment of the Creditors Trust; • The Trustees' remuneration and costs. The Trustees' costs will be calculated based on hourly rates and in accordance with Deloitte rates as detailed in Appendix B. <p>We estimate that the remuneration and costs of the Trustees will be approximately \$750k. Our estimate does not consider any litigation or protracted negotiations when adjudicating on creditor claims. Any additional costs will be dependent on the time taken to adjudicate claims and distribute the payment to the beneficiaries of the Creditors' Trust.</p> <p>In a voluntary administration and DOCA scenario, the approval of fees is subject to the provisions of the IPS, requiring that remuneration be approved by either a COI, by a resolution of creditors, or by applying to Court to review the Administrators' or Deed Administrators' remuneration.</p> <p>In a Creditors' Trust, there is no equivalent statutory procedure in the Trustee Act 1925 (NSW) pursuant to which beneficiaries, or the COI, or the Federal Court can agree or approve the Trustee's remuneration. However, a beneficiary can apply to the Supreme Court of NSW to seek to review or challenge the Trustee's remuneration.</p> <p>For transparency, included within Appendix B are the details of the work the Trustees will be undertaking to administer the Creditors' Trust.</p>
<p>Indemnities</p>	<p>The DOCA provides for the Voluntary Administrators and Deed Administrators (whether or not they are still acting) to be indemnified by the Group up to completion of the DOCA, and the Trust Fund after completion for all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgements whatsoever arising out of or in any way connected to the voluntary administrations of the Group, and incurred or sustained in good faith and without negligence.</p> <p>Under the Trust Deed, the Trustees are entitled to be indemnified from the Trust Fund for all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgements arising out of the Trust Deed.</p> <p>Accordingly, any fees or costs incurred by the Trustees that are associated with any legal actions that are required to be undertaken or defended will be met from the funds held in the Creditors' Trust. While any such actions may reduce the available funds and diminish the return to creditors, we do not foresee any material legal actions.</p>

Information for creditors	Further comments
	<p>This indemnity takes effect from the commencement of the DOCA, is continuing and will endure for the benefit of the Deed Administrator and Trustees.</p> <p>No other indemnity has been provided to the Trustees.</p>
<p>Powers (Deed Administrators / Trustee under the DOCA Proposal)</p>	<p>As Trustees we will administer the Trust Fund in accordance with the provisions set out in the DOCA and the Trust Deed and do anything incidental to exercising a power set out in the Deed and anything else that is necessary or convenient for administering the Creditors' Trust.</p> <p>Primarily, the Trustees' proposed role is to call for proofs of debt, adjudicate the creditors' claims and distribute the Trust Funds. The Trust Deed also incorporates the powers that would apply to a Deed Administrator. The Deed Administrators have broad powers, including to be able to perform any function and exercise any power or right a director may have performed or exercised, and to do anything else necessary or convenient to exercising their powers under the Deed.</p> <p>As mentioned above, the Deed Administrators are governed by the Act, whereas a creditors' trust set up in NSW is governed by the Trust Deed and the Trustees Act 1925 (NSW).</p>
<p>Claims</p>	<p>Creditors are referred to Section 10.4 below.</p>
<p>Other creditor / beneficiary differences</p>	<p>Creditors' rights in an external administration are set out in the Act. Beneficiaries of a creditors trust do not have equivalent rights under the Act. Rather, as mentioned above their rights are governed by the Trust Deed and the Trustees Act 1925 (NSW). Although courts can still provide relief under the general law of trusts, the safeguards available to creditors under Pt 5.3A of the Act are not available to beneficiaries of a trust.</p> <p>In a DOCA, creditors have the right to request a meeting of creditors or apply to Court to seek orders to amend or terminate the DOCA pursuant to the Act. They also have certain rights to challenge decisions, actions and omissions of the deed administrator and to be informed about the progress of the external administration. Further, creditors can lodge a complaint with ASIC about the conduct of the Deed Administrator. Beneficiaries of a Creditors' Trust do not have such rights under the Act. However, given that the terms of the DOCA and Creditors' Trust are provided in this report, we consider that the creditors will have had a sufficient opportunity to consider the terms of the DOCA and Creditors' Trust including to obtain independent legal and financial advice they consider necessary regarding their rights and can decide whether to vote in favour of executing the DOCA and Creditors' Trust at the second meeting of creditors. Further, it is anticipated that there may be a short period between execution of the DOCA and the creation of the Creditors' Trust which will allow any aggrieved creditor the opportunity to exercise their statutory rights during this period. That said, we will be making all reasonable endeavours to complete the DOCA as soon as possible once the DOCA conditions are met.</p>

Information for creditors	Further comments
	<p>In terms of the determination and admission of creditors' claims for participation in a distribution from the Trust Fund, creditors will have 14 days to appeal the Trustees' decision to reject their claim, or a longer period if the Trustees permit. In a liquidation, the Act stipulates that the appeal must be made within 14 days of the liquidator giving notice of rejection, or such longer period as the Court permits. Accordingly, we do not believe creditors will be disadvantaged.</p> <p>As Trustees are registered liquidators, creditors have the ability to make any complaints about their conduct to ASIC.</p>
<p>Fair Entitlements Guarantee Scheme (FEG)</p>	<p>Should creditors resolve to accept the DOCA, the employees will not have access to the FEG scheme. The FEG scheme may only be available if the Companies are placed into liquidation. As mentioned in Section 9.4, we have paid all entitlements in full of any employee who has completed their employment with us during the voluntary administration.</p> <p>In the event an employee has an unpaid claim against the Group, and to the extent that these claims are determined to be outstanding wages and superannuation contributions, leave entitlements or retrenchment payments and are provable claims falling within section 556(1) of the Act, such claims will be payable in accordance with the priorities prescribed by that Section under the provisions of the Trust Deed.</p>
<p>Compliance opinion</p>	<p>It is our opinion that the Companies are capable of complying with the terms of the Trust Deed and are likely to comply with the obligations to the Trustees, if the DOCA proposal is approved by the creditors.</p> <p>Additionally, claims against the Group are not extinguished until the funds to satisfy creditor claims are paid into the Trust Fund.</p>
<p>Solvent Statement</p>	<p>It is our opinion that the Companies will become solvent at the date of affectation of the DOCA on the terms proposed for the following reasons:</p> <ul style="list-style-type: none"> • Creditor claims (not including Excluded Creditors) against the Group will be extinguished • PH304 is providing additional working capital to fund the future business activities of the companies.
<p>Tax (company trust)</p>	<p>A Creditors' Trust may create the potential for some taxation issues when compared to a distribution received from a DOCA. That is, any taxation that may arise with the administration of the Creditors' Trust will reduce the funds available to creditors. However, we do not expect that there be any material changes to the funds available as a distribution to creditors under the proposed Creditors' Trust.</p>
<p>Tax (creditor beneficiary)</p>	<p>Creditors are advised to seek their own taxation advice as there may be some implications for creditors receiving a distribution from a trust rather than a distribution from a company subject to DOCA. We are unable to provide any advice regarding this issue.</p>
<p>Other</p>	<p>No other material aspects or implications have been identified at this stage.</p>

10.4 Creditor claims

Section 9 details the types of creditor claims that will be eligible to participate in a dividend from the Creditors' Trust.

In accordance with the Trust Deed, the Trustees will adjudicate the claims from creditors who had a debt owed by the Group as at 7 April 2019. The Trustees will have unrestricted and free access to all the books and records of the Group necessary to determine claims. The Deed Administrators will have the power under the DOCA to commence the adjudication process. Those creditors with debts that have been adjudicated as valid will be considered as admitted creditors in the Creditors' Trust.

The terms of the Creditors' Trust provide for one creditor pool to be created for the benefit of those creditors who have been determined to be admitted creditors by the Trustees. The proposed distribution mechanism of the Trust Fund to admitted creditors is as follows:

- Remuneration and costs of the Trustees. This may include an amount of the Trustees' remuneration which it is estimated to be incurred by the Trustees. Additional funds will be retained from cash at bank on the completion of the DOCA to meet these estimated costs.
- Remuneration and costs of the Administrators or Deed Administrators for any amounts that they are entitled to be paid or indemnified but which have not been paid or discharged. Additional funds will be retained from cash at bank on the completion of the DOCA to meet any known costs and expenses of the Administrators and Deed Administrators, not paid at that date. Any surplus funds after paying these costs will be remitted in reduction of the Senior Lender's debt. It is not expected that any Administrators' fees and expenses will be outstanding at the completion of the DOCA.
- Any employee priority claims, excluding any superannuation debt (we do not anticipate there being any claims)
- Admitted creditor claims on a pro-rata basis in accordance with the dollar value of their admitted claim
- Any remaining Trust Funds to be paid on interest claims payable in respect of an admitted debt or claims once all other creditor claims have been satisfied.

Assuming that there are no delays in adjudicating the claims of creditors it is estimated that a first and final distribution to admitted creditors will be paid in 4-6 months following the creation of the Creditors' Trust.

11 Estimated return to creditors

We provide below a comparison of the returns to creditors under the DOCA versus the return should the Group be placed into liquidation.

11.1 Estimated return to creditors – summary of return

\$'000	the Group			
	Liquidation		DOCA	
	Low	High	Low	High
Total receivables and interest income	327,191	345,126	259,747	259,747
Less GST payable	(24,125)	(25,731)	-	-
Less trading costs	(36,046)	(35,469)	-	-
Less secured lenders interest	(29,711)	(28,006)	(5,062)	(5,062)
Other asset realisations	1,291	1,791	1,550	2,110
	238,599	257,710	256,235	256,795
Less Priority creditors	(16,268)	(16,268)	(9,130)	(9,130)
Net assets available for Secured Creditors principal repayment	222,331	241,443	247,105	247,665
Syndicated Bank Facility	(52,686)	(52,686)	(52,686)	(52,686)
Securitised Warehouse Facility	(110,106)	(110,106)	(110,106)	(110,106)
Series 2 Notes	(30,000)	(30,000)	(30,000)	(30,000)
Series 1 Notes	(29,539)	(35,000)	(35,000)	(35,000)
	(222,331)	(227,792)	(227,792)	(227,792)
Shortfall to Series 1 Notes	(5,461)			
Assets available for unsecured claims	-	13,650	19,313	19,873
Unsecured creditors	(72,713)	(72,713)	(56,929)	(56,929)
Total surplus / (shortfall)	(72,713)	(59,063)	(37,616)	(37,056)

cents in the \$	the Group			
	Liquidation		DOCA	
	Low	High	Low	High
Syndicated Bank Facility	100.0	100.0	100.0	100.0
Securitised Warehouse Facility	100.0	100.0	100.0	100.0
Series 2 Notes	100.0	100.0	100.0	100.0
Series 1 Notes	88.1	100.0	100.0	100.0
Priority Creditors	100.0	100.0	100.0	100.0
Unsecured Creditors	0.0	18.8	33.9	34.9

Indicative dividend timing	the Group			
	Liquidation		DOCA	
	Start	Final	Start	Final
Syndicated Bank Facility	30 Aug 19	30 Apr 20	n/a	13 Sep 19
Securitised Warehouse Facility	30 Aug 19	31 Jul 21	n/a	13 Sep 19
Series 2 Notes	1 Jun 20	31 Mar 21	n/a	13 Sep 19
Series 1 Notes	31 Mar 21	+ 30 Jun 22	n/a	13 Sep 19
Priority Creditors	30 Aug 19	+ 30 Jun 22	30 Aug 19	28 Feb 20
Unsecured Creditors	n/a	+ 31 Dec 22	n/a	28 Feb 20

The expected return to creditors under the DOCA is a significantly better outcome than in the event the Group is wound up and creditors are to prove in the entities in which they are creditors. There is also uncertainty as to the ultimate recoverable value of the assets of the Group in the event of a run-off/liquidation as illustrated by the range of 0 cents to 18.8 cents return to unsecured creditors identified above.

It should also be noted a full return to all classes of secured creditors is not assured in the event of a liquidation of the Group as identified in a low liquidation case with Series 1 Noteholders estimated to receive 88.1 cents in the dollar on their claims. This is because estimates of Receivables Book recoveries in a run-off/liquidation are dependent upon a range of performance and asset realisation assumptions (outlined further below). Performance could deteriorate beyond the levels we have estimated in a run-off/liquidation, which could adversely impact the returns to creditors identified above.

