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ASX Announcement & Media Release

Restated 2018 Financial Statements and Update

Melbourne, 29 November 2018

Axsesstoday Limited (ASX: AXL) ("Axsesstoday" or the "Company") refers to its announcement on 8 November 2018 in which it advised the market that it was in the process of working with its auditor to revise its financial statements for the year ended 30 June 2018. The Company has today released its Reissued Annual Report 2018 and provides a further update to the market.

Background

On 12 September 2018, the Board announced that the Company would be entering a trading halt and then subsequently entered voluntary suspension pending the outcome of the Board led internal review after breaches of its Syndicated Facility Agreement were identified. The Company has remained in voluntary suspension throughout this period while it works closely with all its lenders to identify and rectify issues including seeking the necessary amendments and waivers to its lending agreements.

Actions taken by Board of Directors and Management

The Board of Directors and current management team have undertaken a significant review process that has involved a detailed analysis of the Company's business model, operational performance and capital management plan.

Since the departure of the previous CEO, the business has continued to operate under the guidance of the management team consisting of Michael Sack, Executive Director, Joe Flanagan, CFO, and Konrad Pels, acting COO.

On 18 October 2018 the Board engaged Mr Dermott McVeigh, a restructuring expert and previous Deloitte partner, to support the existing management team. He has been, and will continue to be, instrumental in liaising with lenders and investors and in assisting to implement an updated short and long term capital management plan.

Furthermore, the Board has continued the process of searching for a new CEO and Board members. The process is well progressed, and further updates will be made to the market as appointments are made.

The business has implemented several changes to focus on the core strategy of funding business critical equipment in the hospitality and transport sectors:

- Canadian operations have ceased originating new receivables and the loan portfolio (approx. $2.5m) has gone into run off;
- Business loan funding has been discontinued and the remaining portfolio (approx. $15m) will amortise over the course of the next 2 years;
- All new product and sector initiatives have been discontinued indefinitely;
- Credit appetite for new originations has been tightened to ensure the quality of the loan portfolio remains sound moving forward;
- The dividend has been cancelled to preserve equity and support the capital structure of The Company; and
- A focus on pricing margin has been prioritised to ensure that adequate risk-adjusted returns are generated from the portfolio.

The business has continued to operate throughout the period of suspension from the ASX with origination volumes reducing to align with the strategy of only funding business critical equipment.

Engagement with lenders

Syndicated Facility:

The Company continues to have the support of its senior lenders and is working closely with them to obtain the necessary waivers and amendments to the Syndicated Facility Agreement. The review process has involved a granular analysis to ensure that all prior breaches are identified and the Company will remain compliant moving forward post the review process being completed. The Company is confident of receiving the necessary support and amendments from the lenders to ensure the review process is completed successfully and that the Company will be in a position to succeed in the future.

Noteholders and Bondholders:

Through the review process the Company has reviewed its agreements with the Subordinated Noteholders, Series II Noteholders and Simple Corporate Bondholders. On 1 November 2018, the Company issued circular resolutions to all Subordinated and Series II Noteholders. The details of the resolutions can be found on the ASX and on 21 November 2018, the Company announced that the circulating resolutions had passed successfully for both Notes.

On 14 November 2018, the Company issued a circulating resolution to the Simple Corporate Bondholders requesting an amendment to the ICR covenant. The details of the resolution can be found on the ASX and the vote is still continuing with the bondholders.

Restatement of 2018 Financial Statements

The review process has resulted in the Company and its auditors determining that it is necessary to restate the 2018 Financial Statements due to breaches of its lending agreements being identified. The Company has updated their interpretation of their lending agreements, taking a revised and conservative viewpoint. The revised interpretation has led to significant changes in the calculation methodology and interpretation of clauses within the agreements.

The Company has retested of all of its covenants in prior periods, implementing the updated methodologies to ensure all actual and potential historical breaches are identified and addressed. As a result, the Company will be seeking to amend its lending agreements with its Noteholders and Bondholders to ensure the documents are aligned to all parties interpretation and the commercial intent of the agreements and for the avoidance of doubt seeking clarification on waivers of historical breaches.

The previously issued financial statements of the Company for the year ended 30 June 2018 dated 27 August 2018 have been withdrawn and are replaced by the reissued financial statements. The revision was necessary as a result of the impact of breaches of financial covenants and other requirements under the Syndicated Bank Facility (Bank Loans) and Secured and Subordinated Notes agreements (Subordinated Notes) by 30 June 2018 which existed prior to/at 30 June 2018 but were not identified when the financial statements were initially released. Subsequent to the end of the financial year these breaches persisted and other breaches of financial covenants were identified. Conditional waivers have been obtained from financiers at the date of signing these financial statements for certain breaches and the Company intends to raise additional equity of approximately $25 million (before transaction costs) to support the ongoing and future operations of the business as well as to facilitate final rectification of historic breaches, a reset of covenants to achievable levels and permanent rectification of other breaches.

