

**REGISTERED OFFICE**

68 Moss Street  
Slacks Creek Q 4127  
PO Box 654  
Springwood Q 4127  
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29 October 2021

The Manager  
Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam,

**MotorCycle Holdings Limited (ASX: MTO) – Notice of 2021 Annual General Meeting**

The 2021 Annual General Meeting for MotorCycle Holdings Limited (the '2021 AGM') will be held on Thursday, 2 December 2021 at 10am (Brisbane time).

In accordance with the *Treasury Laws Amendment (2021 Measures No. 1) Act 2021* the 2021 AGM will be held virtually only.

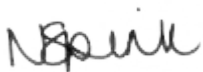
The **attached** Notice and Access Letter has been mailed to shareholders today.

The following documents, which are also **attached**, have been made available to shareholders electronically:

- Notice of 2021 Annual General Meeting and Explanatory Notes;
- Proxy Form; and
- Online Meeting Guide.

These documents, together with the 2021 Annual Report (lodged with ASX on 30 August 2021) are available online at [edocumentview.com.au/MTO2021](https://edocumentview.com.au/MTO2021).

Yours faithfully,  
MotorCycle Holdings Limited



**Nicole Spink**  
Company Secretary

## Need assistance?



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



**Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

MTO

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

## MotorCycle Holdings Limited Annual General Meeting

The MotorCycle Holdings Limited Annual General Meeting will be held on Thursday, 2 December 2021 at 10am (Brisbane Time). You are encouraged to participate in the meeting using the following options:



### MAKE YOUR VOTE COUNT

To lodge a proxy, access the Notice of Meeting and other meeting documentation visit [www.investorvote.com.au](http://www.investorvote.com.au) and use the below information:



**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

For your proxy appointment to be effective it must be received by 10am (Brisbane Time) Tuesday, 30 November 2021.



### ATTENDING THE MEETING VIRTUALLY

To watch the webcast, ask questions and vote on the day of the meeting, please visit: <https://web.lumiagm.com/323891189>

For instructions refer to the online user guide [www.computershare.com.au/onlineetingguide](http://www.computershare.com.au/onlineetingguide)

# **MotorCycle Holdings Limited**

ACN 150 386 995

## **Notice of 2021 Annual General Meeting and Explanatory Notes**

**10am (Brisbane Time)**

**Thursday, 2 December 2021**

## Notice of Annual General Meeting

Notice is given that the Annual General Meeting ('AGM') of Shareholders of MotorCycle Holdings Limited, ACN 150 386 995, ('the Company') will be held at **10 am (Brisbane time) on Thursday, 2 December 2021**. The health and safety of our Shareholders and Employees is of paramount importance. Having regard to the ongoing COVID-19 global pandemic, the 2021 AGM will be held virtually only, in accordance with the *Treasury Laws Amendment (2021 Measures No. 1) Act 2021*.

Consequently, the AGM will be made accessible via:

- an online platform (Lumi AGM Application) which will also allow you to watch and listen to the meeting, but also includes the facility for Shareholders to ask questions in relation to the business of the meeting and to vote in real time at the meeting. These processes are set out in this Notice of Meeting; or
- a live webcast from <https://web.lumiagm.com/323891189> where you can watch and listen but not participate in or vote at the meeting.

Further details are contained in the materials accompanying this notice of meeting.

We encourage you to participate in the meeting via the online platform. Whilst you will be able to vote online during the meeting, you are encouraged to lodge a proxy ahead of the meeting, even if you are participating online. However, if you do attend the meeting via the online platform (rather than watching the live webcast), you will be taken to be present at the meeting and will be required to vote through that platform even though you have appointed a proxy.

We encourage you to complete and return the Proxy Form by no later than **10am (Brisbane time) on Tuesday, 30 November 2021**. Information to assist Shareholders to complete the Proxy Form and details of where to send the completed Proxy Form can be found on page 5 of the Notice under the heading 'How to Appoint a Proxy'.

The accompanying Explanatory Notes provide information about the Resolutions, voting, a summary of important information and Defined Terms (page 25) and form part of this Notice and should be read in conjunction with it.

The Directors recommend that Shareholders read the Notice of Meeting and the Explanatory Notes in full before making any decision in relation to the Resolutions.

## PART A: Ordinary Business

### Annual Financial Report and Directors' and Auditor's Report

To receive and consider the Company's 2021 Annual Report comprising the Directors' Report and Auditor's Report, Directors' Declaration, Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements for the Company and its controlled entities for the financial year ended 30 June 2021.

#### Resolution 1: Remuneration Report

To consider and, if thought fit, pass the following as a resolution in accordance with s 250R (2) Corporations Act:

*"That the Remuneration Report for the year ended 30 June 2021 (as set out in the Directors' Report), be adopted."*

Note: A voting exclusion statement applies to Resolution 1. Further details of this exclusion are set out in the Explanatory Notes for the Resolution.

#### Resolution 2: Re-election of Warren Bee as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*"That **Warren Bee**, who retires in accordance with Rule 6.2 of the Constitution, and being eligible, be re-elected as a Director of the Company"*.

#### Resolution 3: Re-election of David Foster as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*"That **David Foster**, who retires in accordance with Rule 6.2 of the Constitution, and being eligible, be re-elected as a Director of the Company"*.

## PART B: Long-Term Incentive Plan

### Resolution 4: Approval of Participation of David Ahmet in Long-Term Incentive Plan

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant 114,583 Performance Rights to Mr David Ahmet, and to issue or transfer ordinary shares in the Company to Mr Ahmet on the terms and conditions set out in the Company’s Long-Term Incentive Plan and the Explanatory Notes attached to this Notice of Annual General Meeting”.*

Note: A voting exclusion statement applies to Resolution 4. Further details of this exclusion are set out in the Explanatory Notes for the Resolution.

## PART C: Related Party Leases

### Resolution 5: Approval of exercise of option and renewal of leases between the Group and Ahmet Affiliates

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That for the purposes of ASX Listing Rule 10.1 and for all other purposes, shareholders approve the previous exercise by certain Group companies of options to renew, and the renewal of, 13 leases relating to 11 sites for a further period of 5 years from 1 July 2021 and containing one further option for 5 years, details of which are set out in the Explanatory Notes for this Resolution 5 attached to this Notice of Annual General Meeting”.*

Note: A voting exclusion statement applies to Resolution 5. Further details of this exclusion are set out in the Explanatory Notes for the Resolution.

### Resolution 6: Approval of exercise of option and renewal of lease between a Group company and an entity acting in concert with Mr Robert Cassen - Cassons Warehouse

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That for the purposes of ASX Listing Rule 10.1 and for all other purposes, shareholders approve the previous exercise by Cassons Pty Ltd of an option to renew, and the renewal of, the lease of the Cassons Warehouse with JRC Imports Australia Pty Ltd, a company acting in concert with Mr Robert Cassen for a 10 year period from 1 July 2021, details of which are set out in the Explanatory Notes for this Resolution 6 attached to this Notice of Annual General Meeting”.*

Note: A voting exclusion statement applies to Resolution 6. Further details of this exclusion are set out in the Explanatory Notes for the Resolution.

### Resolution 7: Approval of exercise of options to renew leases between a Group company and an entity acting in concert with Mr Robert Cassen - Caringbah Lease and Penrith Lease

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That for the purposes of ASX Listing Rule 10.1 and for all other purposes, shareholders approve the exercise of options to renew, and the renewal of, the Caringbah Lease with JRC Imports No.3 Pty Ltd for a 10 year period from 1 December 2022, and the Penrith Lease with JRC Imports No.2 Pty Ltd for a 10 year period from 1 July 2023, each lessor company being acting in concert with Mr Robert Cassen, , details of which are set out in the Explanatory Notes for this Resolution 7 attached to this Notice of Annual General Meeting”.*

Note: A voting exclusion statement applies to Resolution 7. Further details of this exclusion are set out in the Explanatory Notes for the Resolution.

## PART D: General Business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

## Important Information

### *How to participate in the Meeting*

If you choose to participate in the meeting online, registration will open at **9am (Brisbane time) on Thursday, 2 December 2021**.

To participate in the Meeting online, you can log in to the meeting from your smartphone, tablet or computer by visiting <https://web.lumiagm.com/323891189>.

You will need the following information to participate in the AGM in real-time:

1. The meeting ID for the MotorCycle Holdings AGM, which is **323 891 189**;
2. Your username, which is your SRN/HIN; and
3. Your password, which is the postcode registered to your holding if you are an Australian Shareholder. Overseas Shareholders should refer to the Online Meeting Guide (link below) for their password details.

Further information regarding participating in the AGM online, including browser requirements, is detailed in the AGM Online Meeting Guide available at <https://www.edocumentview.com.au/mto2021>.

### *Webcast*

You can also view a live webcast of the meeting at <https://web.lumiagm.com/323891189>.

### *Poll*

All resolutions will be by poll.

The Chair intends to call a poll on each of the resolutions set out in this notice of meeting.

The results of the voting on resolutions requiring a shareholder vote at the meeting will be announced to the ASX promptly after the meeting.

### *Technical difficulties*

Technical difficulties may arise during the course of the AGM. The Chair has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising their discretion, the Chair will have regard to the number of Shareholders impacted and the extent to which participation in the business of the meeting is affected.

Where they consider it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, Shareholders are encouraged to lodge a proxy by **10am (Brisbane time) on Tuesday 30 November 2021** even if you plan to attend online. However, if you do attend the meeting via the Lumi online platform (rather than watching the live stream only), you will be taken to be present at the meeting and will have to vote through that platform even though you have appointed a proxy.

### *How to vote*

You may vote at the Meeting by attending the Meeting virtually or by proxy.

To vote in person you must attend the Meeting to be held virtually at <https://web.lumiagm.com/323891189> at **10am (Brisbane time) on Thursday, 2 December 2021**.

If you wish to vote by proxy, your proxy form must be received by the Company no later than **10am (Brisbane time) on Tuesday, 30 November 2021**. Any proxy form received after that time will not be valid for the scheduled Meeting. Proxy forms can be lodged by:

- **Posting** it to GPO Box 242, Melbourne VIC 3001 Australia.
- **Lodging it online** at Computershare's website [investorvote.com.au](https://investorvote.com.au) and logging in using the control number found on the front of your accompanying proxy form, or scanning the QR code on the front of the accompanying Proxy Form with your mobile device and inserting your postcode: **Note: You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website.**
- **Faxing** it to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).
- **Intermediary Online subscribers** (Institutions/Custodians) may lodge their proxy instruction online by visiting [intermediaryonline.com](https://intermediaryonline.com).

**Entitlement to vote**

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders as at **7pm (Sydney time) on Tuesday, 30 November 2021**. Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the Meeting.

**How to Appoint a Proxy**

The proxy form provides further details on appointing proxies and lodging proxy forms:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, a certificate of the appointment of corporate representative should be completed and lodged in the manner specified below.

If proxy holders vote on a poll, they must vote all directed proxies as directed. Any directed proxies which are not voted on a poll will automatically default to the person chairing the Meeting, who must vote the proxies as directed

Proxy forms must be lodged by **10am (Brisbane time) on Tuesday, 30 November 2021**. The Chair intends to vote all undirected proxies in favour of the resolutions.

**Important Information on appointing a Proxy for Resolutions 1 and 4**

The Corporations Act places certain restrictions on the ability of KMP (including the person chairing the Meeting) and their CRP to vote on Resolutions 1 and 4 including where they are voting as proxy for another Shareholder.

To ensure that your votes are counted, you are encouraged to direct your proxy as to how to vote on Resolutions 1 and 4 by indicating your preference by completing any of the 'For', 'Against' or 'Abstain' boxes on the proxy form.

The Chair of the Meeting intends to vote all undirected proxies in favour of Resolutions 1 and 4.

If you appoint the Chair of the Meeting as your proxy but you do not direct the Chair how to vote in respect of Resolutions 1 and 4 you will be directing the Chair to vote in favour of the resolutions and the Chair will vote in this way, even though the resolution is in connection with the remuneration of a member of KMP.

**Corporate representatives**

Any:

- a) corporate Shareholder; or
- b) corporate proxy appointed by a Shareholder,

that has appointed an individual to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative.

The authority may be sent to the Company or its share registry, Computershare, in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

An Appointment of Corporate Representative form is available by contacting the Company's share registry:

**Computershare Investor Services Pty Limited**

Phone: 1800 850 505 (within Australia),

Phone: +61 3 9415 4000 (outside Australia).

**Questions on how to cast your votes**

If you have any queries on how to cast your votes, please call the Company's share registry:

**Computershare Investor Services Pty Limited**

Phone: 1800 850 505 (within Australia),

Phone: +61 3 9415 4000 (outside Australia).

**Questions about MotorCycle Holdings Limited**

Shareholders may direct questions during the meeting to the Chair about the operations and management of MotorCycle Holdings Limited.