We have presented the liquidation scenario on a Group basis for the following reasons:

- The interconnected relationship of the companies and guarantee structure in place across the Group under the Debt Facilities (including SCB)
- The reliance on AXL Operations to enable a run-off to be conducted of the Receivables Books. In particular access to employees, existing premises, plant and computer equipment and intellectual property which are in AXL Operations, to manage the run-off process.
- The surplus from the realisation of the AEWT would follow to ACN Co as holder of the residual debt and equity in the structure after repayment of the SWF.

In the event the entities were liquidated individually, we have estimated the return to unsecured creditors on a high liquidation basis as per the table below:

cents in the \$	ACN Co	AXL Retail	AXL Operations	AXL
	High	High	High	High
Unsecured Creditors	20.1	0.0	0.0	0.8

As can be seen from the above table, unsecured creditors in ACN Co (of which SCB Holders are the largest group) are estimated to receive a slightly higher dividend compared to the high case in the grouped liquidation scenario.

However, it is our opinion that providing an estimate on a grouped basis is the more appropriate methodology as there is a risk that the lack of access to systems and personnel (in AXL Operations) will have a significant negative impact on the net realisation of the Receivables Books and consequently the return to unsecured creditors in the high scenario of ACN Co, noting there will be a nil return to unsecured creditors in each entity on a low scenario.

The difference in the calculation of a dividend in a liquidation scenario on either a grouped basis or individual basis is not material and does not change our opinion and recommendation that it is in the interest of creditors to approve the DOCA as it provides certainty and a higher return to all creditors.

The ultimate return to creditors is dependent on the actual level of creditor claims admitted as debts. The estimates of creditor claims are based on information to hand and estimates made of potential claims.

In addition to a lower recovery in the event of a run-off/liquidation of the Receivables Books, there will be a significant delay in the timing of payment of monies to creditors. Under the DOCA it is intended the Senior Lender and all Subordinated Notes will be repaid in full by 13 September 2019, with an expectation that unsecured creditors will be paid a dividend by 28 February 2020. In the event of liquidation these timelines are significantly delayed as illustrated in the above table.

If the DOCA is not approved by creditors and the Group is placed into liquidation, the sale with PH304 as proposed will not continue. Whilst it is still possible to sell the Group's business as a going concern via an asset sale while in liquidation, it is our view that any delay may affect the support from the Senior Lenders in providing access to funding to originate new Receivables, resulting in the commencement of the run-off of the existing Receivables Book. This in our opinion, would have a negative impact on the value of the assets and business of the Group.

11.2 Run-off/liquidation scenario

We have created a model to estimate the asset realisations, costs and timing in the run-off/liquidation scenario. The scenario assumes the Group ceases to originate new Receivables and focuses on the management and collection of the existing Receivables Book. Our analysis also assumes an alternate servicer is not appointed to the receivables book sold to AEWT (**AEWT Receivables Book**), with ACN Co continuing to manage the AEWT Receivables Book. This is important as recoveries from the AEWT Receivables Book after repayment of the SWF are remitted to ACN Co. A portion of the costs of operating the Group's business is assumed to be recovered from AEWT. Our assumptions are summarised below:

Assumption	Detail
Management and cost of wind-down	<ul style="list-style-type: none"> Options in a run-off/liquidation scenario include appointing a third party to manage the run-off of the Receivables Book or continuing to employ staff to manage this process. In the analysis we have assumed the Group continues to employ staff to manage the run-off of the Receivables Books of ACN Co and AEWT. The expected operating costs of the Group in a wind down scenario are progressively reduced as head office functions that are not required to manage the run-off are ceased and there is a reduction in the number of people required to manage the business of the Group. The costs of managing the Receivables Books are assumed to reduce over this period from over \$1m per month to \$500k by the end of the three year period.
Timing	<ul style="list-style-type: none"> The scenario includes the actual performance of the Group from our appointment to 31 May 2019; plus The run-off/liquidation of the Receivables Books has been modelled from 1 June 2019 to 30 June 2022; plus A sale of the residual Receivables Book as forecast as at 30 June 2022.
Performance	<ul style="list-style-type: none"> Cumulative loss rates over the three year period deteriorate by a range of approximately 3.0 to 5.0% points in aggregate, in the high and low case respectively. This is achieved through a 2.0% and 3.5% sensitivity being applied to the Receivables Book based on vintage/age and type of loan on a high and low case respectively. This equates to a deterioration in the annual loss rate of 0.9% and 1.6% per annum, respectively. This does not result in a deterioration rate of the Receivables Book greater than actual performance over the last six months. As at 30 June 2022 the residual Receivables Books are assumed to be sold at a discount to face value of 65% and 55% on low and high basis respectively. The discount factor has been assumed recognising the risks associated with the collection of the residual Receivables Book, its ageing and the costs of continuing to manage the collection process if required.
Debt Facilities	<ul style="list-style-type: none"> Monthly interest accrued on the ACN Co's debt facilities is capitalised to the outstanding balance, with principal repayments occurring on a quarterly basis. The quarterly timing of repayments reflects the realistic administrative timing of repayments that would occur should a liquidator be appointed Default interest and fees associated with the debt facilities, such as early prepayments, are assumed to continue to apply in the run-off/liquidation scenario ACN Co's debt facilities are repaid sequentially, in order of priority No additional working capital facilities and no redraws on the existing debt facilities are assumed. Therefore, the liquidator is assumed to maintain a sufficient cash balance throughout the three year forecast period to ensure the company can meet its short-term liquidity requirements.

In a run-off/liquidation scenario it is estimated that:

- The Syndicate Lenders would be repaid in full (principal and interest) but not earlier than 30 April 2020
- The Warehouse Lender would be repaid in full (principal and interest) but not earlier than 31 July 2021
- Principal repayments for Series 2 Noteholders would not commence until at least June 2020, with full repayment of Series 2 Noteholder claims occurring by no earlier than March 2021
- Principal repayments for Series 1 Noteholders would not commence until at least March 2021, with full repayment of Series 1 Noteholder claims occurring by no earlier than June 2022, and potentially later depending upon how the residual assets and Receivables Book of the Group was realised at that date. The

low liquidation scenario estimates there will be a shortfall and Series 1 Noteholders could only receive 88.1 cents in the dollar on their claim (including accrued interest)

- Priority creditors are paid in full throughout the run-off period
- Unsecured creditors would receive between nil and 18.8 cents in the dollar on their claim, however, no payment would be expected to be made until after 30 June 2022.

These figures and timeframes are estimates only. It is difficult to estimate the actual outcome creditors would realise through a run-off of the Group's Receivables Books and liquidation of its assets. There are a range of uncertainties and potential developments that could adversely impact the quantum and timing of any such recovery for creditors. In particular, the estimates outlined above are dependent upon the cumulative losses in the Group's Receivables Books deteriorating by no more than a further 0.9% and 1.6% annually on a high and Low basis respectively, which are lower than current trends, as well as a range of other assumptions regarding the nature of the run-off and liquidation.

There is a real risk that performance could deteriorate beyond the levels the Administrators have estimated. Therefore, the Administrators cannot guarantee a return to Subordinated Noteholders or unsecured creditors if a run-off/liquidation scenario was pursued, nor that the timing of any recoveries would align to the estimates provided above.

Below is a more detailed estimate of the returns to creditors under the DOCA compared to the return should the Group be placed into liquidation.

11.3 Comparison between returns in run-off/liquidation versus DOCA

\$'000	Note	Assets to day Liquidation		AEWT Liquidation		the Group			
		Low	High	Low	High	Liquidation		DOCA	
						Low	High	Low	High
Loan book realisations									
Net receivables to 31 May 2019 (principal and interest)		26,055	26,055	9,225	9,225	35,280	35,280		
less sweeps to /from AEWT		(5,215)	(5,215)	(4,010)	(4,010)	(9,225)	(9,225)		
less costs & interest paid		(2,049)	(2,049)	(2,886)	(2,886)	(4,935)	(4,935)		
less new loan settlements		(6,081)	(6,081)	-	-	(6,081)	(6,081)		
Cash at bank 1 June 2019	11.3.1.1	12,710	12,710	2,329	2,329	15,039	15,039		
Principal receivables post 31 May 2019 to 30 June 2022	11.3.1.2	114,255	119,791	103,117	108,252	217,371	228,043		
Interest, Fees, and Operating Receipts	11.3.1.3	51,189	53,926	33,051	34,796	84,240	88,721		
Payments to Suppliers and Employees	11.3.1.4	(29,852)	(29,275)	-	-	(29,852)	(29,275)		
Accrued expenses to 31 May 2019		(1,259)	(1,259)	-	-	(1,259)	(1,259)		
Net GST Payable	11.3.1.5	(24,125)	(25,731)	-	-	(24,125)	(25,731)		
		110,207	117,451	136,168	143,048	246,375	260,498		
Closing net loan book balance (as at 30 June 2022)	11.3.1.2	10,958	12,869	5,056	5,770	16,014	18,639		
less sale discount	11.3.1.2	(7,122)	(7,078)	(3,286)	(3,173)	(10,409)	(10,251)		
		3,835	5,791	1,770	2,596	5,605	8,388		
Net loan book realisations	11.3.1.6	126,752	135,952	140,266	147,973	267,019	283,925	259,747	259,747
Other asset realisations									
Liquidator recovery actions	11.3.2.1	341	341			341	341		
Canadian entity loan repayment	11.3.2.2	950	1,450			950	1,450	950	1,450
Sale of corporate shell	11.3.2.3	-	-			-	-	600	660
		1,291	1,791			1,291	1,791	1,550	2,110
Net asset realisations before costs and interest		128,043	137,743	140,266	147,973	268,310	285,716	261,297	261,857
Less priority creditors									
Employee entitlements	11.3.3.1	(1,161)	(1,161)			(1,161)	(1,161)	(268)	(268)
VA professional fees	11.3.3.2	(3,311)	(3,311)			(3,311)	(3,311)	(3,311)	(3,311)
DOCA professional fees	11.3.3.2	-	-			-	-	(550)	(550)
VA Disbursements, estimate	11.3.3.2	(140)	(140)			(140)	(140)	(140)	(140)
Creditors' Trust professional fees	11.3.3.2	-	-			-	-	(825)	(825)
VA legal fees	11.3.3.4	(1,091)	(1,091)			(1,091)	(1,091)	(1,091)	(1,091)
Liquidator professional fees	11.3.3.3	(8,565)	(8,565)			(8,565)	(8,565)	-	-
Legal fees liquidation / creditors trust	11.3.3.4	(1,100)	(1,100)			(1,100)	(1,100)	(275)	(275)
Sale advisor fees	11.3.3.5	(900)	(900)			(900)	(900)	(2,671)	(2,671)
Total		(16,268)	(16,268)	-	-	(16,268)	(16,268)	(9,130)	(9,130)
Net cash available to secured creditors		111,776	121,475	140,266	147,973	252,042	269,448	252,168	252,728
Senior Lender creditors									
Syndicated Bank Facility									
Principal	11.3.4.1	(60,000)	(60,000)			(60,000)	(60,000)	(60,000)	(60,000)
Less cash sweep on appointment net costs and interest rate hedge payouts		7,314	7,314			7,314	7,314	7,314	7,314
Interest and fees		(3,354)	(3,320)			(3,354)	(3,320)	(2,187)	(2,187)
Syndicated Bank Facility total		(56,040)	(56,007)	-	-	(56,040)	(56,007)	(54,873)	(54,873)
Securitised Warehouse Facility (Class A notes)									
Principal	11.3.4.2	-	-	(121,395)	(121,395)	(121,395)	(121,395)	(121,395)	(121,395)
Less cash sweep net of hedge payout, costs and fees		-	-	11,289	11,289	11,289	11,289	11,289	11,289
Interest and fees		-	-	(10,407)	(9,969)	(10,407)	(9,969)	(434)	(434)
Securitized Warehouse Facility total		-	-	(120,513)	(120,075)	(120,513)	(120,075)	(110,540)	(110,540)
Total paid		(56,040)	(56,007)	(120,513)	(120,075)	(176,553)	(176,081)	(165,413)	(165,413)
- return to senior secured lenders	11.3.4.3	100%	100%	100%	100%	100%	100%	100%	100%
Net cash available to subordinated secured creditors		55,736	65,468	19,753	27,898	75,489	93,367	86,755	87,315
Subordinated Notes secured creditors									
Series 2 Notes									
Principal	11.3.5.1					(30,000)	(30,000)	(30,000)	(30,000)
Interest						(4,651)	(4,433)	(999)	(999)
Trust fees						(338)	(338)	(338)	(338)
Series 2 Notes total						(34,990)	(34,771)	(31,337)	(31,337)
Total paid						(34,990)	(34,771)	(31,337)	(31,337)
- return on Series 2 Notes						100%	100%	100%	100%
Series 1 Notes									
Principal	11.3.5.2					(35,000)	(35,000)	(35,000)	(35,000)
Interest						(10,960)	(9,945)	(1,105)	(1,105)
Series 1 Notes total						(45,960)	(44,945)	(36,105)	(36,105)
Total paid						(40,499)	(44,945)	(36,105)	(36,105)
- return on Series 1 Notes	11.3.5.3					88%	100%	100%	100%
Assets available for unsecured claims	11.3.6.1					-	13,650	19,313	19,873
Unsecured claims									
<i>Simple Corporate Bond</i>									
Principal						(55,000)	(55,000)	(55,000)	(55,000)
Interest	11.3.6.2					(15,844)	(15,844)	(60)	(60)
Simple Corporate Bond						(70,844)	(70,844)	(55,060)	(55,060)
Trade and other creditors						(1,869)	(1,869)	(1,869)	(1,869)
Total						(72,713)	(72,713)	(56,929)	(56,929)
Total surplus / (shortfall)						(72,713)	(59,063)	(37,616)	(37,056)
Distribution rate (cents per dollar)									
						the Group			
						Liquidation		DOCA	
cents in the \$						Low	High	Low	High
Syndicated Bank Facility						100.0	100.0	100.0	100.0
Securitized Warehouse Facility						100.0	100.0	100.0	100.0
Series 2 Notes						100.0	100.0	100.0	100.0
Series 1 Notes						88.1	100.0	100.0	100.0
Priority Creditors						100.0	100.0	100.0	100.0
Unsecured Creditors						0.0	18.8	33.9	34.9

Below are our observations in respect to the estimated return to creditors in the foregoing table. Please note the numbering is as per the notes listed in the table.