As a result of the identified breaches, the reissued financial statements have been affected as follows:

a) Classification of borrowings as current liabilities

As a result Bank Loans of $10,346,380 and Subordinated Notes of $78,877,510, which were previously included in non-current borrowings at 30 June 2018 have been classified as current liabilities in these reissued financial statements.

b) Re-measurement of borrowings

The period over which cash outflows may occur under the loan agreements has been re-assessed, based on the earliest contractual repayments terms in the absence of a waiver of breaches at 30 June 2018. As a result of this and restructuring of the groups bank loan facilities during the year, additional borrowing costs of $3,801,542 have been recorded as finance costs in the Consolidated income statement for the year ended 30 June 2018.

c) Discontinuation of hedge accounting on interest rate swaps related to Bank Loans and Subordinated Notes

The fair value of interest rate swaps of $661,383 relating to Bank Loans and Subordinated Notes have been recycled from the Hedging reserve in the Consolidated statement of financial position to finance costs in the Consolidated income statement as the timing of cash flows hedged no longer meet the highly probable criteria required to achieve hedge accounting.

d) Recognition of a provision against unreconciled receivables difference

The Directors have also recognised a provision for receivables upon reconsideration of an unreconciled difference that exists in the Loan and Lease receivable balances caused from legacy system inconsistencies.

e) Employee benefit expense

Change in share based compensation based on reissued results. Further information is included in Note 2(a)(iii) of the Reissued Financial Statements in relation to going concern and Note 33 in respect of subsequent events.

f) Other adjustments

Other adjustments relate to the provision for impairment of lease receivables, prepaid commissions and adjusting the recognition of initial direct costs in the income statement to be in line with the recognition of related interest revenue.

g) Tax effect of adjustments

The tax effect of each of these items has also resulted in adjustments to income tax expense, current tax receivables and deferred tax liabilities.

Axsesstoday Limited
Reconciliation of net profit after tax

For the year ended 30 June 2018

	$	Note above
Profit for the year per withdrawn financial statements issued on 27 August 2018	7,034,756	
Re-measurement of borrowings	(3,801,542)	(b)
Recycle the fair value of hedged instruments related to bank loans and subordinated notes	(661,383)	(c)
Unreconciled receivable differences	(882,000)	(d)
Employee benefit expense	197,915	(e)
Other adjustments	(714,000)	(f)
Tax effect of adjustments	1,872,162	(g)
Profit for the year (reissued financial statements)	**3,045,908**	

Axsesstoday Limited
Impact of adjustments on reissuance

	Per Withdrawn Financial Statements $	Impact on reissuance $	Adjusted balance $	Note
Consolidated statement of financial position				
Current receivables	110,100,060	(1,559,010)	108,541,050	(d), (f)
Non current receivables	225,777,895	(36,990)	225,740,905	(f)
Current tax receivables	155,941	180,000	335,941	(g)
Current borrowings	(47,015,493)	(93,025,432)	(140,040,925)	(a), (b)
Non current borrowings	(233,408,890)	89,223,890	(144,185,000)	(a)
Deferred tax liabilities	(3,762,472)	1,538,263	(2,224,209)	(g)
Other reserves	670,252	(309,569)	360,683	(c), (e), (g)
Retained earnings	(9,620,484)	3,988,848	(5,631,637)	
Consolidated income statement				
Revenue from continuing operations	49,221,629	449,000	49,670,629	(f)
Lease impairment expense	(7,264,353)	(1,163,000)	(8,427,353)	(d), (f)
Finance costs	(15,844,168)	(4,462,925)	(20,307,093)	(b), (c)
Income tax expense	(3,125,034)	1,872,162	(1,252,872)	(g)
Employee benefit expense	(9,402,747)	197,915	(9,204,832)	(e)
Other expenses	(2,684,453)	(882,000)	(3,566,453)	(d)
Consolidated statement of comprehensive income				
Changes in fair value of cash flow hedges	678,335	(507,483)	170,852	(c), (g)

	Per Withdrawn Financial Statements $	Impact on reissuance $	Adjusted measure $	Note
Earnings per share				
Basic earnings per share (cents)	11.85	6.25	5.60	
Diluted earnings per share (cents)	10.37	4.81	5.56	

Short term capital management

A key requirement of the short term capital management plan is to ensure that sufficient equity capital is available to support the Company and recapitalise its balance sheet. As such, to ensure compliance with financial covenants and support the ongoing origination of receivables the Company intends to raise additional equity of approximately $25m (before transaction costs). The Company will update the market as it progresses to achieving this outcome.

Joe Flanagan
CFO and Company Secretary

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