In addition, a question form has been included with this Notice of Meeting to make it easier for Shareholders to submit written questions, including questions to the Company's auditor. Please submit written questions by no later than **5pm (Brisbane time) on Thursday, 25 November 2021** to the Company Secretary by post or email at the address below:

**Written Questions to the Company**

**To be submitted by:**

Time: 5pm (Brisbane Time)

Date: Thursday, 25 November 2021

**By Post:**

Ms Nicole Spink (Company Secretary)

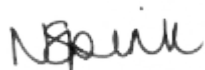
MotorCycle Holdings Limited

PO Box 654

Springwood QLD 4127

**By Email:** [nicole.spink@mcholdings.com.au](mailto:nicole.spink@mcholdings.com.au)

**By order of the Board**



**Nicole Spink**

Company Secretary

29 October 2021



## Explanatory Notes

These Explanatory Notes are provided to Shareholders of the Company to explain the Resolutions to be put to Shareholders at the Annual General Meeting of MotorCycle Holdings Limited to be held at **10am (Brisbane time) on Thursday, 2 December 2021**.

The Directors recommend that Shareholders read the accompanying Notice of Meeting and these Explanatory Notes in full before making any decision in relation to the resolutions.

Terms used in these Explanatory Notes are defined on page 25 of this document.

### Information relating to the Items of Business

#### PART A: ORDINARY BUSINESS

#### ANNUAL FINANCIAL REPORT AND DIRECTORS' AND AUDITOR'S REPORT

The Company's Annual Report comprising the Directors' Report and Auditor's Report, Directors' Declaration, Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial report for the Company and its controlled entities for the financial year ended 30 June 2021 were released to ASX Limited on 30 August 2021.

The Company's Annual Report is placed before the Shareholders for discussion.

No voting is required for this resolution.

#### If you have a question for the Company's Auditor Before the Annual General Meeting

As a Shareholder, you may submit a written question to the Auditor prior to the Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the Financial Report.

All questions must be sent to the Company Secretary and may not be sent to the Auditor. The Company will then forward all questions to the Auditor.

#### **Written Questions to the Auditor**

##### **To be submitted by:**

Time: 5pm Brisbane time  
 Date: Thursday, 25 November 2021  
 Ms Nicole Spink (Company Secretary)  
 MotorCycle Holdings Limited  
 PO Box 654  
 Springwood QLD 4127

**By Email:** [nicole.spink@mcholdings.com.au](mailto:nicole.spink@mcholdings.com.au)

#### If you have a question for the Company's Auditor at the Meeting

The Auditor will be attending the Annual General Meeting and will answer written questions submitted prior to the Meeting.

The Auditor will also be available to answer questions from Shareholders relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- the independence of the Auditor in relation to the conduct of the audit.

## RESOLUTION 1: REMUNERATION REPORT

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding advisory resolution.

The Remuneration Report is in the Directors' Report and set out on pages 16 to 25 of the Annual Financial Report for the period ended 30 June 2021.

The 2021 Annual Report is available on the Company's website [mcholdings.com.au](http://mcholdings.com.au).

The Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of executives of the Company including the Managing Director; and
- sets out remuneration details for each Director and the other Key Management Personnel of the Company.

Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, and make comments on, the Remuneration Report and the Company's remuneration arrangements.

The Board believes that the Company's remuneration arrangements, as set out in the Remuneration Report, are fair, reasonable and appropriate and support achievement of the strategic objectives of the Company.

### Directors' recommendation:

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

*Note to Shareholders: A vote on this resolution is advisory only and does not bind the Directors.*

### Voting Exclusion for Resolution 1

The Company will disregard any votes cast on this Resolution:


- by or on behalf of a member of the Key Management Personnel named in the Remuneration Report, or that Key Management Personnel's CRP, regardless of the capacity in which the vote is cast
- as a proxy by a member of the Key Management Personnel, or that Key Management Personnel's CRP,

unless the vote is cast as a proxy for a person who is entitled to vote on this Resolution:

- in accordance with their directions on how to vote as set out in the proxy form; or
- by the person chairing the meeting pursuant to an express authorisation on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

## RESOLUTION 2: RE-ELECTION OF WARREN BEE AS A DIRECTOR

Mr Warren Bee was appointed as a Director by the Board on 30 June 2011 and was last elected by Shareholders at the 2018 Annual General Meeting. In accordance with Rule 6.2 of the Company's Constitution, Mr Bee retires at the end of the Annual General Meeting and being eligible, presents himself for re-election by Shareholders.


<p><b>Warren Bee</b></p>  <p><i>Appointed 30 June 2011</i>  <i>Chair Nomination and Remuneration Committee</i>  <i>Member Audit and Risk Committee</i></p>	<p>Warren has been a director of MotorCycle Holdings since June 2011 and from 2007 to 2011 chaired the Company's advisory board.</p> <p>Warren also currently serves on the board of LEP Colour Printers. Warren has also held chief executive officer and line management roles across a range of industries.</p> <p>Warren is a Fellow of the Institute of Chartered Accountants Australia and a member of the Australia Institute of Company Directors.</p>
Current directorships of other listed entities	Nil
Directorships of listed entities over last 3 years	Nil
Bankruptcy and Criminal History Search	Nil to report

### Directors' recommendation:

The Directors, with Warren Bee abstaining, recommend that you vote in favour of this ordinary resolution to elect Warren Bee as a Director.

### RESOLUTION 3: RE-ELECTION OF DAVID FOSTER AS A DIRECTOR

Mr David Foster was appointed as a Director by the Board on 8 March 2016 and was last elected by Shareholders at the 2018 Annual General Meeting. In accordance with Rule 6.2 of the Company's Constitution, Mr Foster retires at the end of the Annual General Meeting and being eligible, presents himself for re-election by Shareholders.

<p><b>David Foster</b></p>  <p><i>Appointed 8 March 2016</i> <i>Chair</i></p>	<p>David has over 25 years' experience in the financial services industry, with experience spanning across management, distribution, technology and marketing in retail banking.</p> <p>David is currently a non-executive director of Genworth Mortgage Insurance Australia Limited, G8 Education Limited and Bendigo and Adelaide Bank Limited and was previously CEO of Suncorp Bank. David has a Master of Business Administration, a Bachelor of Applied Science, is a Senior Fellow with Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.</p>
Current directorships of other listed entities	Nil
Directorships of listed entities over last 3 years	Thorn Group Limited
Bankruptcy and Criminal History Search	Nil to report
<p><b>Directors' recommendation:</b></p> <p>The Directors, with David Foster abstaining, recommend that you vote in favour of this ordinary resolution to elect David Foster as a Director.</p>	

## PART B: LONG-TERM INCENTIVE PLAN

### RESOLUTION 4: APPROVAL FOR THE ISSUE OF PERFORMANCE RIGHTS TO DAVID AHMET UNDER THE LONG-TERM INCENTIVE PLAN

#### 1. Background

ASX Listing Rule 10.14 states that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the prior approval of shareholders by an ordinary resolution.

Mr Ahmet is the Company's Managing Director (and so is within the category of persons in Listing Rule 10.14.1), and the purpose of this Resolution 4 is for Shareholders to approve the proposed grant of Performance Rights under the Company's LTI Plan to Mr Ahmet.

The Board believes that part of the rewards for Mr Ahmet's services to the Company should be performance-based and at risk and should involve equity interests in the Company. This approach is consistent with best practice in executive remuneration and corporate governance. In structuring the terms of the long-term incentives to Mr Ahmet, the Board has considered market practice among comparable companies listed on the ASX.

The Board has considered the application of Chapter 2E of the Corporations Act to the issue of Performance Rights to Mr Ahmet and considers that the financial benefit given by such grant of Performance Rights constitutes reasonable remuneration to Mr Ahmet given (i) the circumstances of the Company and (ii) Mr Ahmet's role and responsibilities at the Company, for the purposes of the exception contained in section 211(1) of the Corporation Act. Therefore, the Company is not seeking shareholder approval pursuant to section 208 of the Corporations Act in addition to the approval being sought under the Listing Rules.

#### 2. Requirements of Listing Rules 10.14 and 10.15

The following information is provided to shareholders for the purposes of ASX Listing Rule 10.15:

- **Number of securities:** The number of Performance Rights that may be granted to Mr Ahmet for the Performance Period 1 July 2021 to 30 June 2024 is 114,583, calculated by dividing \$330,000 (50% of Mr Ahmet's fixed remuneration) by the volume weighted average price (**VWAP**) of the shares of the Company over the 30 calendar days up to and including 30 June 2021 (being the 30 June before the commencement of the relevant Performance Period). The VWAP at 30 June 2021 was \$2.88.
- Each Performance Right entitles Mr Ahmet to receive, upon vesting and exercise, one fully paid ordinary share in the Company or a cash equivalent. Details of the relevant vesting conditions for Mr Ahmet are summarised below.
- **Details of Mr Ahmet's current total remuneration package:** Mr Ahmet's total remuneration package consists of fixed remuneration and performance-linked remuneration based on the Company's performance and Mr Ahmet's individual performance. Details of Mr Ahmet's total remuneration package is as follows:
 

○ Fixed remuneration, inclusive of superannuation ( <b>TFR</b> )	\$ 660,000
○ Short-term cash bonus, inclusive of superannuation (50% of TFR)	\$ 330,000
○ <u>LTI (Performance rights, 50% of TFR)</u>	<u>\$ 330,000</u>
○ <b>Total potential remuneration package</b>	<b>\$1,320,000</b>

Further details of each of these components can be found in the Company's 2021 Remuneration Report.

- **Number of Performance Rights that have previously been issued to Mr Ahmet:** Mr Ahmet has previously been granted 638,427 Performance Rights under the LTI Plan. The Performance Rights were granted for no consideration. Furthermore, no fee is payable upon exercise of those Performance Rights.
- **Why Performance Rights are being used:** The Company considers the Performance Rights to be an effective incentive as they will only vest and become exercisable where relevant performance hurdles and employment service conditions have been met.
- **The value that the Company attributes to the Performance Rights and its basis:** The Performance Rights have been independently valued on a fair value basis. Tranche 1 Performance rights (TSR) (see below) have been valued at \$1.63 per right using the Monte Carlo simulation to reflect the impact of the market conditions. Tranche 2 Performance

Rights (EPS) (see below) have been valued at \$2.19 per right using the Black Scholes Model, as the performance hurdle is a non-market hurdle.

- **The date on which the Company will grant the Performance Rights:** Subject to obtaining the shareholder approval, it is proposed that the grant to Mr Ahmet be made as soon as practicable after the Annual General Meeting, but in any event no later than three (3) years after that date.
- **Price of securities:** The Performance Rights will be granted for no consideration. Furthermore, no fee is payable upon exercise of the Performance Rights.
- **Eligible participants:** Mr Ahmet is the only Director who is entitled to participate in the Company's LTI Plan. No other Director or associate of a Director is entitled to participate
- **No loans given to acquire securities:** No loan will be provided by the Company in connection with the grant of the Performance Rights to Mr Ahmet.
- **Other information:** Details of any Performance Rights granted under the LTI Plan will be published in the annual report of the Company relating to the period in which they have been granted, together with a statement that approval of the grant was obtained under Listing Rule 10.14. Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the LTI Plan after this Resolution is approved and who were not named in this Notice of Meeting and Explanatory Notes will not participate until approval is obtained under that Listing Rule.
- **Voting exclusion statement:** A voting exclusion statement in relation to this resolution is set out below

The key terms of the LTI Plan and the Performance Rights to be granted to Mr Ahmet are set out in this Explanatory Note.

Mr Ahmet's Performance Rights will be divided into two tranches. Each tranche will be subject to separate vesting conditions, as set out below.

**Relative TSR Vesting Condition:** 50% of Mr Ahmet's Performance Rights will be subject to a vesting condition relating to the Company's total shareholder return (TSR) in respect of the period from 1 July 2021 to 30 June 2024 (**Performance Period**), when ranked against all the following companies\* (**Peer Group**):

Company Name	3-month average market capitalisation as at 30 Jun 2021 (AUD \$m)	Primary Industry	Industry Sector
Eagers Automotive Limited	3,943.67	Automotive Retail	Consumer Discretionary
ARB Corporation Limited	3,256.43	Auto Parts and Equipment	Consumer Discretionary
Super Retail Group Limited	2,817.95	Automotive Retail	Consumer Discretionary
Bapcor Limited	2,693.18	Distributors	Consumer Discretionary
PWR Holdings Limited	619.63	Auto Parts and Equipment	Consumer Discretionary
Autosports Group Limited	487.30	Automotive Retail	Consumer Discretionary
AMA Group Limited	413.86	Automotive Retail	Consumer Discretionary
Schaffer Corporation Limited	286.63	Auto Parts and Equipment	Consumer Discretionary
Fleetwood Corporation Limited	233.30	Homebuilding	Consumer Discretionary
Apollo Tourism & Leisure Ltd.	77.22	Automobile Manufacturers	Consumer Discretionary
Thorn Group Limited	70.10	Computer and Electronics Retail	Consumer Discretionary
Sprintex Limited	16.54	Auto Components	Consumer Discretionary

*\*If any of these companies de-list from the ASX, de-merge, merge with, or are taken over by, another Company during or before the end of the Performance Period, they will be excluded from the TSR calculation.*

TSR will be determined by reference to:

- the changes in volume weighted average share price (**VWAP**) of the Shares on the ASX in the 5 trading days up to and including the first trading day of the Performance Period to the VWAP of the Shares on the ASX in the 5 trading days up to and including the last trading day of the Performance Period; and

- the value (on a basis determined by the Board from time to time) of any shareholder benefits (including dividends or any other benefits that the Board determines from time to time are to be taken into account) paid or otherwise made available generally to shareholders in the Company during the Performance Period.