11.3.1 Asset realisations

1. Net cash at bank as at 1 June 2019 from trading made up of actual receipts less expenses paid. Please note we have not drawn any remuneration, and will not be drawing any remuneration until approved by either creditors or the Court.

The DOCA assumes all cash at bank on completion, after trading costs and our costs are paid in full, is applied in reduction of amounts owing to the Senior Lenders.

2. Under the run-off/liquidation scenario we have estimated the forecast Receivables principal recovered during the run-off period to 30 June 2022 inclusive of GST. As at 30 June 2022 the residual Receivables Books are assumed to be sold at a discount to face value of 65% and 55% on a low and high basis respectively. The discount factor has been assumed recognising the risks associated with the collection of the residual Receivables Book, its ageing and the costs of continuing to manage the collection process if required.
3. Interest, fees and operating receipts includes interest income on the Receivables excluding any income received from the AEWT in reimbursement of its share of the cost of trading the Group.
4. Payments to suppliers and employees are forecast to reduce from greater than \$1m per month to \$500k by 30 June 2022 in line with the decreased level of operations of the Group. Currently c.61% of costs relate to employee costs.
5. GST is assumed to be remitted on all collections for the Group and AEWT, by the Group net of GST recoverable from payments.
6. The value being assumed under the DOCA is after allowing for the costs of trading the business of the Group until completion and all the costs of the voluntary administration including advisor costs.

11.3.2 Other asset realisations

1. As mentioned in **Section 7.7** we are of the view that there are no insolvent voidable transactions that are likely to be recoverable by a liquidator in the event the Companies under administration are wound up, other than the director-related transactions noted in **Section 7.4.1** totalling c. \$341k. We have also noted a number of contraventions under the Act which may give rise to potential claims by creditors and/or shareholders. Given that further investigations are required, we are unable to provide a reasonable estimate of the recoveries and costs of such claims under either a liquidation or DOCA scenario. We note however, the preservation of Insured Claims under the terms of the DOCA (refer to **Section 9.3.3**).
2. As discussed in **Section 6.3.3.2** we have received an offer for the assets of AXL Canada. The affairs of this company will be wound up following the sale. After costs of realisation and finalisation of the affairs of AXL Canada, AXL expects to recover \$950k to \$1.5m in repayment of an intercompany loan.

Under the DOCA any value recovered in respect of AXL Canada will form part of the assets of the Creditors Trust, for the benefit of unsecured creditors.
3. In the event the DOCA is approved by creditors and AXL is not wound-up, we expect to realise \$660k from the sale of the AXL Listed Shell, the proceeds of which will form part of the assets of the Creditors Trust, for the benefit of unsecured creditors.
4. The plant and equipment and IP was written down to nil at 31 December 2018. The plant and equipment has an estimated realisable value of \$92k. In the liquidation scenario we have not included any value as this equipment (mainly computer equipment) is not expected to have any material value in three to four years at the completion of the run-off.

11.3.3 Priority creditors

1. Employee entitlements under the DOCA will be assumed by PH304. These relate to annual leave. In the event of liquidation all entitlements are forecast to be paid in full including any entitlement to redundancy.
2. Please refer to the remuneration reports in **Appendix B**. Under the DOCA these costs are not off-set against funds to be transferred into the Creditors Trust.

3. This is an estimate of the cost of the liquidation to finalisation of the run-off of the Receivables Books, which has been forecast on a monthly basis until 30 June 2022.
4. We have provided an estimate for our total legal costs. Under the DOCA these costs will be paid from cash at bank at completion of the DOCA and not from funds to be transferred into the Creditors Trust.
5. Under the DOCA scenario we have provided an estimate of transaction success fees payable to Moelis. Under the DOCA these costs will be paid from cash at bank and not from funds to be transferred into the Creditors Trust. In the event of liquidation these costs will relate to monthly retainers payable until termination of Moelis' services.

11.3.4 Senior Lenders Debt

1. On our appointment the amount outstanding to the Syndicate Lenders was \$60m. On our appointment all the cash at bank of the Group was swept by the Syndicate Lenders and applied in reduction of debt after taking into consideration accrued interest, costs and the cost of cancelling interest rate hedges which were in place. During the administration we have not paid any interest to the Syndicated Lenders. We have forecast the accrued interest due to the Syndicated Lenders in the DOCA scenario up until 31 August 2019 including accrued fees and costs. In the event of liquidation we have forecast interest and fees until the time the Syndicated Lenders debt is forecast to be repaid.
2. On our appointment the amount outstanding to the Warehouse Lender was \$121.4m. On the acquisition of the SWF by DB, cash held by the SWF Trustee was applied against accrued interest, fees and the cost of cancelling interest rate hedges in place. After allowing for these costs and fees on the SWF a net \$11m is offset against the debt which currently stands at \$110.5m before accrued interest. During the administration all interest accruing on the SWF has been paid, however under the DOCA scenario we have made an allowance of \$400k for accrued interest to 31 August 2019.
3. As discussed in **Section 5.1.2.1**, in order to trade the business of the Group and originate new Receivables during the administration, DB as the Warehouse Lender in AEWT and Syndicated Lender in ACN Co imposed a fee, without which we would have had to commence the immediate run-off of the Receivables Book. This fee is payable on the repayment of the SWF or its maturity. This fee of \$4.8m has been included in 'Less cash sweep net of hedge payout, costs and fees'.
4. It is expected the Senior Lenders' claims will be repaid in full.

11.3.5 Subordinated Noteholders

1. Series 2 Noteholders

Under the DOCA, subject to the agreement of the Series 2 Noteholders, they will receive:

- Full repayment of outstanding principal in respect of Series 2 Notes; and
- Full payment of all accrued interest that the Series 2 Noteholders would have been entitled to had Administrators not been appointed to the Group on the date of appointment, accruing up to (and including) the completion date under the DOCA.

Subject to Series 2 Noteholders approval being obtained by the requisite majorities and the DOCA being completed, Series 2 Noteholders will not receive any default interest or any early repayment fees in respect of the Series 2 Notes, which would otherwise have been payable to them. The early prepayment fee that will not be paid, but which would have otherwise been payable, is 1.5% of the face value of the Series 2 Notes, and any default interest would have been calculated at an additional rate of 2% per annum.

Under the DOCA, the value attributable to not paying the early redemption fee and default interest (defined as the **Estimated Amounts Surplus** under the DOCA and Creditors' Trust) will be remitted to the Creditors Trust, for the benefit of unsecured creditors.

In the event of liquidation, principal repayments for Series 2 Noteholders would not commence until at least June 2020, with full repayment of Series 2 Noteholder claims occurring by no earlier than March 2021 including accrued interest.

2. Series 1 Noteholders

Under the DOCA, subject to the agreement of the Series 1 Noteholders, they will receive:

- Full repayment of outstanding principal in respect of the Series 1 Notes; and
- Full payment of all accrued interest that the Series 1 Noteholders would have been entitled to had Administrators not been appointed to the Group on the date of appointment, accruing up to (and including) the completion date under the DOCA.

Subject to Series 1 Noteholders approval being obtained by the requisite majorities and the DOCA being completed, Series 1 Noteholders will not receive any default interest or any early repayment fees in respect of the Series 1 Notes, which would otherwise have been payable to them in respect of the Series 1 Notes. The early prepayment fee that will not be paid, but which would have otherwise been payable, was 3% of the face value of the Series 1 Notes, and any default interest would have been calculated at an additional rate of 8.5% per annum plus the Bank Bill Swap Bid Rate.

Under the DOCA the value attributable to not paying the early redemption fee and default interest (defined as the **Estimated Amounts Surplus** under the DOCA and Creditors' Trust) will be remitted to the Creditors Trust, for the benefit of unsecured creditors.

In the event of liquidation principal repayments for Series 1 Noteholders would not commence until at least March 2021, with full repayment of Series 1 Noteholder claims occurring by no earlier than June 2022 including accrued interest.

3. Under the DOCA, holders of Subordinated Notes are expected to be paid in full, however, in the event of liquidation, Series 1 Noteholders in a low scenario are estimated to receive 88.1 cents in the dollar.

11.3.6 Assets available to unsecured creditors

1. Under the DOCA, between \$19.3m and \$19.9m is expected to be available to be distributed to unsecured creditors, this is made up of the following amounts:
 - \$16.2m proposed under the DOCA
 - \$1.5m which would have otherwise been paid to Series 1 and Series 2 Noteholders for default interest and early redemption fees (Estimated Amounts Surplus)
 - \$950k to \$1.5m in respect of expected net realisations from the Canadian entity, which is excluded from the DOCA
 - \$660k from the expected realisation of the AXL Listed Shell.

In the event of liquidation between nil and \$13.7m on a low and high basis respectively is expected to be available to unsecured creditors, representing the risks of realisation of the assets of the Group.

2. It should also be noted in the event of a run-off/liquidation there is not expected to be a dividend paid to unsecured creditors until after 30 June 2022. Under the terms of the SCB, interest (including default interest) would accrue, potentially increasing SCB Holders' claim by \$15.8m by 30 June 2022.

11.3.7 Shareholders

Given that unsecured creditors will not be paid in full, there will be no return to shareholders of AXL under either the DOCA scenario or liquidation from the sale of the subsidiaries or realisation of AXL's assets.

12 Administrators' Opinion

12.1 Introduction

The following options are available to creditors to decide:

- The Companies' execute a DOCA;
- The voluntary administrations; end
- The Companies be wound up.

Our opinions on each option and the reasons for our opinions are discussed below.

12.2 The Companies execute a DOCA

As noted in the above, a DOCA has been proposed by PH304 for the ownership of the Group.

For the DOCA to come into effect, the majority of creditors present at the second meeting of creditors and entitled to vote will need to pass a resolution voting in favour of the DOCA proposal in respect to each Company.

We are of the opinion that the return to creditors would be greater under the proposed DOCA than in a liquidation scenario. We are also of the opinion that the proposed DOCA would provide greater certainty of a return, as well as continued employment for the employees and provide sufficient resources to recapitalise the business.

12.3 The administrations should end

Based on our analysis, the Companies are presently insolvent and unable to pay their debts as and when they fall due. Ending the voluntary administration would not be in the best interests of creditors and would expose the Directors to the possibility of liability for insolvent trading. Accordingly, we cannot recommend that the voluntary administration ends and control be returned to the Directors.

12.4 The Companies be wound up

As there is a DOCA proposed which would result in a greater return than liquidation, we do not recommend that creditors place the Companies into liquidation.

If creditors resolve to place any of the Companies into liquidation, the transaction as contemplated cannot be completed. Additionally, it may adversely impact our ability to sell the business as a going concern.

12.5 Recommendation

In our opinion, creditors would be best served if the Companies execute the proposed DOCA.

We reserve the right to change our recommendation to creditors should there be any change to the DOCA proposal, or if an alternate DOCA proposal is received subsequent to the date of this report.

Should we receive any new information relevant to creditors between issuing this report and the date of the creditors meeting; a summary will be made available on the Creditor Portal which can be accessed using the username and password previously sent to you.

12.5.1 Other Material Information

We are not aware of any other information that is materially relevant to creditors being able to make an informed decision on the Companies' future.

13 Remuneration

Creditors are directed to the Information Sheet – Approving Fees: a guide for Creditors, a copy of which is attached as **Appendix F**.

13.1 Voluntary administration

The Administrators' remuneration is based on the firm's hourly rates which were disclosed in our Initial Remuneration Notice dated 9 April 2019 and included in **Appendix B** (Remuneration Approval Request) to this report. Creditor approval for fees will be sought at the second meeting of creditors.

Details of the time spent by us and our staff in the voluntary administration period to 2 August 2019, as well as our estimate of future fees is attached at **Appendix B**. A summary of our time costs are provided below:

Voluntary administration – remuneration approval sought (\$ excl. GST)	AXL	ACN Co	AXL Operations	AXL Retail	Total
Actual: 7 April 2019 to 2 August 2019	223,846.30	1,945,907.40	273,165.80	51,796.70	2,494,716.20
Future: 3 August 2019 to the second meeting of creditors	59,378.00	502,569.00	67,428.00	12,375.00	641,750.00
Future: from the second meeting of creditors to execution of the DOCA	9,215.00	145,660.00	15,662.50	3,625.00	174,162.50
Total – voluntary administration	292,439.30	2,594,136.40	356,256.30	67,796.70	3,310,628.70

Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the voluntary administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

At the second meeting of creditors, we will propose a resolution in relation to the actual unpaid fees from the commencement of the administrations to the second meeting of creditors and the estimated future fees for the period from the second meeting of creditors to the execution of the DOCA. If a lesser amount is incurred only the amount actually incurred will be paid.

Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the voluntary administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

These fees will be capped and accordingly we will be unable to draw fees more than this amount without further approval by creditors.

13.2 DOCA

If a resolution is passed in favour of a DOCA we will seek creditor approval for DOCA at the second meeting of creditors.

The Deed Administrators' remuneration is based on the firm's hourly rates which are included in **Appendix B** to this report. A summary of the estimated time to be spent by the Deed Administrators and their staff in the DOCA from the execution of the DOCA at the respective hourly rates is also detailed in **Appendix B**.

The estimated fees for the Deed Administrators from execution to the finalisation (effectuation) of the DOCA are as follows:

DOCA – remuneration approval sought (\$ excl. GST)	AXL	ACN Co	AXL Operations	AXL Retail	Total
Future: Execution of the DOCA to the finalisation (effectuation) of the DOCA	113,520.00	383,730.00	43,880.00	8,442.50	549,572.50

At the second meeting of creditors, we will propose a resolution in relation to the estimated Deed Administrators' remuneration from the execution of the DOCA to the finalisation of the DOCA. Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the DOCA. If a lesser amount is incurred, only the amount actually incurred will be paid. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

These fees will be capped and accordingly we will be unable to draw fees more than this amount without further approval by creditors.

13.3 Trustees

If a resolution is passed in favour of the DOCA / Creditors' Trust we will seek remuneration as Trustees at the second meeting of creditors. The Trustees' remuneration is based on the firm's hourly rates which are included in **Appendix B** to this report. A summary of the estimated time to be spend by the Trustees and their staff in administering the Creditors' Trust from the creation of the Creditors' Trust to the dissolution of the Creditors' Trust at their respective hourly rates is attached at **Appendix B**.

The estimated fees for the Trustees from creation of the Creditors' Trust to the dissolution of the Creditors' Trust are as follows:

Creditors' Trust – remuneration approval sought (\$ excl. GST)	Total
Future: Creation of the Creditors' Trust to the dissolution of the Creditors' Trust <i>(one fee in respect of all four entities)</i>	750,920.00

If a lesser amount is incurred only the amount actually incurred will be paid. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

13.4 Current disbursements

The following disbursements have been incurred by our firm for the period from 7 April 2019 to 2 August 2019 in relation to the Administrations.

Internal disbursements (\$ excl. GST)	Rate	AXL	ACN Co	AXL Operations	AXL Retail
ASIC levies	85.00 per item	595.00	595.00	595.00	595.00
Photocopying, printing & postage (externally provided)	At cost		454.52		
Search fees	At cost		400.47		
Advertisement (Sale)	At cost		2,456.21		
Travel – flights, accommodation	At cost		89,309.65		
Taxis, tolls, parking, trains	At cost		17,390.33		
Relativity software	At cost		8,000.00		
Total disbursements (VA – Current)		595.00	118,606.18	595.00	595.00

We are required to obtain creditors consent for the payment of some types of internal disbursements. Creditors will be asked to approve our internal disbursements prior to these disbursements being paid from the voluntary administration. Details of the basis of recovering disbursements in the voluntary administration are detailed in **Appendix B**.

13.5 Future disbursements

The following future internal disbursements are being claimed by our firm for the period from 3 August 2019 to the completion of the Administration and for the period from the execution of the DOCA to completion (effectuation).

Estimated internal disbursements from 3 August 2019 to the completion of VA (\$ excl. GST)	Rate	AXL	ACN Co	AXL Operations	AXL Retail
ASIC levies	85.00 per item	85.00	85.00	85.00	85.00
Total disbursements (VA - future)		85.00	85.00	85.00	85.00

Estimated internal disbursements DOCA period (\$ excl. GST)	Rate	AXL	ACN Co	AXL Operations	AXL Retail
ASIC levies	85.00 per item	340.00	340.00	340.00	340.00
Relativity searches	At cost		21,500.00		
Total disbursements (DOCA – future)		340.00	21,840.00	340.00	340.00

14 Meeting

Pursuant to Section 439A(3) of the Act and Section 75-225 of the IPR, we have attached a notice convening the concurrent second meeting of creditors to be held on **Friday, 30 August 2019 at 11:00am** at the following address:

CQ Functions
Level 2, Room 201
113 Queen Street
Melbourne, Victoria 3000

The notice of meeting is enclosed at **Appendix A**.

Teleconference facilities will be available at the meeting. If you are a creditor or their authorised representative and wish to attend the meeting via telephone, please email axesstoday@deloitte.com.au and we will provide dial-in details for you to join the meeting.

At this meeting creditors will be asked to resolve whether:

- The Companies execute a DOCA
- The administration end
- The Companies be wound up.

Attendance at this meeting is not compulsory, however, those creditors wishing to attend and vote at the second meeting are required to complete and return a **Formal Proof of Debt Form** included at **Appendix G** to this report. Individuals attending the meeting on behalf of a corporate creditor also need to complete and return an **Instrument of Proxy Form** attached at **Appendix H** to this report.

The proxy form allows for a special proxy to be lodged showing approval or rejection of each resolution. Proxy Forms and Formal Proof of Debt Forms or facsimiles thereof must be lodged with the Administrators prior to the commencement of the meeting. Where a facsimile copy of a proxy is sent, the original must be lodged with the Administrators within 72 hours after receipt of the facsimile. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, prior to the commencement of the meeting.

A creditor will not be able to vote at the meeting unless a Proof of Debt or Claim is lodged with us prior to the commencement of the meeting. Those creditors who have already lodged an informal proof of debt are not required to submit a further proof, unless you have an amended claim, in which case please resubmit your claim.

On the Formal Proof of Debt Form please ensure you tick the relevant company of which you are a creditor and on the Proxy Form please vote for only those resolutions for the company of which you are a creditor.

Additional information for Simple Corporate Bond Holders

If you are a Simple Corporate Bond Holder you will be eligible to submit a proxy and vote in each Company in administration because of cross-guarantee provided under the Trust Deed dated 26 June 2018, and because of the arrangements which allow you to vote individually.

If you wish to attend the meeting as a representative (i.e. managers, brokers, custodians) of a SCB Holder, the Simple Corporate Bond Holder will need to sign and complete and return an **Instrument of Proxy Form** attached at **Appendix H**, appointing you as their proxy.

SCB Holders will not be required to submit a **Formal Proof of Debt Form** at **Appendix G** as we will automatically admit their claim in each Company based on the face value of the bond recorded in the SCB Holder register provided to us by Link Market Services on our appointment. If you believe this information to be incorrect, please submit a Formal Proof of Debt Form mentioned above.

Completed forms must be returned to this office by **5:00pm (AEST) on Thursday 29 August 2019**. The relevant return address is detailed below:

Email: axesstoday@deloitte.com.au
Post: Attention: Carly Edmends
[The relevant company/companies of which you are a creditor]
C/ - Deloitte Financial Advisory Pty Ltd
GPO Box 78
MELBOURNE VIC 3001

We trust creditors find this report informative and useful. In the event you have any queries regarding the contents of this report, or the liquidation in general, please do not hesitate to contact Barbara Kekatos of this office on (02) 9322 5526 or at axesstoday@deloitte.com.au.

Yours faithfully



Vaughan Neil Strawbridge
Joint and Several Administrator

Appendix A – Notice of meeting

FORM 529

CORPORATIONS ACT 2001
Section 439A

Insolvency Practice Rules (Corporations)
75-10, 75-15 & 75-225

NOTICE OF MEETING OF CREDITORS
AXSESSTODAY LIMITED, ACN 603 323 182
A.C.N. 603 303 126 PTY LTD, ACN 603 303 126
AXSESSTODAY OPERATIONS PTY LTD, ACN 604 340 785
AXSESSTODAY RETAIL PTY LTD, ACN 161 130 696
(ALL ADMINISTRATORS APPOINTED) (THE COMPANIES)

NOTICE is given that a concurrent meeting of the creditors of the Companies will be held at **CQ Functions Level 2, Room 201, 113 Queen Street, Melbourne, Victoria on 30 August 2019 at 11am.**

A G E N D A

1. To receive a Report on the Companies business, property, affairs and financial circumstances.
2. For creditors to resolve:
 - a. that the Companies execute a Deed of Companies Arrangement; or
 - b. that the administrations should end; or
 - c. that the Companies be wound up.
3. To fix the remuneration of the Joint and Several Administrators.
4. If the Companies execute a Deed of Company Arrangement to fix the remuneration of the Deed Administrators.
5. If the Creditors' Trust is formed, to fix the remuneration of the Trustees.
6. If the Companies are wound up, to consider appointing a Committee of Inspection.
7. Any other business that may be lawfully brought forward.

Telephone conference facilities will be available at the meeting. Should you wish to attend the meeting via telephone, please email axsesstoday@deloitte.com.au and we will provide dial in details for you to join the meeting. Please note under Insolvency Practice Rules (Corporations) (IPR) 75-35 if you wish to participate in the meeting using such facilities you must give to the convener not later than 4pm (AEST) 29 August 2019 a written statement setting out:

- a. the name of the person and of the proxy or attorney (if any); and
- b. an address to which notices to the person, proxy or attorney may be sent; and
- c. a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

Proxies to be used at the meeting should be given to me as Joint and Several Administrators to the person named as convening the meeting. A creditor can only be represented by proxy or by an attorney pursuant to Insolvency Practice Rules (Corporations) (IPR) 75-150 & 75-155 and if a body corporate by a representative appointed pursuant to Section 250D.

Creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the Companies in accordance with IPR 75-85 and that claim has been admitted for voting purposes wholly or in part by the Joint and Several Administrators.

DATED this 20th day of August 2019.

A handwritten signature in black ink, appearing to read 'Vaughan Strawbridge', with a long horizontal stroke extending to the right.

Vaughan Strawbridge
Joint & Several Administrator

Deloitte Financial Advisory Pty Ltd
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Telephone: (02) 9322 7000

Appendix B – Remuneration report

Please see separate attachment

Appendix C – DIRRI

Declaration of Independence, Relevant Relationships and Indemnities

Axesstoday Limited (ACN 603 323 182)
A.C.N. 603 303 126 Pty Ltd (ACN 603 303 126)
Axesstoday Operations Pty Ltd (ACN 604 340 785)
Axesstoday Retail Pty Ltd (ACN 161 130 696)
(all Administrators Appointed)
(the Group)

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

1. their independence generally;
2. relationships, including
 - a. the circumstances of the appointment;
 - b. any relationships with the company and others within the previous 24 months;
 - c. any prior professional services for the company within the previous 24 months;
 - d. that there are no other relationships to declare; and
3. any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners and Deloitte Financial Advisory Pty Limited (**Deloitte**).