The Board will determine at the end of the Performance Period what proportion (if any) of the Performance Rights that are subject to the Relative TSR Vesting Condition will vest (subject to the service vesting condition as detailed below) as follows:

The Company's relative TSR percentile ranking across the TSR Performance Period against the Peer Group	Proportion of the relevant Performance Rights that satisfy the Relative TSR Vesting Condition
Less than 50th percentile	0%
At the 50th percentile	50%
Above the 50th percentile and below the 75th percentile	Between 50% and 100% (as determined on a straight-line basis)
At or above 75th percentile	100%

In addition to satisfying the Relative TSR Vesting Condition above, this tranche of Mr Ahmet's Performance Rights will also be subject to him being continuously engaged by a member of the Group (and not have resigned or his engagement arrangement has not been terminated) up to and including the end of the Performance Period.

**EPS Vesting Condition:** The remaining 50% of Mr Ahmet's Performance Rights will be subject to a vesting condition relating to the growth in the Company's earnings per share (**EPS**) over the Performance Period, compounded annually.

EPS will be determined by reference to the underlying net profit attributable to the Company for the Performance Period, divided by the weighted average number of Shares on issue across the Performance Period. Unless otherwise determined by the Board, business acquisitions by the Group are to be included in the EPS calculation (and not excluded), and the Board may otherwise from time to time adjust the EPS to exclude the effects of other certain one-off costs.

The starting EPS for the EPS calculation will be 30 June 2021 which is the EPS calculated in accordance with the above principles for FY20 having regard to the audited consolidated accounts for FY21.

The Board will determine at the end of the Performance Period the proportion of the Performance Rights that are subject to this EPS Vesting Condition that will vest as follows:

The Company's EPS compound annual growth rate (CAGR) over the Performance Period	Proportion of the relevant Performance Rights that satisfy the EPS Vesting Condition
EPS CAGR is less than or equal to 10%	0%
EPS CAGR is greater than 10% and less than or equal to 12%	Between 50% and 100% (as determined on a straight-line basis)
EPS CAGR is equal to or greater than 12%	100%

In addition to satisfying the EPS Vesting Condition above, this tranche of Mr Ahmet's Performance Rights will also be subject to him being continuously engaged by a member of the Group (and not have resigned or his employment arrangement has not been terminated) up to and including the end of the Performance Period.

If approval is given for the abovementioned issue of the Performance Rights to Mr Ahmet under ASX Listing Rule 10.14, further approval is not required (and will not be sought) under ASX Listing Rule 7.1 for this issue of the Performance Rights or the underlying Shares.

#### **Directors' recommendation**

Each of the Directors (other than Mr Ahmet who is a potential participant under the Company's LTI Plan) recommends that shareholders vote in favour of this resolution. Mr Ahmet makes no recommendation in relation to this resolution.

The Chair intends to vote all available proxies in favour of this Resolution 4.

**Voting Exclusion for Resolution 4**

The Company will disregard any votes cast:

- in favour of Resolution 4 by or on behalf of David Ahmet, or any of his Associates, regardless of the capacity in which the vote is cast;
- on Resolution 4 as a proxy by a member of the Key Management Personnel, or that Key Management Personnel's CRP.

However, the exclusion will not apply if the vote is cast on the Resolution:

- as proxy or attorney for a person entitled to vote on the Resolution in accordance with their directions of how to vote as set out in the proxy appointment;
- as proxy for a person entitled to vote on the Resolution by the person chairing the meeting pursuant to an express authorisation to exercise the proxy to vote as the proxy thinks fit; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.



## PART C: RELATED PARTY LEASES

### Background for Resolutions 5 to 7

The Company has a number of leases with parties associated with the Company's Managing Director, David Ahmet (**Ahmet Leases**), and non-executive Director, Robert Cassen (the **Cassons Warehouse Lease**, **Penrith Lease** and **Caringbah Lease**). The Listing Rules require that the Company seek shareholder approval for the renewal of these leases.

The non-executive Directors<sup>1</sup> consider that there is inherent value in the location of these leases, that relocating from these premises would not be in the best interests of the Company and that the negotiated rents are a good outcome for the Company. For the reasons set out below, **the non-executive Directors<sup>2</sup> recommend that shareholders vote in favour of Resolutions 5 to 7.**

If Shareholders do not approve the renewal of the leases and the Group cannot continue to operate from these premises, this would cause significant business interruption and would be expected to have a material adverse impact on the Group's operations because:

- motorcycle dealerships tend to cluster into motorcycle precincts, and it is always difficult to find good buildings in a suitable precinct. There is a material risk that changing premises in an enforced timeframe will result in MTO operating out of inferior sites relative to their current position.
- due to the nature of motorcycle franchises, each business is only capable of moving within a limited geographical area and there may not be suitable premises readily available.
- the costs associated with negotiating to break the leases and meeting any make good requirements, relocating and business downtime are expected to be significant.
- there will be disruption caused by clients not being familiar with the new premises which is expected to impact on the Company's revenue.

### Listing Rule requirements

Listing Rule 10.1 provides that a listed company must ensure that neither it, nor any of its child entities, acquires or agrees to acquire a substantial asset from, or disposes of or agrees to dispose of a substantial asset to:

1. a Related Party
2. a child entity
3. a person who is, or was at any time in the 6 months before the transaction, a Substantial (10%+) Holder in the company;
4. an Associate of a person referred to paragraphs 1 to 3 above; or
5. a person whose relationship with the company or a person referred to in paragraphs 1 to 4 above is such that, in ASX's opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

A 'related party' relevantly includes:

1. a director of the Company; and
2. an entity controlled by a director of the Company; and
3. anyone acting in concert with a related party of the Company.

Relevantly, an asset is 'substantial' if its value or the consideration being paid by the entity for it is, or in ASX's opinion is, 5% or more of the Equity Interests of the Company as set out in the latest accounts given to ASX under the Listing Rules.

The Company's Equity Interests at the relevant times were:

As at:	Relevant leases	Company's Equity Interests	5% of Equity Interests
30 June 2020	Cassons Warehouse Lease	\$124.589 million	\$6.229 million
31 December 2020	Ahmet Leases	\$138.969 million	\$6.948 million
30 June 2021	Caringbah Lease Penrith Lease	\$144.250 million	\$7.213 million

<sup>1</sup> Excluding Robert Cassen in respect of the Cassons Warehouse Lease, the Penrith Lease and the Caringbah Lease.

<sup>2</sup> Excluding Robert Cassen in respect of the Cassons Warehouse Lease, the Penrith Lease and the Caringbah Lease

In determining whether an asset is substantial, separate acquisitions or disposals will be aggregated if, in ASX's opinion, they form part of the same commercial transaction.

In the case where a Group company is the tenant under a lease, ASX Guidance Note 24 indicates that ASX will typically look at the total rent payable under the lease over its term (including any option to renew) to determine whether or not it meets the test for a 'substantial asset'.

The Company has obtained the Independent Expert's Report set out in the Annexure in relation to the transactions which are the subject of Resolutions 5 to 7.

## RESOLUTION 5: APPROVAL OF EXERCISE OF OPTION TO EXTEND LEASES WITH AHMET AFFILIATES

*The Independent Expert is of the opinion that, in the absence of any other information, the Ahmet Leases transaction is **not fair but reasonable** to the non-associated shareholders as at the date of the Independent Expert's Report.*

### 1. Background

Since 2011, certain Group companies have leased 11 premises under 13 leases in respect of properties that are part-owned by Company director and substantial shareholder David Ahmet or that are part-owned or owned by Kenlake Pty Ltd as trustee for the Ahmet Family Trust, an entity controlled by David Ahmet, as set out in the table below (the "**Ahmet Leases**"). John Oliver and Demiford Pty Ltd as trustee for the J O A N Family Trust as joint owners of the relevant premises have acted in concert with David Ahmet and/or Kenlake Pty Ltd (as applicable) in connection with the Ahmet Leases.

Location	Lessor	Group company lessee
TeamMoto Triumph Virginia	David Hedley Ahmet & John Oliver	Netpark Pty Ltd
TeamMoto Yamaha Moorooka	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Stanbay Pty Ltd
TeamMoto Triumph Springwood	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Pushgate Pty Ltd
TeamMoto Honda Springwood	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Pushgate Pty Ltd
Advanced Spray Painting and Decals	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Pushgate Pty Ltd
Australian Automotive Training	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Pushgate Pty Ltd
MCH Distribution Centre	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Pushgate Pty Ltd
TeamMoto Suzuki KTM Virginia	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Netpark Pty Ltd
TeamMoto Honda Virginia	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Netpark Pty Ltd
TeamMoto Moorooka Carpark & Workshop	David Hedley Ahmet & John Oliver	Stanbay Pty Ltd
TeamMoto Yamaha Gold Coast	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	Myway Services Pty Ltd
TeamMoto Kawasaki North Coast	Kenlake Pty Ltd as trustee for the Ahmet Family Trust	Shoreway Pty Ltd

TeamMoto Yamaha Blacktown	Kenlake Pty Ltd as trustee for the Ahmet Family Trust & Demiford Pty Ltd as trustee for the J O A N Family Trust	MotorCycle Holdings TCO Pty Ltd
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The terms of each of the Ahmet Leases were negotiated on a commercial arm's length basis in 2011 and were for an initial lease term of 5 years, with options to renew for a further 15 years (comprising 3 options for 5-year periods).

Details of the Ahmet Leases were disclosed in the Company's initial public offer prospectus in 2016, and in the Company's annual reports since listing.

The Company exercised the first options for a renewed 5 year term from 1 July 2016 to 30 June 2021. The Company obtained a waiver of LR 10.1 in 2016 so that shareholder approval under Listing Rule 10.1 was not required for that exercise of options to renew the Ahmet Leases in 2016.

The relevant Group companies have given notice to exercise the option under each lease, and the term of the renewed leases commenced on 1 July 2021 (**Ahmet Leases Renewal**). The renewed Ahmet Leases each contain one further option of 5 years. The rent payable under the Ahmet Leases for the renewed term was subject to a formal market review following exercise of the options.

The Company engaged professional valuers to provide advice on market rents for each of the premises the subject of the Ahmet Leases, and negotiated at arm's length with the landlords using those rents as a guide.

The Ahmet Leases provide that the rents determined under the market review process following the exercise of the options cannot be less than the previous rent. Despite this, the Company was able to negotiate an overall reduction of approximately 8% in the aggregate rent for the Ahmet Leases for the 2021/22 year compared to the 2020/21 rent.

The Independent Expert determined that the aggregate rent for the Ahmet Leases was reasonable, however because it is above the range for the aggregate market value of the rent determined by the Independent Expert it was assessed as 'not fair' to the non-associated shareholders.

The Directors (other than Mr Ahmet) consider that there is inherent value in the locations of the Ahmet Leases, and that the negotiated aggregate rent is a good outcome for the Company.

Having regard to the advantages and disadvantages to the non-associated shareholders and the position if this Resolution 5 is not approved, the Independent Expert is of the opinion that, in the absence of any other information, the transaction is **not fair, but reasonable**, to the non-associated shareholders. Shareholders should read the Independent Expert's Report in its entirety.

ASX has advised the Company that in its opinion, the Ahmet Leases form part of the same commercial transaction and so should be aggregated for determining whether they are a 'substantial asset'.

The estimated total rent for the Ahmet Leases for:

- the 5 year term is approximately \$9.589 million (ex GST); and
- the 5 year option period is approximately \$11.664 million (ex GST),

totalling approximately \$21.253 million (ex GST). These amounts are estimates only. The Ahmet leases contain annual rental adjustments based on the greater of a percentage increase proportionate to the percentage change in CPI for the immediately preceding year, or, a fixed increase of 4%. The rent for the option period will initially be determined under the market review mechanism and will then increase annually in the same manner as described above.

The estimated total rent under the Ahmet Leases over the current term and option term exceeds 5% of the Company's Equity Interests (approximately \$6.948 million) at the time the options were exercised. Therefore, they are the acquisition of a substantial asset.

The lessors under each lease are set out in the table above.

David Ahmet is a director of the Company and so is a related party of the Company, and is also a Substantial (10%+) Holder.

Kenlake Pty Ltd is an entity which is controlled by David Ahmet, so it is also a related party of the Company.

Mr John Oliver and Demiford Pty Ltd are not controlled by David Ahmet. However, as co-owners of the properties, they have acted in concert with David Ahmet and/or Kenlake Pty Ltd in connection with the Ahmet Leases and so are also related parties of the Company.

Therefore, as the relevant Group companies have acquired a substantial asset from Related Parties or a Substantial (10%+) Holder of the Company, the Company should have obtained Shareholder approval under Listing Rule 10.1 before exercising the options for the Ahmet Leases.

Resolution 5 seeks the required shareholder approval for the Ahmet Leases Renewal under and for the purposes of Listing Rule 10.1.

If Shareholders approve the Ahmet Leases Renewal, the Ahmet Leases will continue as they stand until expiry of the current term on 30 June 2026, at which point the Company may (but is not obliged to) exercise the option under each of the Ahmet Leases for one further 5 year term.