1 Independence

We, Vaughan Strawbridge, Glen Kanevsky and Sal Algeri of Deloitte have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Voluntary Administrators of the Group in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

2 Declaration of Relationships

a. Circumstances of appointment

2.1 Independent Business Review

On 14 September 2018, we were engaged jointly by the Commonwealth Bank of Australia (**CBA**) and Macquarie Bank Limited (**Macquarie**) (together **the Secured Lenders**) to conduct an Independent Business Review (**IBR**) on the Group. This was as a result of the Group breaching a number of its lending covenants under its facility agreement with the Secured Lenders (**the Secured Facilities Agreement**).

In our role for the IBR, we:

- Obtained an understanding of the Group's financial position, trading forecast and forecast cash flow. This included an analysis on the Group's working capital, review of the key assumptions and inherent risks and sensitivities in the forecasts, as well as an understanding of the Group's financial reporting framework.
- Reviewed the Group's covenant compliance under the Secured Facilities Agreement for May, June and July 2018 based on monthly management information in order to assess any other potential or actual events of default under the Secured Facilities Agreement.

During this engagement, Deloitte staff were based predominantly on site at the Group's head office in Melbourne and had daily meetings and interactions with both the Group's management and with the Secured Lenders up to the issuance of our final report on 23 October 2018. A copy of our final report was provided to the Group.

Deloitte received remuneration of \$424,123 (excluding GST) for the preparation of the IBR, invoiced to and paid by the Group under the terms of the Secured Facilities Agreement.

2.2 Monitoring Engagement

By engagement letter dated 26 November 2018, but effective 26 October 2018 we were further engaged by the Secured Lenders to perform ongoing monitoring of the status of the Group's restructure.

In this role, we participated in meetings and discussions with both the Group and the Secured Lenders, and reviewed various financial and other information provided by the Group necessary for us to understand and report on the activities being undertaken by the Group as part of its restructure.

At the request of the Secured Lenders and as part of the monitoring engagement, we also met with the Group's auditors to ask them to confirm timing of the finalisation of the Group's half-year financial accounts for the period to 31 December 2018.

Remuneration for services rendered in connection with ongoing monitoring of the Group's restructure totalled \$184,020 (excluding GST). An amount of \$88,571 (excluding GST) was invoiced to and paid by the Group under the terms of the Facility Agreement. The remaining \$95,449 (excluding GST) will be invoiced to and paid by the Secured Lenders.

2.3 Supplementary Independent Business Review

By engagement letter dated 14 December 2018, the Secured Lenders engaged us to perform supplementary work to the IBR, involving analysis of the Group's loan book and compliance with historical financial covenants. Our remuneration for this work was \$73,500 (excluding GST), invoiced and paid by the Group under the terms of the Facility Agreement. This work occurred concurrently with the Monitoring Engagement.

2.4 Meetings in relation to potential appointment as Voluntary Administrators

On 11 February 2019, Glen Kanevsky and Vaughan Strawbridge had a telephone discussion with Matthew Reynolds, and a separate meeting in person with Michael Sack at the offices of Deloitte in Melbourne, to discuss options available to the Group, including the appointment of voluntary

administrators. Messrs Reynolds and Sack are directors of companies within the Group. The matters discussed were the same during both meetings.

On 5 April 2019, Glen Kanevsky had a telephone discussion with Yaniv Meydan (also a Director of companies in the Group), Matthew Reynolds and Michael Sack to discuss procedural matters with respect to the appointment and role of voluntary administrators.

On 5 April 2019, Vaughan Strawbridge met via telephone with the lawyers to the Group, Arnold Block Leibler, and discussed the proposed strategy of the voluntary administrator should an appointment occur.

On 6 April 2019, Glen Kanevsky had a further conversation with Yaniv Meydan, to discuss procedural matters with respect to the appointment and role of voluntary administrators and the administration strategy.

We have provided no other information or advice to the Group, the directors and their advisors prior to our appointment beyond that outlined in this DIRRI.

We were not remunerated for these discussions.

The directors appointed us as voluntary administrators on 7 April 2019.

i. Basis for maintaining independence

The above engagement, discussions and meetings do not affect our independence for the reasons detailed below.

The IBR:

- Comprised an objective review of the Group's financial position, forecast financial performance and restructure which has assisted us to gain an understanding of the Group and its activities, which are complex. As a result of that review, we have developed a working understanding of the systems that the Group uses and the challenges faced by the business that will assist in framing a recommendation to creditors.
- Would not be subject to review or challenge during the course of the administration due to the nature of the engagement and will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the administration of the Group.
- Falls within the exceptions to the two year rule for a prior professional relationship, where the relationship is an Investigating Accountant Report leading to a formal appointment under section 6.8.1(c) of the Code of Professional Practice for Insolvency Practitioners.

The Monitoring Engagement:

- Enabled us to obtain additional understanding of the Group's activities and financial status.
- Would not be subject to review or challenge during the course of the administration due to the nature of the engagement and will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the administration of the Group.

Pre-appointment meeting and discussion (11 February 2019):

- These meetings were in the nature of a pre-appointment discussion. During these meetings advice was limited to verbal discussions of the potential options available to the Group. The meeting was aided by a general document prepared for this purpose.
- It is our opinion that this meeting and discussion does not present a conflict or impediment as we do not consider ourselves to be bound to provide services to the Group in relation to this matter, or in any way obligated to deliver a favourable outcome to any party, nor will the advice provided be subject to review and challenge during the course of the voluntary administration.
- No payments received by Deloitte are capable of being preference payments as they have been made pursuant to secured funding arrangements.
- We consider that there can be no perception of a lack of independence in respect of the Group, particularly where:
 - we have not assumed any role advising the board or individual directors on their duties under the Corporations Act, the management of the Group or in managing the affairs of the Group; and
 - the Group appointed Moelis to be its own advisors.
- Similarly in respect of the Secured Lenders, we consider that there can be no perception of a lack of independence in circumstances where:
 - there is a significant benefit to creditors derived from our historical involvement;
 - to the extent that information learnt is still current and relevant, it will be provided to creditors in our section 439A report; and
 - we will retain our own independent solicitors and not use the solicitors retained either by the Group or the Secured Lenders.
- The Courts and the ARITA Code of Professional Conduct specifically recognise the need for practitioners to discuss the insolvency process and the options available and do not consider that such discussions results in a conflict or is an impediment to accepting the appointment.

b. Relevant Relationships (excluding Professional Services to the Group)

We, or a member of our firm, have, or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why this relationship does not result in a conflict of interest
Commonwealth Bank of Australia Limited (CBA)	CBA holds an All Present and After-Acquired Property charge over substantially the whole of the property of the Group.	We do not consider previous formal insolvency and advisory engagements accepted for CBA to present a conflict as there is no connection between these engagements and the Group.
	We have undertaken a number of formal insolvency and advisory engagements for CBA in the usual course of business.	The provision of Accounting, Advisory, Consulting, Data Analytics, Forensic, Risk Services and Tax services to CBA brings about a commercial relationship that in our opinion does not present a conflict or impediment as it does not impact upon the position of the Group.

Name	Nature of relationship	Reasons why this relationship does not result in a conflict of interest
	<p>Deloitte has provided and continues to provide Accounting, Advisory, Consulting, Data Analytics, Forensic, Risk Services and Tax services to CBA.</p>	<p>We are not paid any commissions, inducements or benefits to undertake any engagements with CBA and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p> <p>There is no relationship with CBA which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.</p>
<p>Macquarie Bank Limited (Macquarie)</p>	<p>Macquarie holds an All Present and After-Acquired Property charge over substantially the whole of the property of the Company (registered by CBA under the terms of the Facility Agreement).</p>	<p>We do not consider previous formal insolvency and advisory engagements accepted for Macquarie to present a conflict as there is no connection between these engagements and the Group.</p>
	<p>We have undertaken a number of formal insolvency and advisory engagements for Macquarie in the usual course of business.</p>	<p>The provision of Accounting, Advisory, Consulting, Data Analytics, Forensic, Risk Services and Tax services to Macquarie brings about a commercial relationship that in our opinion does not present a conflict or impediment as it does not impact upon the position of the Company.</p>
	<p>Deloitte has provided and continues to provide Accounting, Advisory, Consulting, Data Analytics, Forensic, Risk Services and Tax services to CBA.</p>	<p>We are not paid any commissions, inducements or benefits to undertake any engagements with Macquarie and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p>
		<p>Therefore there is no relationship with Macquarie which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.</p>
<p>Permanent Custodians Limited (PCL)</p>	<p>PCL holds an All Present and After-Acquired Property with Exceptions charge over substantially the whole of the property of the Company.</p>	<p>We have never undertaken any work for PCL in respect of the Group</p>
<p>FIIG Securities Limited (FIIG)</p>	<p>FIIG is the custodian for the second ranking creditors pursuant to the security held by PCL.</p>	<p>We do not consider previous engagements for FIIG to present a conflict as there is no arrangement between us that we will give any work arising out of the administration to them.</p>
		<p>The provision of Advisory Services to FIIG brings about a commercial relationship that in our opinion does not present a conflict or</p>

Name	Nature of relationship	Reasons why this relationship does not result in a conflict of interest
BNY Mellon	BNY Mellon is the trustee of the bonds/noted issued relating to the security held by PCL.	<p>impediment as it does not impact upon the position of the Company.</p> <p>We are not paid any commissions, inducements or benefits to undertake any engagements with FIIG and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p> <p>Therefore there is no relationship with FIIG which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.</p>
Perpetual Corporate Trust Limited	Perpetual is the Trustee for the Axesstoday Equipment Warehouse Trust. It holds an All Present and After-Acquired Property with exceptions charge over the property of the Company.	<p>We do not consider previous engagements for BNY Mellon to present a conflict as there is no arrangement between us that we will give any work arising out of the administration to them.</p> <p>The provision of Services to BNY Mellon brings about a commercial relationship that in our opinion does not present a conflict or impediment as it does not impact upon the position of the Company.</p> <p>We are not paid any commissions, inducements or benefits to undertake any engagements with BNY Mellon and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p> <p>Therefore there is no relationship with BNY Mellon which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.</p> <p>We do not consider previous engagements for Perpetual Corporate Trust Limited to present a conflict as there is no arrangement between us that we will give any work arising out of the administration to them.</p> <p>The provision of Accounting, Consulting, Advisory and Tax Services to Perpetual Corporate Trust Limited brings about a commercial relationship that in our opinion does not present a conflict or impediment as it does not impact upon the position of the Company.</p>

Name	Nature of relationship	Reasons why this relationship does not result in a conflict of interest
		<p>We are not paid any commissions, inducements or benefits to undertake any engagements with Perpetual Corporate Trust Limited and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p> <p>Therefore there is no relationship with Perpetual Corporate Trust Limited which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.</p>

As specified on page 1, we have been appointed as Voluntary Administrators of four companies in the Group. We are of the view that the appointment to the group of companies will have practical benefits to our conduct, particularly in that this will enable an accurate view to be obtained of the financial position of the group as a whole. We are aware that there may be inter-company transactions within the group but at this time we are not aware of any potential conflicts arising from our appointment over the group companies. However, if in the future any inter-company dealings give rise to a conflict then we undertake to disclose any such conflicts to the creditors and, if required, seek Court directions as to the appropriate means of resolving the conflict among members of the group.

c. Prior Professional services to the Group

Neither we, nor our firm, have provided any other professional services to the Group in the previous 24 months.

d. No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Group, an associate of the Group, a former insolvency practitioner appointed to the Group or any person or entity that has security over the whole or substantially whole of the Group property that should be disclosed.

3 Indemnities and up-front payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.


Dated:



Vaughan Strawbridge
 Joint and Several Administrator



Glen Kanevsky
 Joint and Several Administrator



Sal Algeri

Joint and Several Administrator

Note:

If circumstances change, or new information is identified, we are required under the Corporations Act 2001 and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors.

Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

Appendix D – Receipts & payments

Aksesstoday Limited (Administrators Appointed)

Summary of receipts and payments for the period 7 April 2019 to 31 July 2019	Amount (\$) (Inc. GST)
Receipts	
Bank interest	1,343
Refunds	3,745
Intercompany transactions with ACN Co	97,128
Total receipts	102,216
Payments	
Bank charges	12,273
Electricity	2,331
Registry fees	34,142
Professional fees	
KPMG (AASB modelling)	20,571
Legal fees	
ABL (sale of business)	23,644
GST receivable	8,069
Total payments	101,029
Cash at bank - 31 July 2019	1,187

A.C.N 603 303 126 Pty Ltd (Administrators Appointed)

Summary of receipts and payments for the period 7 April 2019 to 31 July 2019	Amount (\$) (Inc. GST)
Receipts	
Sales	49,503,965
Miscellaneous income	1,661,789
Intercompany services	2,331
Warehouse sales	6,226,174
Bank interest	4,697
Intercompany transactions with AXL Ops	44,461
GST payable	4,042,847
Total receipts	61,486,263
Payments	
Loan originations	11,666,066
Customer refunds	282,228
Inter-company services	3,327,944
Bank charges	76,420
Commissions paid	1,159,973
Insurance	112,492
Secured creditor	19,090,638
Professional fees	
Moellis Australia (sale of business)	480,028
Legal fees	
Gadens (collection matters)	13,913
Norton Rose Fullbright (voluntary administration)	279,180
National Recovery Solutions (collection matters)	27,026
CIE Legal (collection matters)	1,720
GST receivable	1,163,090
Intercompany transactions with AXL	97,128
Intercompany transactions with AXL Retail	5
Total payments	37,777,850
Cash at bank - 31 July 2019	23,708,413

Aksesstoday Operations Pty Ltd (Administrators Appointed)

Summary of receipts and payments for the period 7 April 2019 to 31 July 2019	Amount (\$) (Inc. GST)
Receipts	
Miscellaneous Income	855
Inter-company services	3,359,467
Cash at bank	9,508
Refunds	34,156
Intercompany transactions with ACN Co	46,025
GST payable	336,032
Total receipts	3,786,044
Payments	
IT expenses	540,603
Inter-company services	2,331
Regulatory costs	145
Bank charges	4,568
Lease payments	3,573
Registry fees	7,342
Rent paid (commercial)	383,212
Repairs & maintenance	961
Stationery & printing	5,264
Sundry expenses	515
Superannuation	188,630
Telephone & internet	23,203
Transport / courier	1,653
Wages & salaries	1,997,343
Sub-contractors	229,095
Collection costs	
Australian Repossession Services (debt collection)	44,419
Other collection costs	4,489
Secure records destruction	45
Employee expense reimbursement	80,800
Origination expenses	5,275
Records storage	1,500
Payroll expenses	1,687
Payroll tax	93,710
Telephone & internet (GST free)	193
Company secretarial services	5,145
Agents/valuers fees (taxable)	
Ansarada (electronic data room)	3,998
Slattery Valuations (assets valuation)	500
Insurance of assets (taxable)	4,240
Legal Fees (taxable)	
Ashurst (employment matters)	3,047
Gadens (collection matters)	1,945
TSS (visa sponsorship)	9,315
CIE Legal (collection matters)	7,475
NRS (collection matters)	66,199
Employees	56,725
GST receivable	109,233
GST clearing account	492,569
Withholding tax (PAYG)	609,335
Total payments	3,771,614
Cash at Bank - 31 July 2019	14,430

Aksesstoday Retail Pty Ltd (Administrators Appointed)

Summary of receipts and payments for the period 7 April 2019 to 31 July 2019	Amount (\$) (Inc. GST)
Receipts	
Intercompany transactions with ACN Co	10
Total receipts	10
Payments	
Bank charges	10
Total payments	10
Cash at bank - 31 July 2019	-

Appendix E – ARITA Information Sheet on Offences, Recoverable and Insolvent Trading

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading

Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Appendix F – Approving Fees: A guide for creditors



ASIC

Australian Securities & Investments Commission

Approving fees: A guide for creditors

If a company is in financial difficulty, it can be put under the control of an independent external administrator.

This information sheet (INFO 85) gives general information for creditors on the approval of an external administrator's fees in a liquidation of an insolvent company, voluntary administration or deed of company arrangement (the fees of a receiver are fixed by the secured creditor that appoints the receiver and are not discussed in this information sheet). It outlines the rights that creditors have in the approval process.

It covers:

- [entitlement to fees and costs](#)
- [who may approve fees](#)
- [calculation of fees](#)
- [initial remuneration notice](#)
- [report on proposed fees](#)
- [deciding if fees are reasonable](#)
- [reimbursement of out-of-pocket costs](#)
- [queries and complaints](#)

Entitlement to fees and costs

A liquidator, voluntary administrator or deed administrator (i.e. an 'external administrator') is entitled to be:

- paid reasonable fees, or remuneration, for the necessary work they properly perform, once these fees have been approved by creditors, a committee of inspection or a court
- reimbursed for out-of-pocket costs incurred in performing their role.

External administrators are only entitled to an amount of fees that is reasonable for the necessary work that they and their staff properly perform in the external administration. What is reasonable will depend on the type of external administration and the issues that need to be resolved. Some are straightforward, while others are more complex.

External administrators must undertake some tasks that may not directly benefit creditors. These include reporting potential breaches of the law and lodging with ASIC a detailed listing of receipts and payments, known as an annual administration return, annually on the anniversary of their appointment and at the end of their administration.

The external administrator is entitled to be paid for completing these statutory tasks.

Note: If the external administration commenced prior to 1 September 2017, the external administrator will continue to lodge the six-monthly [Form 524 Presentation of accounts and statement](#) until the six-month period ending on the first anniversary of their appointment date. Thereafter, they will lodge the annual administration return.

Out-of-pocket costs that are commonly reimbursed include:

- legal fees
- valuer's, real estate agent's and auctioneer's fees

- stationery, photocopying, telephone and postage costs
- retrieval costs for recovering the company's computer records
- storage costs for the company's books and records.

Creditors have a direct interest in the level of fees and costs, as the external administrator will generally be paid from the company's available assets before any payments to creditors. If there are not enough assets, the external administrator may have arranged for a third party to pay any shortfall. As a creditor, you should receive details of such an arrangement. If there are not enough assets to pay the fees and costs, and there is no third party payment arrangement, any shortfall is not paid.

Who may approve fees

An external administrator's fees must be approved by one of the following ways:

- by resolution of creditors
- by a committee of inspection (if there is a committee of inspection) if no resolution has been passed by creditors
- by the court if neither the creditors nor a committee of inspection have passed a resolution.

Note: An external administrator in a members' voluntary winding up must have fees approved by a resolution of the company, or the court.

The external administrator must provide sufficient information to enable the relevant decision-making body to assess whether the fees are reasonable.

If fees are not approved by the relevant decision-making body, the liquidator is entitled to be paid reasonable fees up to a maximum of \$5,000 excluding GST (indexed annually).

Creditors' approval at a creditors' meeting

Creditors can approve fees by passing a resolution at a creditors' meeting. Unless creditors call for a poll, the resolution passes if a simple majority of creditors present and voting, in person or by proxy, indicates that they agree to the resolution.

If a poll is taken, rather than a vote being decided on the voices, a majority in number and value of creditors present and voting must agree. A poll requires the votes of each creditor to be recorded.

A separate resolution of creditors is required for approving fees for an administrator in a voluntary administration and an administrator of a deed of company arrangement, even if the administrator is the same person in both administrations.

A proxy is where a creditor appoints someone else to represent them at a creditors' meeting and to vote on their behalf. A proxy can be either a general proxy or a special proxy. A general proxy allows the person holding the proxy to vote as they wish on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the external administrator as a proxy to vote on the creditor's behalf. An external administrator, their partners or staff must not use a general proxy to vote on approval of their fees; they must hold a special proxy in order to do this. They must vote all special proxies as directed, even those against approval of their fees.

Creditors' approval without a creditors' meeting

Instead of convening a creditors' meeting, the external administrator can put proposals to creditors by giving notice in writing.

This notice must be given to each creditor who would be entitled to receive notice of a meeting and:

- include a statement of the reasons for the proposal and the likely impact the proposal will have on creditors
- invite the creditor to either:
 - vote 'yes' or 'no' for the proposal
 - object to the proposal being resolved without a meeting

- specify a reasonable time for creditors' replies to be received by the external administrator.

To vote on the proposal, a creditor must lodge details of your debt or claim with the external administrator and complete the voting documents provided by the external administrator.

Creditors can vote 'yes' or 'no' on the proposal or object to the proposal being resolved without a creditors' meeting. You should return your response to the external administrator within the time specified in the notice which must be at least 15 business days after the notice is given to creditors.

A resolution is passed if the majority of creditors in number and value who responded to the notice voted 'yes' and if not more than 25% in value of the creditors who responded objected to the proposal being resolved without a creditors' meeting.

The external administrator should provide creditors enough information to allow them to make an informed decision about the proposal. A creditor should contact the external administrator to obtain further information if they think it necessary for them to make a decision.

The external administrator must lodge with ASIC the outcome of the proposal. A copy of the outcome of the proposal may be obtained by searching the [ASIC registers](#) and paying the relevant fee.

Committee of inspection approval

If there is a committee of inspection, the committee of inspection can approve an external administrator's fees. In approving the fees, the members represent the interests of all creditors or employees, not just their own individual interests.

A committee of inspection makes its decision by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

To find out more about committees of inspection and how they are formed, see [Information Sheet 45 Liquidation: A guide for creditors](#) (INFO 45), [Information Sheet 74 Voluntary administration: A guide for creditors](#) (INFO 74) and [Information Sheet 41 Insolvency: A glossary of terms](#) (INFO 41).

Calculation of fees

Fees may be calculated using one of a number of different methods, such as:

- on the basis of time spent by the external administrator and their staff
- a quoted fixed fee, based on an upfront estimate
- a percentage of asset realisations.

Charging on a time basis is the most common method. If an external administrator seeks approval for charging wholly or partly on a time basis, and the work is yet to be carried out, the approval sought must include a maximum limit ('cap') on the amount of remuneration the external administrator is entitled to receive. For example, future fees calculated according to time spent may be approved on the basis of the number of hours worked at the rates charged (as set out in the provided rate scale) up to a cap of \$X. If the work involved then exceeds this figure, the external administrator will have to ask the creditors/committee to approve a further amount of fees, after accounting for the fees already incurred.

The external administrator and their staff will record the time taken for the various tasks involved, and a record will be kept of the nature of the work performed.

External administrators have a scale of hourly rates, with different rates for each category of staff working on the external administration, including the external administrator. If the external administrator intends to charge on a time basis, you should receive a copy of these hourly rates soon after their appointment and before you are asked to approve the fees. It is important to note that the hourly rates do not represent an hourly wage for the external administrator and their staff.

The external administrator is running a business – an insolvency practice – and the hourly rates will be based on the cost of running the business, including overheads such as rent for business premises, utilities, wages and superannuation for staff who are not charged out at an hourly rate (such as personal assistants), information technology support, office equipment and supplies, insurances, taxes, and a profit.

External administrators are professionals who are required to have qualifications and experience, be independent and maintain up-to-date skills. Many of the costs of running an insolvency practice are fixed costs that must be paid, even if there are insufficient assets available to pay the external administrator for their services. External administrators compete for work and their rates should reflect this.

These are all matters that committee members or creditors should be aware of when considering the fees presented. However, regardless of these matters, creditors have a right to question the external administrator about the fees and whether the rates are negotiable.

It is up to the external administrator to justify why the method chosen for calculating fees is an appropriate method for the particular external administration. As a creditor, you also have a right to question the external administrator about the calculation method used and how the calculation was made.

Initial remuneration notice

The external administrator must send creditors a notice setting out the following information if they propose to seek fee approval for the external administration:

- the method by which they seek to be paid
- the rate of fees
- an estimate of the expected amount of total fees
- the method how out-of-pocket costs will be calculated
- a brief explanation of the different methods to calculate fees
- an explanation why they chose the particular fee method by which they seek to be paid
- if a time-cost basis was chosen, the hourly rates of the external administrator and other staff who will work on the external administration.

This initial remuneration notice must be sent to creditors:

- in a voluntary administration – at the same time as the notice of the first meeting of creditors is sent
- in a court liquidation – within 20 business days after the liquidator's appointment
- in a voluntary liquidation – within 10 business days after the day of the meeting at which the resolution to wind up the company is passed.

Report on proposed fees

When seeking approval of fees, the external administrator must send creditors/committee members a report setting out:

- a summary description of the major tasks performed, or likely to be performed
- the costs associated with each of these tasks and the method of calculation of the costs
- the periods when funds will be drawn to pay the fees
- an estimated total amount, or range of amounts, of total fees
- an explanation of the likely impact the fees will have on any dividends to creditors
- such other information that will assist in assessing the reasonableness of the fees claimed.

Creditors/committee members may be asked to approve fees for work already performed or an estimate of work yet to be carried out. For more on the tasks involved, see [INFO 45](#) and [INFO 74](#).

Deciding if fees are reasonable

If asked to approve an amount of fees, your task is to decide if that amount of fees is reasonable, given the work carried out in the external administration and the results of that work.