If Shareholders do not approve the Ahmet Leases Renewal, the Group will be forced to negotiate to break the Ahmet Leases and look for new premises. This would come with disadvantages to the Group as highlighted in the Independent Expert's Report including:

- the logistics of moving all the operations that occur in the Ahmet Leases at once into alternative premises, assuming that a sufficient number of suitable premises are readily available. In relation to the ability to identify alternative suitable premises, the Company notes:
  - motorcycle dealerships tend to cluster into motorcycle precincts, and it is always difficult to find good buildings in a suitable precinct. There is a material risk that changing premises in an enforced timeframe will result in MTO operating out of inferior sites relative to their current position; and
  - due to the nature of motorcycle franchises, each business is only capable of moving within a limited geographical area and in businesses with multiple franchises, there are different geographical restrictions on each franchise;
- the Company expects that moving all these operations at once would cause significant business interruption;
- the costs associated with:
  - meeting any make good requirements at the current premises;
  - relocating furniture, equipment and stock;
  - setting up a new office space, including any fixtures and fittings that may be required;
  - updating office stationery with new office details;
- loss of any intangible benefit gained from clients being familiar with the current premises;
- possibility of downtime due to the migration and set-up of IT equipment; and
- any costs that may be incurred with negotiating the break of the Ahmet Leases which have already been renewed by MTO.

MTO has also incurred costs that it will be unable to recover, irrespective of whether or not the Proposed Ahmet Leases Transaction is approved.

The Board has considered the application of Chapter 2E of the Corporations Act to the Ahmet Leases Renewal and considers that the financial benefit given the exercise of the options is reasonable in the circumstances as the Company and each lessor were dealing at arm's length, for the purposes of the exception contained in section 210 of the Corporations Act. Therefore, the Company is not seeking shareholder approval pursuant to section 208 of the Corporations Act in addition to the approval being sought under the Listing Rules.

## 2. Requirements of Listing Rule 10.1

The following information is provided to shareholders for the purposes of Listing Rule 10.1:

- Name of person from whom the Company is acquiring the substantial asset: The details of the lessors are set out in the table above.
- Applicable category in Listing Rules 10.1.1 - 10.1.5: David Ahmet falls within Listing Rules 10.1.1 and 10.1.3 because he is a Company director and Substantial (10%+) Holder. Kenlake Pty Ltd falls within Listing Rule 10.1.1 because it is an entity controlled by David Ahmet. Mr John Oliver and Demiford Pty Ltd fall within Listing Rule 10.1.1 because they have acted in concert with David Ahmet and/or Kenlake Pty Ltd in relation to the Ahmet Leases.
- Consideration: The estimated total rent relating to the Ahmet Leases over the new 5 year term and the option term is set out above.
- Source of funds: The rent payable under each of the Ahmet Leases will be paid from ordinary working capital.
- Timetable: The Group has given notice to exercise the option under each of the Ahmet Leases, and the term of the renewed leases commenced on 1 July 2021. As Shareholder approval was not sought at the AGM prior to the option being exercised, Shareholder approval is being sought under Listing Rule 10.1 for the Company to ratify the Ahmet Leases Renewal under resolution 5.
- Material terms of the leases: The Ahmet Leases were negotiated on a commercial arm's length basis and contain customary terms and conditions.

- **Voting exclusion statement:** A voting exclusion statement in relation to this resolution is set out below.
- **Independent Expert's Report:** The Company has engaged BDO Corporate Finance Ltd to provide a report on whether the whether the Ahmet Lease Renewal is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be disregarded. A copy of that report is annexed to this Notice of Meeting.

#### **Directors' recommendation**

Each of the Directors (other than Mr Ahmet who is a lessor or is the controller of a lessor under the Ahmet Leases) recommends that shareholders vote in favour of this resolution. Mr Ahmet makes no recommendation in relation to this resolution.

The Chair intends to vote all available proxies in favour of this Resolution 5.

#### **Voting Exclusion for Resolution 5**

The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:

- David Ahmet, Kenlake Pty Ltd, John Oliver or Demiford Pty Ltd or any other person who will obtain a material benefit as a result of the exercise of the options to extend the Ahmet Leases (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- any of their Associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### **RESOLUTION 6: APPROVAL OF ENTRY INTO LEASE WITH AN ENTITY ASSOCIATED WITH MR ROBERT CASSEN - CASSONS WAREHOUSE**

*The Independent Expert is of the opinion that, in the absence of any other information, the Cassons Warehouse Lease transaction is **fair and reasonable** to the non-associated shareholders as at the date of the Independent Expert's Report.*

#### **1. Background**

Since 2011, Group company Cassons Pty Ltd has leased premises from JRC Imports Australia Pty Ltd (**JRC1**) in relation to the Cassons Warehouse at Eastern Creek (**Cassons Warehouse Lease**).

The terms of this lease were negotiated on commercial arm's length basis in 2011 and were for an initial 10 year term with one option of 10 years.

The previous lease expired on 30 June 2021, the option was exercised and the new lease was signed for 10 years from 1 July 2021 (with no further options).

The Company conducted its own research on market rents and negotiated at arm's length with the landlord using those rents as a guide.

The lease provides that the rents determined under the market review process following the exercise of the options cannot be less than the previous rent. Despite this, the Company was able to negotiate an overall reduction of approximately 7% in the aggregate rent for the Cassons Warehouse Lease for the 2021/22 year compared to the 2020/21 rent.

The negotiated rent is consistent with the range for the market value of the rent determined by the Independent Expert, and so it is assessed as 'fair' to the non-associated shareholders.

The Directors (other than Mr Cassen) consider that there is inherent value in the location of the Cassons Warehouse Lease, and that the negotiated rent is a good outcome for the Company.

Having regard to the advantages and disadvantages to the non-associated shareholders and the position if this Resolution 6 is not approved, the Independent Expert is of the opinion that, in the absence of any other information, the transaction is **fair and reasonable** to the non-associated shareholders. Shareholders should read the Independent Expert's Report in its entirety.

Details of the Cassons Warehouse Lease have been disclosed in the Company's annual reports since the Group acquired Cassons Pty Ltd.

The estimated total rent for the Cassons Warehouse Lease for the 10 year term is approximately \$16.040 million (ex GST).

This amount is an estimate only. The Cassons Warehouse Lease contain annual rental adjustments based on a percentage increase proportionate to the percentage change in CPI for the immediately preceding quarter, and a market review on 30 June 2026, provided that the annual rent shall not be adjusted below the annual rent payable during the preceding 12-month period.

The estimated total rent under the Cassons Warehouse Lease over the current term exceeded 5% of the Company's Equity Interests (approximately \$6.229 million) at the time the option was exercised. Therefore, it is the acquisition of a substantial asset.

The lessor under the Cassons Warehouse Lease is JRC1. Robert Cassen holds 50% of the shares in JRC1 and is one of 2 directors of JRC1. Robert Cassen is a director of the Company.

JRC1 is acting in concert with Robert Cassen, and so is a Related Party of the Company.

Therefore, as Cassons Pty Ltd has acquired a substantial asset from Related Parties of the Company, the Company should have obtained Shareholder approval under Listing Rule 10.1 before exercising the option for the Cassons Warehouse Lease.

Resolution 6 seeks the required shareholder approval for the exercise of the option and entry into the Cassons Warehouse Lease under and for the purposes of Listing Rule 10.1.

If Shareholders approve the Cassons Warehouse Lease, it will continue as it stands until expiry of the current term on 30 June 2031.

If Shareholders do not approve the Cassons Warehouse Lease, the Company will be forced to negotiate to break the existing lease and look for new premises. This would come with many disadvantages to the Company as highlighted in the Independent Expert Report including:

- the costs associated with:
  - meeting any make good requirements at the current premises;
  - relocating furniture, equipment and stock associated with the wholesale operation;
  - setting up a new office space, including any fixtures and fittings that may be required;
  - updating office stationery with new office details;
- loss of any intangible benefit gained from clients being familiar with the current premises;
- possibility of downtime due to the migration and set-up of IT equipment; and
- any costs that may be incurred with negotiating the break of the Retrospective Cassen Lease, which has already been renewed by MTO.

MTO has also incurred costs that it will be unable to recover, irrespective of whether or not the Proposed Retrospective Cassen Lease Transaction is approved.

The Board has considered the application of Chapter 2E of the Corporations Act to entry into the Cassons Warehouse Lease and considers that the financial benefit given by such exercise is reasonable in the circumstances as Cassons Pty Ltd and JRC1 were dealing at arm's length, for the purposes of the exception contained in section 210 of the Corporation Act. Therefore, the Company is not seeking shareholder approval pursuant to section 208 of the Corporations Act in addition to the approval being sought under the Listing Rules.

## 2. Requirements of Listing Rule 10.1

The following information is provided to shareholders for the purposes of Listing Rule 10.1:

- Name of person from whom the Company is acquiring the substantial asset: The property which is the subject of the Cassons Warehouse Lease is owned by JRC1, which is acting in concert with Director, Robert Cassen.
- Applicable category in Listing Rules 10.1.1 - 10.1.5: JRC1 falls within Listing Rule 10.1.1 because it is a Related Party of the Company.

- **Consideration:** The estimated total rent under the Cassons Warehouse Lease over the 10 year term is set out above.
- **Source of funds:** The rent payable under the Cassons Warehouse Lease will be paid from ordinary working capital.
- **Timetable:** The Cassons Warehouse Lease has been signed for 10 years from 1 July 2021 (with no further options). As Shareholder approval was not sought prior to entry into the Cassons Warehouse Lease, Shareholder approval is being sought under Listing Rule 10.1 for the Company to ratify entry into that lease under resolution 6.
- **Material terms of the leases:** The Cassons Warehouse Lease was negotiated on a commercial arm's length basis and contains customary terms and conditions.
- **Voting exclusion statement:** A voting exclusion statement in relation to this resolution is set out below.
- **Independent Expert Report:** The Company has engaged BDO Corporate Finance Ltd to provide a report on whether the whether the Cassons Warehouse Lease is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be disregarded. A copy of that report is annexed to this Notice of Meeting.

#### ***Directors' recommendation***

Each of the Directors (other than Mr Cassen who is acting in concert with the lessor under the Cassons Warehouse Lease) recommends that Shareholders vote in favour of this resolution. Mr Cassen makes no recommendation in relation to this resolution.

The Chair intends to vote all available proxies in favour of this Resolution 6.

#### **Voting Exclusion for Resolution 6**

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:

- JRC1, Robert Cassen or any other person who will obtain a material benefit as a result of entry into the Cassons Warehouse Lease (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- any of their Associates

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.



## RESOLUTION 7: APPROVAL OF EXERCISE OF OPTIONS TO EXTEND LEASES WITH ENTITIES ASSOCIATED WITH MR ROBERT CASSEN - PENRITH AND CARINGBAH

*The Independent Expert is of the opinion that, in the absence of any other information, the Penrith Lease and Caringbah Lease transaction is **not fair but reasonable** to the non-associated shareholders as at the date of the Independent Expert's Report.*

### 1. Background

Group company Motorcycle Accessories Supermarket Pty Ltd has entered into leases for premises at Penrith with JRC Imports No.2 Pty Ltd (**JRC2**) (**Penrith Lease**) and at Caringbah with JRC Imports No.3 Pty Ltd (**JRC3**) (**Caringbah Lease**).

The terms of these leases were each negotiated on commercial arm's length basis in 2012 and 2013 respectively and were each for an initial 10 year term with one option of 10 years.

The Caringbah Lease expires on 30 November 2022, and the 10 year option may be exercised between 28 February and 31 May 2022.

The Penrith Lease expires on 30 June 2023, and the 10 year option may be exercised between 30 September and 31 December 2022.

Details of the Penrith Lease and the Caringbah Lease have been disclosed in the Company's annual reports since the Group acquired Cassons Pty Ltd.

Upon exercise of each option, the parties must try to agree the market rent for the renewed lease. If they cannot agree, the rent is determined by an independent expert, but the rent must not be less than the rent for the previous period.

Although neither option has yet been exercised, the Company estimates<sup>3</sup> that the total rent payable over the 10 year option period is likely to be:

- approximately \$5.317 million (ex GST) for the Caringbah Lease; and
- approximately \$5.062 million (ex GST) for the Penrith Lease.

Although these amounts are individually less than 5% of the Company's Equity Interests, ASX is of the opinion that they should be aggregated with each other (and with the Cassons Warehouse Lease) for the purposes of assessing whether there is an acquisition of a substantial asset. In aggregate, they exceed 5% of the Equity Interests.

The lessor under the:

- Caringbah Lease is JRC2, and
- Penrith Lease is JRC3.

Robert Cassen holds 50% of the shares in JRC2 and JRC3 and is one of 2 directors of each of those companies. Robert Cassen is a director of the Company.

JRC2 and JRC3 are each acting in concert with Robert Cassen, and so are each a Related Party of the Company.

Therefore, as Motorcycle Accessories Supermarket Pty Ltd will acquire a substantial asset from Related Parties of the Company by exercising the options relating to the Penrith Lease and the Caringbah Lease, the Company must obtain Shareholder approval under Listing Rule 10.1 before exercising those options.

Resolution 7 seeks the required shareholder approval to exercise the options to renew the Penrith Lease and the Caringbah Lease under and for the purposes of Listing Rule 10.1.

If Shareholders approve the exercise of the options to extend the Penrith Lease and the Caringbah Lease, Motorcycle Accessories Supermarket Pty Ltd currently intends to exercise each of those options.

If shareholders do not approve the exercise of the options, the Company will not be able to exercise its options will be forced to look for new premises for each of these dealerships. This would come with many disadvantages to the Company as highlighted in the Independent Expert's Report including:

- the costs associated with:
  - meeting any make good requirements at the current premises;
  - relocating furniture and equipment;
  - setting up a new office space, including any fixtures and fittings that may be required;
  - updating office stationery with new office details;
- loss of any intangible benefit gained from clients being familiar with the current premises; and
- possibility of downtime due to the migration and set-up of IT equipment.

<sup>3</sup> Assuming rental increase of 2.5% per annum year on year.



MTO has also incurred costs that it will be unable to recover, irrespective of whether or not the Proposed Prospective Cassen Leases Transaction is approved.

The Board has considered the application of Chapter 2E of the Corporations Act to the exercise of the options to extend the Penrith Lease and the Caringbah Lease and considers that the financial benefit given by such exercise is reasonable in the circumstances as the Company and JRC2 and JRC3 respectively will be dealing at arm's length, for the purposes of the exception contained in section 210 of the Corporations Act. Therefore, the Company is not seeking shareholder approval pursuant to section 208 of the Corporations Act in addition to the approval being sought under the Listing Rules.

## 2. Requirements of Listing Rule 10.1

The following information is provided to shareholders for the purposes of Listing Rule 10.1:

- Name of person from whom the Company is acquiring the substantial asset: The property subject to the:
  - Penrith Lease is owned by JRC2; and
  - Caringbah Lease is owned by JRC3,
 each of which is an entity acting in concert with Director, Robert Cassen.
- Applicable category in Listing Rules 10.1.1 - 10.1.5: JRC2 and JRC3 each falls within Listing Rule 10.1.1 because it is a Related Party of the Company.
- Consideration: ASX has formed the view that the options to renew the Penrith Lease and the Caringbah Lease (and the Cassons Warehouse Lease) form part of the same transaction and should be aggregated.
- The estimated total rent under the Penrith Lease and the Caringbah Lease over the new 10 year terms is set out above.
- Source of funds: The rent payable under the Caringbah Lease will be paid from ordinary working capital.
- Timetable: Notice of exercise of the option to extend the:
  - Caringbah Lease must be given between 28 February 2022 and 31 May 2022, with the new term commencing on 1 December 2022; and
  - Penrith Lease must be given between 30 September and 31 December 2022, with the new term commencing on 1 July 2023.
- Material terms of the leases: The Caringbah Lease and the Penrith Lease was each negotiated on a commercial arm's length basis and contains customary terms and conditions.
- Voting exclusion statement: A voting exclusion statement in relation to this resolution is set out below.
- Independent Expert's Report: The Company has engaged BDO Corporate Finance Ltd to provide a report on whether the whether the Caringbah Lease and the Penrith Lease is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be disregarded. A copy of that report is annexed to this Notice of Meeting.

### **Directors' recommendation**

Each of the Directors (other than Mr Cassen who is acting in concert with the lessors under the Caringbah Lease and Penrith Lease) recommends that shareholders vote in favour of this resolution. Mr Cassen makes no recommendation in relation to this resolution.

The Chair intends to vote all available proxies in favour of this Resolution 7.

### **Voting Exclusion for Resolution 7**

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of:

- JRC2, JRC3, Robert Cassen or any other person who will obtain a material benefit as a result of exercise of the option to extend the Caringbah Lease (except a benefit solely by reason of being a holder of ordinary securities in the Company); and
- any of their Associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Defined Terms	Meaning
<b>Ahmet Affiliate</b>	Each entity set out as a lessor in the table in the Explanatory Notes for Resolution 5.
<b>Ahmet Leases</b>	the meaning given in the Explanatory Notes for Resolution 5.
<b>Ahmet Leases Renewal</b>	the exercise of options to extend each of the Ahmet Leases for a 5 year period commencing on 1 July 2021.
<b>Auditor</b>	KPMG.
<b>Associate</b>	an associate as defined in sections 10-17 of the Corporations Act or, in relation to the Listing Rules, the meaning given in the Listing Rules.
<b>Annual General Meeting</b>	the annual meeting of Shareholders of MotorCycle Holdings Limited convened by this Notice of Meeting.
<b>ASX</b>	ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
<b>Board</b>	the board of Directors of the Company.
<b>Caringbah Lease</b>	the lease in relation to the Motorcycle Accessories Supermarket Caringbah between Motor Cycle Accessories Supermarket Pty Ltd and JRC3.
<b>Cassons Warehouse Lease</b>	the lease in relation to the Cassons Warehouse at Eastern Creek between Cassons Pty Ltd and JRC1.
<b>Chair</b>	the person appointed to Chair the Meeting.
<b>Closely Related Party or CRP</b>	<p>(as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:</p> <ul style="list-style-type: none"> <li>a) a spouse or child of the member; or</li> <li>b) a child of the member's spouse; or</li> <li>c) a dependant of the member or the member's spouse; or</li> <li>d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or</li> <li>e) a company the member controls; or</li> <li>f) a person prescribed by the regulations for the purposes of this paragraph.</li> </ul>
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Company</b>	MotorCycle Holdings Limited, ACN 150 386 995.
<b>Constitution</b>	the constitution of the Company, as amended from time to time, a copy of which is available on the Company's website <a href="http://mcholdings.com.au">mcholdings.com.au</a> .
<b>Directors</b>	the directors of the Company.
<b>Earnings Per Share or EPS</b>	a performance measure which compares the Company's year on year growth in earnings per share during the Performance Period compared to the EPS at 30 June of the year immediately prior to the start of the Performance Period.
<b>Equity Interests</b>	the sum of paid up capital, reserves and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests, as shown in the consolidated financial statements.

Defined Terms	Meaning
<b>Explanatory Notes</b>	the explanatory statement accompanying the Notice of Meeting.
<b>FY21</b>	the financial year ending on 30 June 2021.
<b>Group</b>	MotorCycle Holdings limited and its wholly owned subsidiaries.
<b>Independent Expert's Report</b>	The Motorcycle Holdings Limited Independent Expert's Report and Financial Services Guide dated 21 October 2021 prepared by BDO Corporate Finance Pty Ltd and contained in the Annexure.
<b>JRC1</b>	JRC Imports Australia Pty Ltd.
<b>JRC2</b>	JRC Imports No.2 Pty Ltd.
<b>JRC3</b>	JRC Imports No.3 Pty Ltd.
<b>Key Management Personnel or KMP</b>	has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.
<b>Listing Rules</b>	the Listing Rules of the ASX.
<b>LTI Plan</b>	the Company's Long-Term Incentive Plan.
<b>Managing Director</b>	the managing director of the Company.
<b>Meeting</b>	this meeting.
<b>Notice of Meeting or Notice</b>	the notice of meeting which accompanies the Explanatory Notes.
<b>Penrith Lease</b>	the lease in relation to the Motorcycle Accessories Supermarket Penrith between Motor Cycle Accessories Supermarket Pty Ltd and JRC3.
<b>Performance Right</b>	a conditional right which, upon satisfaction or waiver of the relevant vesting conditions and exercise conditions and the exercise of that right, entitles the holder to receive one ordinary Share in the Company.
<b>Related Party</b>	the meaning in the Listing Rules.
<b>Remuneration Report</b>	the section of the Directors' Report contained in the annual Financial Report of the Company for the year ended 30 June 2021 entitled 'Remuneration Report'.
<b>Shares</b>	fully paid ordinary shares in the issued capital of the Company.
<b>Shareholder</b>	a holder of Shares.
<b>Substantial (10%+) Holder</b>	the meaning given in the Listing Rules.
<b>Total Shareholder Return or TSR</b>	the percentage movement in Shareholder value from an investment in the Company's Shares over the Performance Period calculated by reference to the change in the Share price and dividends assuming that dividends are immediately reinvested into the Company's Shares.

Defined Terms	Meaning
<b>Volume Weighted Average Price or VWAP</b>	the ratio of the value of Shares traded to total volume of Shares traded.

**ANNEXURE: INDEPENDENT EXPERT'S REPORT**

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# MOTORCYCLE HOLDINGS LIMITED

## Independent Expert's Report and Financial Services Guide

21 OCTOBER 2021

### Opinion

The Proposed Ahmet Leases Transaction is Not Fair but Reasonable

The Proposed Retrospective Cassen Lease Transaction is Fair and Reasonable

The Proposed Prospective Cassen Leases Transaction is Not Fair but Reasonable

## FINANCIAL SERVICES GUIDE

Dated: 21 October 2021

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

- a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, and interests in managed investment schemes excluding investor directed portfolio services; and
- b) Arranging to deal in financial products in relation to securities; and
- c) Applying for, acquiring, varying or disposing of a financial product in relation to interests in managed investment schemes excluding investor directed portfolio services, and securities.

### *General Financial Product Advice*

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

### *The Assignment*

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the shareholders of MotorCycle Holdings Limited ('MTO' or 'the Company') in relation to lease arrangements that can be summarised as follows:

- ▶ Eleven premises of which ten are 50% owned by Director David Ahmet or an entity controlled by him and one is owned by an entity controlled by Mr Ahmet, under thirteen separate leases ('the Ahmet Leases'). MTO has exercised options to renew the Ahmet Leases for a 5 year period from 1 July 2021;
- ▶ A lease which expired on 30 June 2021 with an entity acting in concert with Director Rob Cassen ('the Retrospective Cassen Lease'). A new lease has been signed for 10 years from 1 July 2021 (with no further options); and
- ▶ Two leases with entities acting in concert with Director Rob Cassen ('the Prospective Cassen Leases'). We understand that MTO is currently in the process of considering options to renew these leases.

The three categories of leases mentioned above are together referred to as 'the Proposed Lease Transactions' and individually as 'the Proposed Ahmet Leases Transaction', 'the Proposed Retrospective Cassen Lease Transaction' and 'the Proposed Prospective Cassen Leases Transaction'.

Further details of the Proposed Lease Transactions are set out in Section 6. The scope of this Report is set out in detail in Section 5.3. This Report provides an opinion on whether or not each of the three Proposed Lease Transactions is 'fair' and 'reasonable' to MTO's non-associated shareholders and has been prepared to provide information to the non-associated shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Lease Transactions. Other important information relating to this Report is set out in more detail in Section 5.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. An individual shareholder's decision to vote in favour of or against each of the Proposed Lease Transactions is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each individual shareholder should obtain their own professional advice in relation to their own circumstances.

### *Fees, Commissions and Other Benefits we may receive*

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately \$45,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Lease Transactions.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings Limited, a parent entity of BDOCF. All directors and employees of BDO Group Holdings Limited and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings Limited, the person is entitled to share in the profits of BDO Group Holdings Limited.



### *Associations and Relationships*

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. Neither BDOCF nor its related entities have provided any professional services to MTO in the last two years.

The signatories to this Report do not hold any shares in MTO and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

### **Complaints Resolution**

#### *Internal Complaints Resolution Process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance Ltd, GPO Box 457, Brisbane QLD 4001 or by telephone or email, using the details at the end of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 24 hours (or one business day) or, if that timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

#### *Referral to External Dispute Resolution Scheme*

If a complaint is made and the complainant is dissatisfied with the outcome of the above process, or our determination, the complainant has the right to refer the matter to the Australian Financial Complaints Authority Limited (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 10236).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority Limited  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1800 931 678  
Email: [info@afca.org](mailto:info@afca.org)

### **Compensation Arrangements**

BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

### **Contact Details**

#### **BDO Corporate Finance Ltd**

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## GLOSSARY

Reference	Definition
A\$ or \$	Australian dollars
AGM	Annual general meeting
Ahmet Leases, the	Eleven premises of which ten are 50% owned by Director David Ahmet or an entity controlled by him and one is owned by an entity controlled by Mr Ahmet, under thirteen separate leases
APES 225	APES 225 <i>Valuation Services</i> issued by the Accounting Professional and Ethical Standards Board Limited
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO Persons	The partners, directors, agents or associates of BDO
BDOCF	BDO Corporate Finance Ltd
Board, the	The board of directors of the Company
Caringbah Lease	The lease at Caringbah between Motorcycle Accessories Supermarket Pty Ltd and JRC2
Cassons Warehouse Lease	Cassons Warehouse at Eastern Creek and the subject of the Proposed Retrospective Cassen Lease Transaction
Company, the	MotorCycle Holdings Limited
Corporations Act, the	The Corporations Act 2001
Directors, the	The Directors of the Company
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FSG	Financial Services Guide
FY	The financial year or 12-month period ended on 30 June
JLL Ahmet Reports, the	The various property valuation reports prepared by JLL for the Proposed Ahmet Leases Transaction
JLL Prospective Cassen Reports, the	The various property valuation reports prepared by JLL for the Proposed Prospective Cassen Leases Transaction
JLL Retrospective Cassen Report, the	The property valuation report prepared by JLL for the Proposed Retrospective Cassen Lease Transaction
JRC1	JRC Imports Australia Pty Ltd
JRC2	JRC Imports No.2 Pty Ltd
JRC3	JRC Imports No.3 Pty Ltd
Management, the	The management of MotorCycle Holdings Limited and its advisers
Meeting, the	MTO's annual general meeting
MTO	MotorCycle Holdings Limited
Notice of Meeting, the	The Notice of Annual General Meeting and Explanatory Memorandum prepared by MTO dated on or about 29 October 2021
NPAT	Net profit after tax
Penrith Lease	The lease at Penrith between Motorcycle Accessories Supermarket Pty Ltd and JRC3
Proposed Ahmet Leases Transaction, the	Relates to Resolution 5 from the Notice of Meeting, pertaining to the approval and exercise of an option and the renewal of the Ahmet Leases
Proposed Lease Transactions, the	Refers collectively to Resolutions 5, 6 and 7 of the Notice of Meeting. See the Proposed Ahmet Leases Transaction, the Proposed Retrospective Cassen Lease Transaction and the Proposed Prospective Cassen Leases Transaction
Proposed Prospective Cassen Leases Transaction, the	Relates to Resolution 6 from the Notice of Meeting, pertaining to the approval and exercise of an option and the renewal of a lease between MTO and an entity acting in concert with Mr Robert Cassen (the Cassons Warehouse Lease)
Proposed Retrospective Cassen Lease Transaction, the	Relates to Resolution 7 from the Notice of Meeting, pertaining to the approval and exercise of options to renew leases between MTO and an entity acting in concert with Mr Robert Cassen (the Caringbah Lease and Penrith Lease)