In addition to the information the external administrator must provide to you before seeking approval of fees, you may find the following additional information from the external administrator useful in deciding if the fees claimed are for necessary work properly performed and reasonable:

- an explanation of why the work performed was necessary

- the size and complexity (or otherwise) of the external administration
- the value and nature of the property dealt with
- the level of risk or responsibility involved with the external administration
- whether there are any extraordinary issues that were required to be dealt with
- the amount of fees (if any) that have previously been approved
- if the fees are calculated, in whole or in part, on a time basis:
 - the period over which the work was or is likely to be performed
 - the time spent by each level of staff on each of the major tasks performed or likely to be performed
 - if the fees are for work that is yet to be carried out, whether the fees are capped.

If you need more information about fees than is provided in the external administrator's report, you should let them know before the meeting at which fees will be voted on.

What can you do if you think the fees are not reasonable?

If you do not think the fees claimed are reasonable, you should raise your concerns with the external administrator. It is your decision whether to vote in favour of, or against, a resolution to approve fees.

Generally, if creditors or a committee of inspection approves fees and you wish to challenge this decision, you may apply to the court and ask the court to review the fees.

You may wish to seek your own legal advice if you are considering applying for a court review of the fees.

As well as a court review of the external administrator's fees, creditors (by resolution of creditors) or one or more creditors (with the external administrator's consent) can appoint a registered liquidator to carry out a review of fees and/or costs incurred by the external administrator of the company.

Note: A creditor can also apply to ASIC in the approved form for it to appoint a reviewing liquidator (see Form 5605 *Application for ASIC to appoint a reviewing liquidator*).

This review is limited to:

- remuneration approved within the six months before the reviewing liquidator is appointed
- costs or expenses incurred during the 12-month period before the reviewing liquidator is appointed (unless the external administrator agrees to a longer period).

The reviewing liquidator must be a registered liquidator. A creditor who wishes to appoint a reviewing liquidator must approach a registered liquidator to get a written consent from that person that they would be prepared to act as reviewing liquidator. The person must also make a written declaration about any relationships they or their firm may have that might affect their independence to act as reviewing liquidator.

The external administrator and their staff, must cooperate with the reviewing liquidator.

If creditors pass a resolution to appoint the reviewing liquidator, the reviewing liquidator's costs form part of the expenses of the external administration of the company. If one or more of the creditors appoint the reviewing liquidator with the consent of the external administrator, the reviewing liquidator's costs are borne by the creditor(s) appointing the reviewing liquidator.

Reimbursement of out-of-pocket costs

An external administrator should be very careful incurring costs that must be paid from the external administration – as careful as if they were dealing with their own money. Their report on fees must also include information on the out-of-pocket costs of the external administration.

Out of pocket expenses (or disbursements) can be categorised into:

- external services or costs such as legal fees, valuation fees, travel, accommodation and search fees
- internal services or costs such as photocopying, printing and postage.

External costs are usually charged at cost and do not require prior approval of creditors.

Internal costs may be charged at a rate higher than actual cost in order to recover overheads and similar costs. In instances where costs are charged at a rate higher than cost, the external administrator will need to obtain creditor approval before being reimbursed.

When seeking approval of out-of-pocket expenses, the external administrator must send creditors/committee members a report setting out:

- a summary description of the out-of-pocket expenses
- how they were calculated
- the total amount the external administrator is seeking reimbursement for
- why the expenses were necessary.

Creditors/committee members may be asked to approve reimbursement of out-of-pocket expenses for expenses already incurred or an estimate of expenses to be incurred.

If the expenses are yet to be incurred, a maximum limit ('cap') should be placed on the amount that the external administrator may incur and reimbursed for.

Queries and complaints

You should first raise any queries or complaints with the external administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a report of misconduct with ASIC – see [How to complain](#).

Lodging your report of misconduct online ensures the quickest response from ASIC to your concerns.

ASIC usually does not become involved in matters of an external administrator's commercial judgement.

Reports of misconduct against companies and their officers can also be made to ASIC.

If you cannot report misconduct online to ASIC, you can contact us on 1300 300 630.

Where can I get more information?

For an explanation of terms used in this information sheet, see [Information Sheet 41 *Insolvency: A glossary of terms*](#) (INFO 41). For more on external administration, see the related information sheets listed in [Information Sheet 39 *Insolvency information for directors, employees, creditors and shareholders*](#) (INFO 39).

Further information is available from the [Australian Restructuring Insolvency & Turnaround Association \(ARITA\) website](#). The ARITA website also contains the [ARITA Code of Professional Practice for Insolvency Practitioners](#).

Important notice

Please note that this information sheet is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice. You should also note that because this information sheet avoids legal language wherever possible, it might include some generalisations about the application of the law. Some provisions of the law referred to have exceptions or important qualifications. In most cases your particular circumstances must be taken into account when determining how the law applies to you.

This is **Information Sheet 85 (INFO 85)**, updated on 1 September 2017. Information sheets provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Appendix G – Proof of debt

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Joint and Several Administrators of (**please tick one**):

Axesstoday Limited (ACN 603 323 182)

A.C.N. 603 303 126 Pty Ltd (ACN 603 303 126)

Axesstoday Operations Pty Ltd (ACN 604 340 785)

Axesstoday Retail Pty Ltd (ACN 161 130 696)

Note: If you are a creditor of more than one company please submit a separate form for each company

1. This is to state that the Company was, on 7 April 2019 ⁽¹⁾ and still is, justly and truly indebted to⁽²⁾ (full name):

 (^Creditor)

 of (full address)

 for \$..... dollars andcents.

Particulars of the debt are:

Date	Consideration ⁽³⁾ state how the debt arose	Amount \$	GST included \$	Remarks ⁽⁴⁾ include details of voucher substantiating payment

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:

 Insert particulars of all securities held. Where the securities are on the property of the Company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount \$ c	Due Date

- I am **not** a related creditor of the Company ⁽⁵⁾ **OR**
 I am a related creditor of the Company and my relationship is ⁽⁵⁾:

If the form is being used for the purpose of voting at a meeting:

Is the debt you are claiming assigned to you? Yes No
If yes, attach written evidence of the debt, the assignment and consideration given Attached
If yes, what value of consideration did you give for the assignment (eg, what amount did you pay for the debt?) \$

3A.^{(6)*} I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

3B.^{(6)*} I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2019

Signature of Signatory

NAME IN BLOCK LETTERS

Occupation

Address.....

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT (Voting / Dividend) - Ordinary	\$
Date Received:	/ /	ADMIT (Voting / Dividend) - Preferential	\$
Entered into CORE IPS:		Reject (Voting / Dividend)	\$
Amount per CRA/RATA	\$	Object or H/Over for Consideration	\$
Reason for Admitting / Rejection			
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED	/ /		

Proof of Debt Form Directions

- * Strike out whichever is inapplicable.
- (1) Insert date of Court Order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up.
- (2) Insert full name and address (including ABN) of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
- (3) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the Company between the dates of", "moneys advanced in respect of the Bill of Exchange".
- (4) Under "Remarks" include details of vouchers substantiating payment.
- (5) Related Party / Entity: Director, relative of Director, related Company, beneficiary of a related trust.
- (6) If the Creditor is a natural person and this proof is made by the Creditor personally. In other cases, if, for example, you are the director of a corporate Creditor or the solicitor or accountant of the Creditor, you sign this form as the Creditor's authorised agent (delete item 3A). If you are an authorised employee of the Creditor (credit manager etc), delete item 3B.

Annexures

- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
- B. An annexure to a form must:
 - (a) have an identifying mark;
 - (b) and be endorsed with the words:

"This is the annexure of (insert number of pages) pages marked (insert an identifying mark) referred to in the (insert description of form) signed by me/us and dated (insert date of signing); and
 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
 - (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.

Appendix H – Appointment of proxy

APPOINTMENT OF PROXY
 CREDITORS MEETING

AXSESSTODAY LIMITED (ADMINISTRATORS APPOINTED)
ACN 603 323 182
(the Company)

***I/*We**⁽¹⁾

Of
being a creditor of the
Aksesstoday Limited, appoint⁽²⁾

or in his or her absence

to vote for me/us on my/our behalf at the meeting of creditors to be held at CQ Functions, Level 2, Room 201, 113 Queen Street, Melbourne, Victoria on Friday, 30 August 2019 at 11:00am or at any adjournment of that meeting.

Please mark any boxes with an **Proxy Type (select one)** General Special
 (Note: If 'General' is selected the proxy holder can vote as he/she thinks fit on any resolution. If 'Special' is selected the proxy holder must vote in accordance with your instructions, i.e. the alternatives you have selected below.)

Resolution	For	Against	Abstain
<p>1. To consider and if thought fit, pass the following resolution (choose ONE of a, b or c):</p> <p>a. "That the Company execute a Deed of Company Arrangement (DOCA)"</p> <p>b. "That the Administration end"</p> <p>c. "That the Company be wound up and Vaughan Strawbridge, Glen Kanevsky and Sal Algeri be appointed Joint and Several Liquidators"</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>2. To consider and if thought fit, approve the current Joint and Several Administrators' remuneration from 7 April 2019 to 2 August 2019:</p> <p>"That the remuneration of the Administrators, for the period of the administration from 7 April 2019 to 2 August 2019, calculated at the hourly rates as detailed in the Initial Remuneration Report of 9 April 2019, is approved for payment in the sum of \$223,846.30, plus GST of \$22,384.63, and that the Administrators can draw the remuneration immediately or as required."</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>
<p>3. To consider and if thought fit, approve the future Joint and Several Administrators' remuneration from 3 August 2019 to the second meeting of creditors:</p> <p>"That the future remuneration of the Administrators from 3 August 2019 to the second meeting of creditors is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice of 9 April 2019, up to a capped amount of \$59,378.00 exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>

Resolution	For	Against	Abstain
<p>4. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Joint and Several Administrators' remuneration from the second meeting of creditors to execution of the DOCA:</p> <p><i>"That the future remuneration of the Administrators from the second meeting of creditors to the execution of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$9,215.00, exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>5. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Deed Administrators' remuneration from execution of the DOCA to finalisation (effectuation) of the DOCA:</p> <p><i>"That the future remuneration of the Deed Administrators from execution of the DOCA to finalisation (effectuation) of the DOCA, is determined at a sum equal to the cost of time spent by the Deed Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$113,520.00, exclusive of GST, and that the Deed Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>6. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Trustees' remuneration from creation of the creditors' trust to the dissolution of the creditors trust:</p> <p><i>"That the future remuneration of the Trustees from the creation of the Creditors' Trust to the dissolution of the Creditors' Trust, is determined at a sum equal to the cost of time spent by the Trustees and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$750,920.00, exclusive of GST, and that the Trustees can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>7. To consider and if thought fit, approve the current Joint and Several Administrators' disbursements from 7 April 2019 to 2 August 2019:</p> <p><i>"That the disbursements of the Administration from 7 April 2019 to 2 August 2019, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 is approved for payment in the sum of \$595.00 and that the Administrators may draw the disbursements immediately or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
<p>8. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements from 3 August 2019 to completion of Administration:</p> <p><i>"That the future disbursements of the Administration from 3 August 2019 to the completion of the voluntary administration period, be determined at a sum equal to the cost spent by the Administrators and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report of 20 August 2019, such sum to be capped at the amount of \$85.00, exclusive of GST, and that the Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>9. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements commencement of the DOCA to execution of the DOCA:</p> <p><i>"That the future disbursements of the Deed Administrators' from commencement of the DOCA is determined at a sum equal to the cost spent by the Deed Administrators' and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 such sum to be capped at the amount of \$340.00, exclusive of GST, and that the Deed Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>10. In the event that the creditors vote to wind-up the Company, to consider and if thought fit, pass the following resolution:</p> <p><i>"That a Committee of Inspection be appointed."</i></p> <p>I am prepared / not* prepare to sit on the Committee of Inspection</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this _____ day of _____ 2019.

Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(1) If a firm, strike out "I" and set out the full name of the firm.

(2) Insert the name, address and description of the person appointed.

APPOINTMENT OF PROXY
CREDITORS MEETING**ACN 603 303 126 Pty Ltd (ADMINISTRATORS APPOINTED)**
ACN 603 303 126
(the Company)*I/*We⁽¹⁾Of
being a creditor of ACN 603 303
126 Pty Ltd, appoint⁽²⁾

or in his or her absence

to vote for me/us on my/our behalf at the meeting of creditors to be held at CQ Functions, Level 2, Room 201, 113 Queen Street, Melbourne, Victoria on Friday, 30 August 2019 at 11:00am or at any adjournment of that meeting.