Reference	Definition
Prospective Cassen Leases, the	Two leases with entities acting in concert with Director Rob Cassen
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 21 October 2021
Retrospective Cassen Lease, the	A lease which expired on 30 June 2021 with an entity acting in concert with Director Rob Cassen. A new lease has been signed for 10 years from 1 July 2021 (with no further options).
RG 111	Regulatory Guide 111: <i>Content of Expert Reports</i> , issued by ASIC
RG 76	Regulatory Guide 76: <i>Related Party Transactions</i> , issued by ASIC
RGs	Regulatory guides published by ASIC
MTO	MotorCycle Holdings Limited
VWAP	Volume weighted average price
We, us, our	BDO Corporate Finance Ltd

## PART I: ASSESSMENT OF THE PROPOSED LEASE TRANSACTIONS

Non-associated Shareholders  
C/- Non-associated Directors  
MotorCycle Holdings Limited  
68 Moss Street,  
Slacks Creek QLD

21 October 2021

Dear Non-associated Directors,

### 1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF') has been engaged to provide an independent expert's report ('this Report') to the non-associated shareholders of MotorCycle Holdings Limited ('MTO' or 'the Company') in relation to a number of related party lease arrangements that require shareholder approval. The leases that require shareholder approval include:

- ▶ Eleven premises of which ten are 50% owned by Director David Ahmet or an entity controlled by him and one is owned by an entity controlled by Mr Ahmet, under thirteen separate leases ('the Ahmet Leases'). MTO has exercised options to renew the Ahmet Leases for a 5 year period from 1 July 2021;
- ▶ A lease which expired on 30 June 2021 with an entity acting in concert with Director Rob Cassen ('the Retrospective Cassen Lease'). A new lease has been signed for 10 years from 1 July 2021 (with no further options); and
- ▶ Two leases with entities acting in concert with Director Rob Cassen ('the Prospective Cassen Leases'). We understand that MTO is currently in the process of considering options to renew these leases.

The three categories of leases mentioned above are together referred to as 'the Proposed Lease Transactions' and individually as 'the Proposed Ahmet Leases Transaction', 'the Proposed Retrospective Cassen Lease Transaction' and 'the Proposed Prospective Cassen Leases Transaction'.

A more detailed description of the Proposed Lease Transactions is set out in Section 6.

The non-associated shareholders are requested by the non-associated directors of MTO ('the Directors') to vote in favour of or against each of the Proposed Lease Transactions at the Annual General Meeting proposed to be held on or about 2 December 2021 ('the Meeting').

In this Report, BDOCF has expressed an opinion as to whether or not each of the three Proposed Lease Transactions is 'fair' and 'reasonable' to MTO's non-associated shareholders. This Report has been prepared solely for use by the non-associated shareholders to provide them with information relating to the Proposed Lease Transactions. The scope and purpose of this Report are detailed in Sections 5.3 and 5.4 respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the shareholders including the Notice of Meeting and Explanatory Memorandum dated on or about 29 October 2021 ('the Notice of Meeting').

## 2.0 Assessment of the Proposed Ahmet Leases Transaction

This section is set out as follows:

- ▶ Section 2.1 sets out the methodology for our assessment of the Proposed Ahmet Leases Transaction;
- ▶ Section 2.2 sets out our assessment of the fairness of the Proposed Ahmet Leases Transaction;
- ▶ Section 2.3 sets out our assessment of the reasonableness of the Proposed Ahmet Leases Transaction; and
- ▶ Section 2.4 provides our assessment of whether the Proposed Ahmet Leases Transaction is fair and reasonable to the non-associated shareholders.

### 2.1 Basis of Evaluation

This Report has been prepared for the purpose of meeting various requirements of the ASX Listing Rules (refer Section 5.4 below).

Neither the Corporations Act nor the ASX Listing Rules provide guidance in relation to the definition of 'fair and reasonable'. In determining whether the Proposed Ahmet Leases Transaction is considered fair and reasonable we have had regard to the guidance provided by ASIC Regulatory Guide 111 *Content of Expert Reports* ('RG 111') and ASIC Regulatory Guide 76 *Related Party Transactions* ('RG 76'). RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make an informed decision about transactions.

RG 111 suggests that where an expert is to assess whether a related party transaction is 'fair and reasonable' for the purpose of complying with ASX Listing Rule 10.1, the assessment should not be applied as a composite test. That is, the expert should assess separately whether the transaction is 'fair' and 'reasonable'. The expert's report should explain how the particulars of the transaction were evaluated as well as the results of the examination and evaluation.

We have assessed the fairness and reasonableness of the Proposed Ahmet Leases Transaction in Sections 2.2 and 2.3 below and concluded on our opinion of the Proposed Ahmet Leases Transaction in Section 2.4 below.

### 2.2 Assessment of Fairness

#### 2.2.1 Basis of Assessment

RG 111 states that a related party offer is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made:

- ▶ Assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- ▶ If the transaction is considered to be a control transaction, assuming 100% ownership of the target irrespective of whether the consideration is scrip or cash.

In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transactions.

In our view, it is appropriate to assess the fairness of the Proposed Ahmet Leases Transaction to the non-associated shareholders by comparing:

- a) The actual net rent agreed to be paid by MTO for use of the portfolio of properties; with
- b) The market value of the net rent for the portfolio of properties that the Proposed Ahmet Leases Transaction relates to.

In accordance with the requirements of RG 111, the Proposed Ahmet Leases Transaction can be considered 'fair' to the non-associated shareholders if the actual net rent agreed to be paid from a) above is less than or equal to the market value of the net rent for the properties determined in b) above.

#### 2.2.2 Actual Net Rent Agreed to be Paid by MTO

Table 2.1 below sets out a summary of the net rent that has been negotiated between the parties for the Ahmet Leases. In relation to the Ahmet Leases, we have been instructed that the starting net rent is the only clause that will change when the leases are renewed. Existing clauses in the Ahmet Leases will remain, including:

- ▶ Annual net rental increases equal to the greater of 4% and CPI; and
- ▶ Ratchet provisions (i.e. a clause stating the net rent cannot be less than the previous year's net rent).

**Table 2.1: Summary of Actual Net Rent Agreed to be Paid by MTO**

Property Address	2021 Net Rent (\$)	Negotiated 2022 Net Rent (\$)	Difference (\$)
1924 Sandgate Rd, Virginia, QLD	162,236	141,357	(20,879)
1916 Sandgate Rd, Virginia, QLD	217,689	229,705	12,016
1920 Sandgate Rd, Virginia, QLD	165,961	149,652	(16,309)
68 Moss St, Slacks Creek, QLD	309,414	311,320	1,906
61 Moss St, Slacks Creek, QLD	124,006	127,454	3,448
3369 Pacific Hwy, Slacks Creek, QLD	120,563	116,516	(4,047)
3367 Pacific Hwy, Slacks Creek, QLD	136,501	122,553	(13,948)
5 & 11 Kensal St, Moorooka, QLD	102,861	86,767	(16,094)
971 Ipswich Rd, Moorooka, QLD	96,784	65,221	(31,563)
31 Lawrence Dr, Nerang, QLD	173,491	138,537	(34,954)
1 Tattersall Road, Kings Park, NSW	158,200	147,414	(10,786)
22 Maroochydore Rd, Maroochydore, QLD	157,375	132,548	(24,827)
<b>Total</b>	<b>1,925,081</b>	<b>1,769,044</b>	<b>(156,037)</b>

Source: BDOCF analysis and Management

In relation to Table 2.1 above, we note that notwithstanding the ratchet provisions, MTO was able to negotiate a reduction in the net rent to be paid for the majority of the properties. For completeness, we note that to assist with the negotiation process, Management engaged an expert property valuer.

### 2.2.3 Market Value of Net Rent

Table 2.2 below summarises our view of the market value of the net rent for each of the properties.

**Table 2.2: Summary of Market Value of Net Rent**

Property Address	Market Net Rent Low (\$)	Market Net Rent Adopted (\$)	Market Net Rent High (\$)
1924 Sandgate Rd, Virginia, QLD	115,406	118,831	122,256
1916 Sandgate Rd, Virginia, QLD	206,546	214,246	221,946
1920 Sandgate Rd, Virginia, QLD	116,352	122,982	129,612
68 Moss St, Slacks Creek, QLD	210,986	224,706	238,426
61 Moss St, Slacks Creek, QLD	95,369	101,869	108,369
3369 Pacific Hwy, Slacks Creek, QLD	102,486	104,086	106,356
3367 Pacific Hwy, Slacks Creek, QLD	107,730	116,750	125,770
5 & 11 Kensal St, Moorooka, QLD	72,339	79,624	86,909
971 Ipswich Rd, Moorooka, QLD	59,253	62,053	64,853
31 Lawrence Dr, Nerang, QLD	158,570	173,950	177,210
1 Tattersall Road, Kings Park, NSW	151,608	158,213	165,338
22 Maroochydore Rd, Maroochydore, QLD	120,220	127,700	135,180
<b>Total</b>	<b>1,516,865</b>	<b>1,605,010</b>	<b>1,682,225</b>

Source: BDOCF and JLL analysis

In forming our view on an appropriate market value of net rent to adopt, we have relied on the work of JLL who we have engaged to assist us form a view on an appropriate market value of net rent for the Ahmet Leases. JLL assessed the market value of net rent for the Ahmet Leases across nine reports ('the JLL Ahmet Reports') and completed their work over a one month period ending 15 October 2021. The JLL Ahmet Reports are attached as Appendix A to this Report.

In determining the market value of net rent, JLL has utilised the direct comparison (or market approach) methodology. The direct comparison approach compares the leased premise to leases of similar premises and analyses these on a rate per square metre of lettable area basis taking into consideration and making comparisons for location attributes, the date (i.e. factoring in market movements), the standard of improvements and level of fit-out, zoning and allowable uses, access and parking, the level of services, constraints, encumbrances and other factors the valuer deems appropriate to factor into their valuation. JLL have confirmed to us (and state in the JLL Ahmet Reports) that this valuation methodology is appropriate to adopt for the purposes of determining a market value for the net rent in the JLL Ahmet Reports.

JLL state there is a general hierarchy of weight placed on the available evidence, summarised as follows:

- 1) New lease to a new tenant;



- 2) Where market rent is agreed between the lessor and lessee at a midterm review or exercise of option specifically, where the lease dictates the rent is to be market and not subject to ratchet provisions (i.e. a clause stating the rent cannot be less than the previous year's rent);
- 3) Where market rent is set by determination under the terms of the lease or relevant legislation at a midterm review or exercise of option; and
- 4) New lease to a sitting tenant on expiry of an existing lease where the tenant has no right of continuing tenure. In this circumstance consideration must be given as to whether a premium rent was agreed rather than lose the goodwill and benefit of an existing fit-out/improvements.

The JLL Ahmet Reports were authorised for release by Anthony Simpson, JLL's Head of QLD Valuation Advisory. Based on our enquiries and the information provided to us, in our view, it is appropriate for us to consider the work of JLL as they are a specialist firm capable of completing this work and they understand the purpose of their work in the context of this Report.

We have made enquiries of JLL in relation to the valuation methodology adopted in the JLL Ahmet Reports. JLL have confirmed to us (and state in the JLL Ahmet Reports) that the valuation methodology adopted in the JLL Ahmet Reports is appropriate to adopt for the purposes of determining a market value for the rent.

JLL states in the JLL Ahmet Reports that JLL is independent with respect to MTO and confirms that there is no conflict of interest with any party involved and neither JLL nor any of its personnel involved in the preparation of the JLL Ahmet Reports have any material interest in MTO.

We confirm that we have been provided with consent by JLL to refer to the market values in the JLL Ahmet Reports as current values in this Report. We have made reasonable enquiry of JLL and are satisfied that the market values in the JLL Ahmet Reports are suitable for use in this Report. However, we do not take responsibility for the work of JLL.

The JLL Ahmet Reports are attached to this Report as Appendix A. We recommend that MTO shareholders read the JLL Ahmet Reports in full and in conjunction to this Report and related statements.

#### 2.2.4 Assessment of the Fairness of the Proposed Ahmet Leases Transaction

In order to assess the fairness of the Proposed Ahmet Leases Transaction, it is appropriate to compare the actual net rent agreed to be paid by MTO for use of the portfolio of properties with the market value of the net rent for the portfolio of properties that the Proposed Ahmet Leases Transaction relates to.

Pursuant to RG 111, the Proposed Ahmet Leases Transaction is considered to be fair if the value of the net rent agreed to be paid by MTO is less than or equal the market value of the net rent.

Table 2.3 below summarises our assessment of the fairness of the Proposed Ahmet Leases Transaction.

**Table 2.3: Assessment of the Fairness of the Proposed Ahmet Leases Transaction**

	Reference	Low (\$)	Adopted (\$)	High (\$)
Actual net rent agreed to be paid by MTO	2.2.2	1,769,044	1,769,044	1,769,044
Market value of net rent	2.2.3	1,516,865	1,605,010	1,682,225

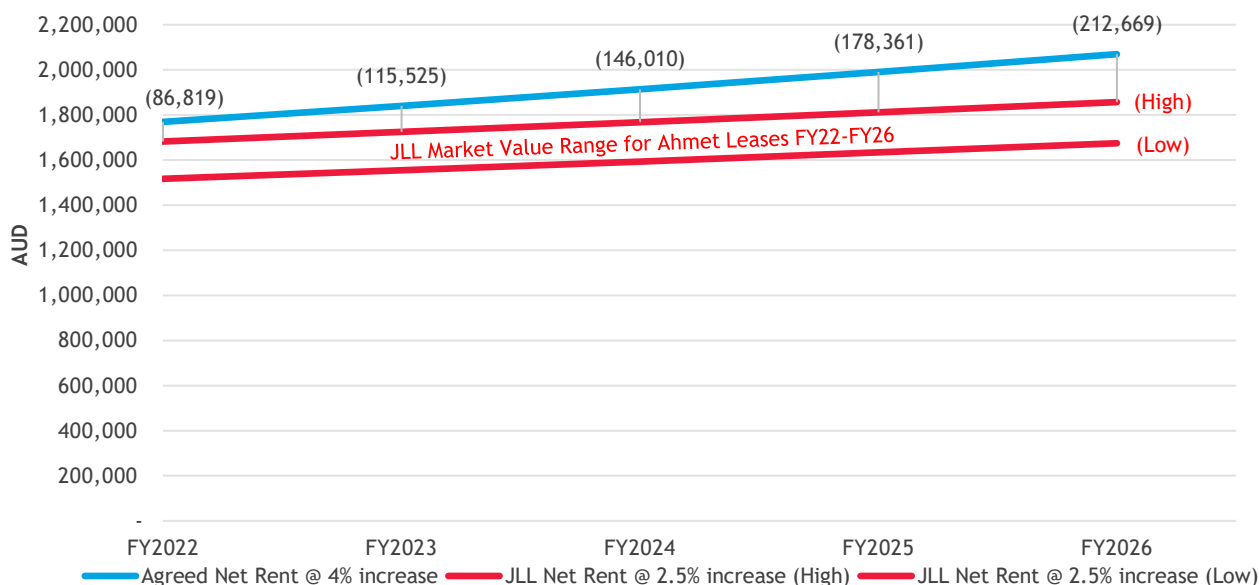
Source: BDOCF analysis

The actual net rent agreed to be paid by MTO exceeds the market value of net rent.

In addition to the above, we note that the individual leases are subject to an annual net rental increase equal to the greater of CPI or 4%. To provide additional information to non-associated shareholders, Figure 2.2 below compares the difference in the annual net rent over the period 1 July 2021 to 30 June 2026 if:

- ▶ The market valuation range is escalated at an assumed CPI of 2.5% (being the mid-point of the Reserve Bank of Australia's 2% to 3% target range). For comparative purposes, we have assumed both the low and high market values escalate at the assumed CPI of 2.5%; and
- ▶ The actual net rent agreed to be paid by MTO is escalated at 4%.

**Figure 2.1: Impact of Escalation on Net Rent**



Source: BDOCF analysis

With respect to Figure 2.1 above, we note:

- ▶ We have escalated the market valuation range at an assumed CPI of 2.5%. If the CPI that ultimately eventuates is less than this, the difference would be greater. Conversely, if the CPI is greater than 2.5%, the difference would be less;
- ▶ The total annual difference in net rent between the high end of the market valuation range and the agreed net rent is represented by the negative numbers in the figure above the blue line;
- ▶ The total difference in net rent across the five year term from 1 July 2021 to 30 June 2026 is \$739,384;
- ▶ The market valuation range is represented by the space between the red lines;
- ▶ The total net rent paid in FY26 under the agreed net rent scenario (which is escalated at 4.0%) is \$2,069,531; and
- ▶ The total net rent paid in FY26 under the high end of the market valuation range (which is escalated at 2.5%) is \$1,856,862.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Ahmet Leases Transaction is **Not Fair** to the non-associated shareholders as at the date of this Report.

## 2.3 Assessment of Reasonableness

### 2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Ahmet Leases Transaction is 'reasonable' we consider it appropriate to examine other significant factors to which the non-associated shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Ahmet Leases Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Ahmet Leases Transaction with the position of a non-associated shareholder if the Proposed Ahmet Leases Transaction is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Ahmet Leases Transaction is set out as follows:

- ▶ Section 2.3.2 sets out the advantages of the Proposed Ahmet Leases Transaction to the non-associated shareholders;
- ▶ Section 2.3.3 sets out the disadvantages of the Proposed Ahmet Leases Transaction to the non-associated shareholders;
- ▶ Section 2.3.4 sets out the position of the non-associated shareholders if the Proposed Ahmet Leases Transaction is not approved; and
- ▶ Section 2.3.5 provides our opinion on the reasonableness of the Proposed Ahmet Leases Transaction to the non-associated shareholders.

### 2.3.2 Advantages of the Proposed Ahmet Leases Transaction

Table 2.4 below outlines the potential advantages to the non-associated shareholders of approving the Proposed Ahmet Leases Transaction.

**Table 2.4: Potential Advantages of the Proposed Ahmet Leases Transaction**

Advantage	Explanation
Net rent reduction	As set out in Table 2.1 above, MTO has been able to negotiate a net rent reduction on nine of the Ahmet Leases equating to a total reduction of \$156k in FY22, a reduction of approximately 8.1% on the rent paid in 2021. This net rent reduction occurred despite the existence of a ratchet clause in the Ahmet Leases that prevents the net rent charged in a year falling below the prior years' net rent amount.
No relocation required	If the Proposed Ahmet Leases Transaction is approved, MTO will be able to continue operating out of the 11 premises that the 13 Ahmet Leases relate to and avoid the potential for significant business disruption. Refer to Section 2.3.4 below for a more detailed discussion of the implications of seeking alternative leasing arrangements.

Source: BDOCF analysis

### 2.3.3 Disadvantages of the Proposed Ahmet Leases Transaction

Table 2.5 below outlines the potential disadvantages to the non-associated shareholders of approving the Proposed Ahmet Leases Transaction.

**Table 2.5: Potential Disadvantages of the Proposed Ahmet Leases Transaction**

Disadvantage	Explanation
Agreed net rent on certain leases above JLL market range	<p>The agreed net rent on certain leases is above the determined market value range. This includes:</p> <ul style="list-style-type: none"> <li>▶ The three Sandgate Road leases, which are approximately \$47k above the upper end of the market range in aggregate;</li> <li>▶ The two Moss Street leases, which are approximately \$92k above the upper end of the market range in aggregate; and</li> <li>▶ The two Pacific Highway leases, which are approximately \$7k above the upper end of the market range.</li> </ul>
Ratchet clause within leases	In our opinion, the ratchet clause within the leases that prevents the net rent charged in a year falling below the prior year's net rent amount may be considered onerous (despite it not being unusual for clauses of this nature to appear in lease agreements). In effect, this provides a rental price floor which cannot be revised down, even if the net rent is above market rates, potentially rendering the market net rent review less effective if market rates have declined.
Net rent to annually increase by the greater of 4% or CPI	In our view, the clauses in the Ahmet Leases that result in the net rent increasing each year at the greater of 4% or CPI are onerous, given the compounding effect this will have in the later years of the lease term. This is further exacerbated by the ratchet clause which prevents the net rent charged under a lease to be reduced below the prior year's net rent and the duration of the lease being fixed at five years once it has been entered into.

Source: BDOCF analysis

### 2.3.4 Position of the Shareholders if the of the Proposed Ahmet Leases Transaction is Not Approved

If the Proposed Ahmet Leases Transaction is not approved by non-associated shareholders, we understand that MTO will endeavour to seek an alternative leasing arrangement. In doing so, the Company would have to consider factors including:

- ▶ The ability to negotiate an alternative leasing arrangement with the related party to enable continued use of the current premises. There is no guarantee that any alternative arrangement would be on equal or better terms to those proposed under the Proposed Ahmet Leases Transaction;
- ▶ The logistics of moving all the operations that occur in the Ahmet Leases at once into alternative premises, assuming that a sufficient number of suitable premises are readily available. In relation to the ability to identify alternative suitable premises, Management note:
  - Motorcycle dealerships tend to cluster into motorcycle precincts, and it is always difficult to find good buildings in a suitable precinct. There is a material risk that changing premises in an enforced timeframe will result in MTO operating out of inferior sites relative to their current position; and
  - Due to the nature of motorcycle franchises, each business is only capable of moving within a limited geographical area and in businesses with multiple franchises, there are different geographical restrictions on each franchise;
- ▶ Management expect that moving all these operations at once would cause significant business interruption;
- ▶ The costs associated with:
  - Meeting any make good requirements at the current premises;
  - Relocating furniture, equipment and stock;

- Setting up a new office space, including any fixtures and fittings that may be required;
- Updating office stationary with new office details;
- ▶ Loss of any intangible benefit gained from clients being familiar with the current premises;
- ▶ Possibility of downtime due to the migration and set-up of IT equipment; and
- ▶ Any costs that may be incurred with negotiating the break of the Ahmet Leases which have already been renewed by MTO.

MTO has also incurred costs that it will be unable to recover, irrespective of whether or not the Proposed Ahmet Leases Transaction is approved.

#### *2.3.5 Assessment of the Reasonableness of the Proposed Ahmet Leases Transaction*

In our opinion, after considering the advantages and disadvantages set out in this Report, in the absence of any other information, the Proposed Ahmet Leases Transaction is **Reasonable** to the non-associated shareholders as at the date of this Report.

### **2.4 Opinion**

Under RG 111, the Proposed Ahmet Leases Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Ahmet Leases Transaction is 'reasonable' if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Ahmet Leases Transaction may not be 'fair' to the non-associated shareholders.

In our opinion, in the absence of any other information, the Proposed Ahmet Leases Transaction is **Not Fair but Reasonable** to the non-associated Shareholders as at the date of this Report.

We strongly recommend that the non-associated shareholders also have regard to the information set out in the balance of this Report, including the appendices and the Important Information set out in Section 5, before deciding whether to vote in favour of or against the Proposed Ahmet Leases Transaction.

### 3.0 Assessment of the Proposed Retrospective Cassen Lease Transaction

This section is set out as follows:

- ▶ Section 3.1 sets out the methodology for our assessment of the Proposed Retrospective Cassen Lease Transaction;
- ▶ Section 3.2 sets out our assessment of the fairness of the Proposed Retrospective Cassen Lease Transaction;
- ▶ Section 3.3 sets out our assessment of the reasonableness of the Proposed Retrospective Cassen Lease Transaction; and
- ▶ Section 3.4 provides our assessment of whether the Proposed Retrospective Cassen Lease Transaction is fair and reasonable to the non-associated shareholders.

#### 3.1 Basis of Evaluation

The basis of evaluation used to assess the Proposed Retrospective Cassen Lease Transaction is consistent with the methodology summarised in Section 2.1 for the Proposed Ahmet Leases Transaction.

#### 3.2 Assessment of Fairness

##### 3.2.1 Basis of Assessment

The basis of assessment used to assess the Proposed Retrospective Cassen Lease Transaction is consistent with the methodology summarised in Section 2.2.1 for the Proposed Ahmet Leases Transaction.

In our view, it is appropriate to assess the fairness of the Proposed Retrospective Cassen Lease Transaction to the non-associated shareholders by comparing:

- a) The actual net rent agreed to be paid by MTO for use of the property; with
- b) The market value of the net rent for the property that the Proposed Retrospective Cassen Lease Transaction relates to.

In accordance with the requirements of RG 111, the Proposed Retrospective Cassen Lease Transaction can be considered ‘fair’ to the non-associated shareholders if the actual net rent agreed to be paid from a) above is less than or equal to the market value of the net rent for the properties determined in b) above.

##### 3.2.2 Actual Net Rent Agreed to be Paid by MTO

Under the terms of the Retrospective Cassen Lease, a net rent figure of \$1.43 million plus GST per annum was negotiated, subject to review. In relation to the review, we note:

- ▶ The lease is subject to an annual CPI review; and
- ▶ The lease is subject to ratchet provisions (i.e. a clause stating the net rent cannot be less than the previous year’s rent).

##### 3.2.3 Market Value of Net Rent

Table 3.1 below summarises our view of an appropriate market value of net rent to be adopted for the Retrospective Cassen Lease.