Please mark any boxes with an **Proxy Type (select one)** General Special

(Note: If 'General' is selected the proxy holder can vote as he/she thinks fit on any resolution. If 'Special' is selected the proxy holder must vote in accordance with your instructions, i.e. the alternatives you have selected below.)

Resolution	For	Against	Abstain
1. To consider and if thought fit, pass the following resolution (choose ONE of a, b or c): a. "That the Company execute a Deed of Company Arrangement (DOCA)" b. "That the Administration end" c. "That the Company be wound up and Vaughan Strawbridge, Glen Kanevsky and Sal Algeri be appointed Joint and Several Liquidators"	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
2. To consider and if thought fit, approve the current Joint and Several Administrators' remuneration from 7 April 2019 to 2 August 2019: <i>"That the remuneration of the Administrators, for the period of the administration from 7 April 2019 to 2 August 2019, calculated at the hourly rates as detailed in the Initial Remuneration Report of 9 April 2019, is approved for payment in the sum of \$1,945,907.40, plus GST of \$194,590.74, and that the Administrators can draw the remuneration immediately or as required."</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To consider and if thought fit, approve the future Joint and Several Administrators' remuneration from 3 August 2019 to the second meeting of creditors: <i>"That the future remuneration of the Administrators from 3 August 2019 to the second meeting of creditors is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice of 9 April 2019, up to a capped amount of \$502,569.00 exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
<p>4. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Joint and Several Administrators' remuneration from the second meeting of creditors to execution of the DOCA:</p> <p><i>"That the future remuneration of the Administrators from the second meeting of creditors to the execution of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$145,660.00, exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>5. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Deed Administrators' remuneration from execution of the DOCA to finalisation (effectuation) of the DOCA:</p> <p><i>"That the future remuneration of the Deed Administrators from execution of the DOCA to finalisation (effectuation) of the DOCA, is determined at a sum equal to the cost of time spent by the Deed Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$383,730.00, exclusive of GST, and that the Deed Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>6. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Trustees' remuneration from creation of the creditors' trust to the dissolution of the creditors trust:</p> <p><i>"That the future remuneration of the Trustees from the creation of the Creditors' Trust to the dissolution of the Creditors' Trust, is determined at a sum equal to the cost of time spent by the Trustees and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$750,920.00, exclusive of GST, and that the Trustees can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>7. To consider and if thought fit, approve the current Joint and Several Administrators' disbursements from 7 April 2019 to 2 August 2019:</p> <p><i>"That the disbursements of the Administration from 7 April 2019 to 2 August 2019, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 is approved for payment in the sum of \$118,606.18 plus GST of \$10,728.29, and that the Administrators' may draw the disbursements immediately or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
<p>8. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements from 3 August to completion of Administration:</p> <p><i>"That the future disbursements of the Administration from 3 August 2019 to the completion of the voluntary administration period, be determined at a sum equal to the cost spent by the Administrators and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report of 20 August 2019, such sum to be capped at the amount of \$85.00, exclusive of GST, and that the Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>9. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements commencement of the DOCA to execution of the DOCA:</p> <p><i>"That the future disbursements of the Deed Administrators' from commencement of the DOCA is determined at a sum equal to the cost spent by the Deed Administrators' and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 such sum to be capped at the amount of \$21,840.00, exclusive of GST, and that the Deed Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>10. In the event that the creditors vote to wind-up the Company, to consider and if thought fit, pass the following resolution:</p> <p><i>"That a Committee of Inspection be appointed."</i></p> <p>I am prepared / not* prepare to sit on the Committee of Inspection</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this _____ day of _____ 2019.

Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(1) If a firm, strike out "I" and set out the full name of the firm.

(2) Insert the name, address and description of the person appointed

APPOINTMENT OF PROXY
CREDITORS MEETING**AXSESSTODAY OPERATIONS Pty Ltd (ADMINISTRATORS APPOINTED)**
ACN 604 340 785
(the Company)*I/*We⁽¹⁾Of
being a creditor of Axesstoday
Operations Pty Ltd, appoint⁽²⁾

or in his or her absence

to vote for me/us on my/our behalf at the meeting of creditors to be held at CQ Functions, Level 2, Room 201, 113 Queen Street, Melbourne, Victoria on Friday, 30 August 2019 at 11:00am or at any adjournment of that meeting.

Please mark any boxes with an **Proxy Type (select one)** General Special
(Note: If 'General' is selected the proxy holder can vote as he/she thinks fit on any resolution. If 'Special' is selected the proxy holder must vote in accordance with your instructions, i.e. the alternatives you have selected below.)

Resolution	For	Against	Abstain
1. To consider and if thought fit, pass the following resolution (choose ONE of a, b or c): a. "That the Company execute a Deed of Company Arrangement (DOCA)" b. "That the Administration end" c. "That the Company be wound up and Vaughan Strawbridge, Glen Kanevsky and Sal Algeri be appointed Joint and Several Liquidators"	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
2. To consider and if thought fit, approve the current Joint and Several Administrators' remuneration from 7 April 2019 to 2 August 2019: <i>"That the remuneration of the Administrators, for the period of the administration from 7 April 2019 to 2 August 2019, calculated at the hourly rates as detailed in the Initial Remuneration Report of 9 April 2019, is approved for payment in the sum of \$273,165.80, plus GST of \$27,316.58, and that the Administrators can draw the remuneration immediately or as required."</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To consider and if thought fit, approve the future Joint and Several Administrators' remuneration from 3 August 2019 to the second meeting of creditors: <i>"That the future remuneration of the Administrators from 3 August 2019 to the second meeting of creditors is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice of 9 April 2019, up to a capped amount of \$67,428.00 exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
<p>4. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Joint and Several Administrators' remuneration from the second meeting of creditors to execution of the DOCA:</p> <p><i>"That the future remuneration of the Administrators from the second meeting of creditors to the execution of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$15,662.50, exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>5. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Deed Administrators' remuneration from execution of the DOCA to finalisation (effectuation) of the DOCA:</p> <p><i>"That the future remuneration of the Deed Administrators from execution of the DOCA to finalisation (effectuation) of the DOCA, is determined at a sum equal to the cost of time spent by the Deed Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$43,880.00, exclusive of GST, and that the Deed Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>6. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Trustees' remuneration from creation of the creditors' trust to the dissolution of the creditors trust:</p> <p><i>"That the future remuneration of the Trustees from the creation of the Creditors' Trust to the dissolution of the Creditors' Trust, is determined at a sum equal to the cost of time spent by the Trustees and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$750,920.00, exclusive of GST, and that the Trustees can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>7. To consider and if thought fit, approve the current Joint and Several Administrators' disbursements from 7 April 2019 to 2 August 2019:</p> <p><i>"That the disbursements of the Administration from 7 April 2019 to 2 August 2019, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 is approved for payment in the sum of \$595.00, and that the Administrators' may draw the disbursements immediately or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
<p>8. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements from 3 August 2019 to completion of Administration:</p> <p><i>"That the future disbursements of the Administration from 3 August 2019 to the completion of the voluntary administration period, be determined at a sum equal to the cost spent by the Administrators and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report of 20 August 2019, such sum to be capped at the amount of \$85.00, exclusive of GST, and that the Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>9. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements commencement of the DOCA to execution of the DOCA:</p> <p><i>"That the future disbursements of the Deed Administrators' from commencement of the DOCA is determined at a sum equal to the cost spent by the Deed Administrators' and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 such sum to be capped at the amount of \$340.00, exclusive of GST, and that the Deed Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>10. In the event that the creditors vote to wind-up the Company, to consider and if thought fit, pass the following resolution:</p> <p><i>"That a Committee of Inspection be appointed."</i></p> <p>I am prepared / not* prepare to sit on the Committee of Inspection</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this _____ day of _____ 2019.

Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(1) If a firm, strike out "I" and set out the full name of the firm.

(2) Insert the name, address and description of the person appointed.

APPOINTMENT OF PROXY
 CREDITORS MEETING

AXSESSTODAY RETAIL Pty Ltd (ADMINISTRATORS APPOINTED)
ACN 161 130 696
(the Company)

***I/*We⁽¹⁾** _____

Of
being a creditor of Axesstoday
Retail Pty Ltd, appoint⁽²⁾ _____

or in his or her absence _____

to vote for me/us on my/our behalf at the meeting of creditors to be held at CQ Functions, Level 2, Room 201, 113 Queen Street, Melbourne, Victoria on Friday, 30 August 2019 at 11:00am or at any adjournment of that meeting.

Please mark any boxes with an **Proxy Type (select one)** General Special
 (Note: If 'General' is selected the proxy holder can vote as he/she thinks fit on any resolution. If 'Special' is selected the proxy holder must vote in accordance with your instructions, i.e. the alternatives you have selected below.)

Resolution	For	Against	Abstain
1. To consider and if thought fit, pass the following resolution (choose ONE of a, b or c): a. "That the Company execute a Deed of Company Arrangement (DOCA)" b. "That the Administration end" c. "That the Company be wound up and Vaughan Strawbridge, Glen Kanevsky and Sal Algeri be appointed Joint and Several Liquidators"	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
2. To consider and if thought fit, approve the current Joint and Several Administrators' remuneration from 7 April 2019 to 2 August 2019: "That the remuneration of the Administrators, for the period of the administration from 7 April 2019 to 2 August 2019, calculated at the hourly rates as detailed in the Initial Remuneration Report of 9 April 2019, is approved for payment in the sum of \$51,796.70, plus GST of \$5,179.67, and that the Administrators can draw the remuneration immediately or as required."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To consider and if thought fit, approve the future Joint and Several Administrators' remuneration from 3 August 2019 to the second meeting of creditors: "That the future remuneration of the Administrators from 3 August 2019 to the second meeting of creditors is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice of 9 April 2019, up to a capped amount of \$12,375.00 exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
<p>4. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Joint and Several Administrators' remuneration from the second meeting of creditors to execution of the DOCA:</p> <p><i>"That the future remuneration of the Administrators from the second meeting of creditors to the execution of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$3,625.00, exclusive of GST, and that the Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>5. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Deed Administrators' remuneration from execution of the DOCA to finalisation (effectuation) of the DOCA:</p> <p><i>"That the future remuneration of the Deed Administrators from execution of the DOCA to finalisation (effectuation) of the DOCA, is determined at a sum equal to the cost of time spent by the Deed Administrators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$8,442.50, exclusive of GST, and that the Deed Administrators can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>6. In the event the creditors vote for the Company to enter into the proposed DOCA, to consider and if thought fit, approve the future Trustees' remuneration from creation of the creditors' trust to the dissolution of the creditors trust:</p> <p><i>"That the future remuneration of the Trustees from the creation of the Creditors' Trust to the dissolution of the Creditors' Trust, is determined at a sum equal to the cost of time spent by the Trustees and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Approval Report of 20 August 2019, up to a capped amount of \$750,920.00, exclusive of GST, and that the Trustees can draw the remuneration on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>7. To consider and if thought fit, approve the current Joint and Several Administrators' disbursements from 7 April 2019 to 2 August 2019:</p> <p><i>"That the disbursements of the Administration from 7 April 2019 to 2 August 2019, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 is approved for payment in the sum of \$595.00, and that the Administrators may draw the disbursements immediately or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
<p>8. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements from 3 August 2019 to completion of Administration:</p> <p><i>"That the future disbursements of the Administration from 3 August 2019 to the completion of the voluntary administration period, be determined at a sum equal to the cost spent by the Administrators and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report of 20 August 2019, such sum to be capped at the amount of \$85.00, exclusive of GST, and that the Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>9. To consider and if thought fit, approve the future Joint and Several Administrators' disbursements commencement of the DOCA to execution of the DOCA:</p> <p><i>"That the future disbursements of the Deed Administrators' from commencement of the DOCA is determined at a sum equal to the cost spent by the Deed Administrators' and their partners and staff, calculated at the rates as detailed in the Remuneration Approval Report dated 20 August 2019 such sum to be capped at the amount of \$340.00, exclusive of GST, and that the Deed Administrators' may draw the disbursements on a monthly basis or as required."</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>10. In the event that the creditors vote to wind-up the Company, to consider and if thought fit, pass the following resolution:</p> <p><i>"That a Committee of Inspection be appointed."</i></p> <p>I am prepared / not* prepare to sit on the Committee of Inspection</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this _____ day of _____ 2019.

Signature

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I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(1) If a firm, strike out "I" and set out the full name of the firm.

(2) Insert the name, address and description of the person appointed.



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