**Table 3.1: Summary of Market Value of Net Rent to be Paid**

Property Address	Market Net Rent Low (\$)	Market Net Rent Adopted (\$)	Market Net Rent High (\$)
2/25 Wonderland Dr, Eastern Creek, NSW	1,376,750	1,430,000	1,486,890

Source: BDOCF and JLL analysis

In forming our view on an appropriate market value of net rent to adopt, we have relied on the work of JLL who we have engaged to assist us form a view on an appropriate market value of net rent for the Retrospective Cassen Leases. JLL assessed the market value of net rent for the Retrospective Cassen Leases in a report (‘the JLL Retrospective Cassen Report’) and completed their work over a one month period ending 15 October 2021. The JLL Retrospective Cassen Report is attached as Appendix B to this Report.

In determining the market value of net rent, JLL has utilised the direct comparison (or market approach) methodology. The direct comparison approach compares the leased premise to leases of similar premises and analyses these on a rate per square metre of lettable area basis taking into consideration and making comparisons for location attributes, the date (i.e. factoring in market movements), the standard of improvements and level of fit-out, zoning and allowable uses, access and parking, the level of services, constraints, encumbrances and other factors the valuer deems appropriate to factor into their valuation. JLL have confirmed to us (and state in the JLL Retrospective Cassen Report) that this valuation methodology is appropriate to adopt for the purposes of determining a market value for the net rent in the JLL Retrospective Cassen Report.

JLL state there is a general hierarchy of weight placed on the available evidence, summarised as follows:

- 1) New lease to a new tenant;

- 2) Where market rent is agreed between the lessor and lessee at a midterm review or exercise of option specifically, where the lease dictates the rent is to be market and not subject to ratchet provisions (i.e. a clause stating the rent cannot be less than the previous year's rent);
- 3) Where market rent is set by determination under the terms of the lease or relevant legislation at a midterm review or exercise of option; and
- 4) New lease to a sitting tenant on expiry of an existing lease where the tenant has no right of continuing tenure. In this circumstance consideration must be given as to whether a premium rent was agreed rather than lose the goodwill and benefit of an existing fit-out/improvements.

The JLL Retrospective Cassen Report was authorised for release by Brett Baxter, a director of JLL's NSW Valuation Advisory. Based on our enquiries and the information provided to us, in our view, it is appropriate for us to consider the work of JLL as they are a specialist firm capable of completing this work and they understand the purpose of their work in the context of this Report.

We have made enquiries of JLL in relation to the valuation methodology adopted in the JLL Retrospective Cassen Report. JLL have confirmed to us (and state in the JLL Retrospective Cassen Report) that the valuation methodology adopted in the JLL Retrospective Cassen Report is appropriate to adopt for the purposes of determining a market value for the net rent.

JLL states in the JLL Retrospective Cassen Report that JLL is independent with respect to MTO and confirms that there is no conflict of interest with any party involved and neither JLL nor any of its personnel involved in the preparation of the JLL Retrospective Cassen Report have any material interest in MTO.

We confirm that we have been provided with consent by JLL to refer to the market values in the JLL Retrospective Cassen Report as current values in this Report. We have made reasonable enquiry of JLL and are satisfied that the market values in the JLL Retrospective Cassen Report are suitable for use in this Report. However, we do not take responsibility for the work of JLL.

The JLL Retrospective Cassen Report is attached to this Report as Appendix B. We recommend that MTO shareholders read the JLL Retrospective Cassen Report in full and in conjunction to this Report and related statements.

### 3.2.4 *Assessment of the Fairness of the Proposed Retrospective Cassen Lease Transaction*

In order to assess the fairness of the Proposed Retrospective Cassen Lease Transaction, it is appropriate to compare the actual net rent agreed to be paid by MTO for use of the property with the market net rent for the property that the Proposed Retrospective Cassen Lease relates to.

Pursuant to RG 111, the Proposed Retrospective Cassen Lease Transaction is considered to be fair if the value of the net rent agreed to be paid by MTO is less than or equal the market value of the net rent.

Table 3.2 below summarises our assessment of the fairness of the Proposed Retrospective Cassen Lease Transaction.

**Table 3.2: Assessment of the Fairness of the Proposed Retrospective Cassen Lease Transaction**

	Reference	Low (\$)	Adopted (\$)	High (\$)
Actual net rent agreed to be paid by MTO	3.2.2	1,430,000	1,430,000	1,430,000
Market value of net rent	3.2.3	1,376,750	1,430,000	1,486,890

Source: BDOCF analysis

With reference to Table 3.2, we note that the rent agreed to be paid by MTO is consistent with the market net rent determined by JLL.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Retrospective Cassen Lease Transaction is **Fair** to the non-associated shareholders as at the date of this Report.

In forming our view, we did not consider that the existence of the ratchet clause was sufficiently material to result in a not fair opinion noting that the annual review is based on CPI movements.

## 3.3 **Assessment of Reasonableness**

### 3.3.1 *Basis of Assessment*

The basis of assessment used to assess the Proposed Retrospective Cassen Lease Transaction is consistent with the methodology summarised in Section 2.3.1 for the Proposed Ahmet Leases Transaction.

Our assessment of the reasonableness of the Proposed Retrospective Cassen Lease Transaction is set out as follows:

- ▶ Section 3.3.2 sets out the advantages of the Proposed Retrospective Cassen Lease Transaction to the non-associated shareholders;
- ▶ Section 3.3.3 sets out the disadvantages of the Proposed Retrospective Cassen Lease Transaction to the non-associated shareholders;

- ▶ Section 3.3.4 sets out the position of the non-associated shareholders if the Proposed Retrospective Cassen Lease Transaction is not approved; and
- ▶ Section 3.3.5 provides our opinion on the reasonableness of the Proposed Retrospective Cassen Lease Transaction to the non-associated shareholders.

### 3.3.2 Advantages of the Proposed Retrospective Cassen Lease Transaction

Table 3.3 below outlines the potential advantages to the non-associated shareholders of approving the Proposed Retrospective Cassen Lease Transaction.

**Table 3.3: Potential Advantages of the Proposed Retrospective Cassen Lease Transaction**

Advantage	Explanation
The Proposed Retrospective Cassen Lease Transaction is Fair	In our view, the Proposed Retrospective Cassen Lease Transaction is fair to the non-associated shareholders as at the date of this Report. In accordance with RG 111, a transaction is considered reasonable if it is fair.  Refer to Section 3.2 of this Report for our assessment of the fairness of the Proposed Retrospective Cassen Lease Transaction.
Net rent reduction	MTO has been able to negotiate a net rent reduction on the Retrospective Cassen Lease of \$113k in FY22, a reduction of approximately 7.3% on the net rent paid in 2021. This net rent reduction occurred despite the existence of a ratchet clause in the Retrospective Cassen Lease that otherwise prevents the net rent charged in a year falling below the prior years' net rent amount.
No relocation required	If the Proposed Retrospective Cassen Lease Transaction is approved, MTO will be able to continue operating out of the premises that the Proposed Retrospective Cassen Lease Transaction relates to. By staying in the current premises, MTO will avoid relocation disruptions and costs including: <ul style="list-style-type: none"> <li>▶ Management time and distractions with identifying alternative suitable premises;</li> <li>▶ Any business closures required to move from an old premises to a new premises;</li> <li>▶ The costs associated with relocating furniture and equipment, IT equipment, and stock associated with the wholesale operation; and</li> <li>▶ Costs associated with any make good clauses in the lease agreements.</li> </ul>

Source: BDOCF analysis

### 3.3.3 Disadvantages of the Proposed Retrospective Cassen Lease Transaction

Table 3.4 below outlines the potential disadvantages to the non-associated shareholders of approving the Proposed Retrospective Cassen Lease Transaction.

**Table 3.4: Potential Disadvantages of the Proposed Retrospective Cassen Lease Transaction**

Disadvantage	Explanation
Ratchet clause	The Retrospective Cassen Lease continues to be subject to ratchet provisions (i.e. a clause stating the net rent cannot be less than the previous year's net rent). Over time, this may lead to net rent paid under the Retrospective Cassen Lease increasing beyond the net rent that would be assessed by an independent expert.
Lease term of 10 years	Although a lease term of 10 years is not unusual, a longer-term lease prevents MTO from having the flexibility to relocate to a new premises should market or business conditions change. The duration of the lease also compounds the effect of the ratchet clause, given that the net rent is unable to be reduced to less than the prior year's net rent in the event of a correction in the rental market.

Source: BDOCF analysis

### 3.3.4 Position of MTO if the Proposed Retrospective Cassen Lease Transaction is Not Approved

If the Proposed Retrospective Cassen Lease Transaction is not approved by non-associated shareholders, we understand that MTO will endeavour to seek an alternative leasing arrangement. In doing so, the Company would have to consider factors including:

- ▶ The ability to negotiate an alternative leasing arrangement with the related party to enable continued use of the current premises. There is no guarantee that any alternative arrangement would be on equal or better terms to those proposed under the Proposed Retrospective Cassen Lease Transaction;
- ▶ The costs associated with:
  - meeting any make good requirements at the current premises;
  - relocating furniture, equipment and stock associated with the wholesale operation;
  - setting up a new office space, including any fixtures and fittings that may be required;
  - updating office stationary with new office details;
- ▶ Loss of any intangible benefit gained from clients being familiar with the current premises;
- ▶ Possibility of downtime due to the migration and set-up of IT equipment; and



- ▶ Any costs that may be incurred with negotiating the break of the Retrospective Cassen Lease, which has already been renewed by MTO.

MTO has also incurred costs that it will be unable to recover, irrespective of whether or not the Proposed Retrospective Cassen Lease Transaction is approved.

### *3.3.5 Assessment of the Reasonableness of the Proposed Retrospective Cassen Lease Transaction*

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information, the Proposed Retrospective Cassen Lease Transaction is **Reasonable** to the non-associated shareholders as at the date of this Report.

## **3.4 Opinion**

Under RG 111, the Proposed Retrospective Cassen Lease Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Retrospective Cassen Lease Transaction is 'reasonable' if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Retrospective Cassen Lease Transaction may not be 'fair' to the non-associated shareholders.

In our opinion, in the absence of any other information, the Proposed Retrospective Cassen Lease Transaction is **Fair and Reasonable** to the non-associated shareholders as at the date of this Report.

We strongly recommend that the non-associated shareholders also have regard to the information set out in the balance of this Report, including the appendices and the Important Information set out in Section 5, before deciding whether to vote in favour of or against the Proposed Retrospective Cassen Lease Transaction.



## 4.0 Assessment of the Proposed Prospective Cassen Leases Transaction

This section is set out as follows:

- ▶ Section 4.1 sets out the methodology for our assessment of the Proposed Prospective Cassen Leases Transaction;
- ▶ Section 4.2 sets out our assessment of the fairness of the Proposed Prospective Cassen Leases Transaction;
- ▶ Section 4.3 sets out our assessment of the reasonableness of the Proposed Prospective Cassen Leases Transaction; and
- ▶ Section 4.4 provides our assessment of whether the Proposed Prospective Cassen Leases Transaction is fair and reasonable to the non-associated shareholders.

### 4.1 Basis of Evaluation

The basis of evaluation used to assess the Proposed Prospective Cassen Leases Transaction is consistent with the methodology summarised in Section 2.1 for the Proposed Ahmet Leases Transaction.

### 4.2 Assessment of Fairness

#### 4.2.1 Basis of Assessment

The basis of assessment used to assess the Proposed Prospective Cassen Leases Transaction is consistent with the methodology summarised in Section 2.2.1 for the Proposed Ahmet Leases Transaction.

In our view, it is appropriate to assess the fairness of the Proposed Prospective Cassen Leases Transaction to the non-associated shareholders by comparing:

- a) the actual gross rent agreed to be paid by MTO for use of the portfolio of properties; with
- b) the market value of the gross rent for the portfolio of properties that the Proposed Prospective Cassen Leases Transaction relates to.

In accordance with the requirements of RG 111, the Proposed Prospective Cassen Leases Transaction can be considered ‘fair’ to the non-associated shareholders if the actual gross rent agreed to be paid from a) above is less than or equal to the market value of the gross rent for the properties determined in b) above.

#### 4.2.2 Actual Gross Rent Agreed to be Paid by MTO

As at the date of this Report, neither option under the Proposed Prospective Cassen Leases Transaction has been exercised.

Upon exercise of each option, the parties must try to agree the market rent for the renewed lease. If they cannot agree, the rent is determined by an independent expert, but the rent must not be less than the rent for the previous period.

Until each option is exercised, the future rent to be paid by MTO is not determinable.

In the absence of this information, Table 4.1 below sets out a summary of the gross rent paid by MTO on the Prospective Cassen Leases in 2021.

**Table 4.1: Summary of Actual Gross Rent Agreed to be Paid by MTO**

Property Address	2021 Gross Rent Paid by MTO (\$)
27-29 & 30 Parraweena Road and 4 Box Road Caringbah, NSW	503,068
1/132-136 Blaikie Rd, Jamisontown, NSW	543,410
<b>Total</b>	<b>1,046,478</b>

Source: BDOCF analysis and Management

#### 4.2.3 Market Value of Gross Rent

As at the date of this Report, it is not possible to determine the market value of the gross rent figure that would apply at the time of the lease renewal. Notwithstanding this and for completeness, to provide additional information to the non-associated shareholders, JLL completed a market gross rent assessment on the Prospective Cassen Leases.

Table 4.2 below summarises our view of the market value of the gross rent for each of the properties.

**Table 4.2: Summary of Market Value of Gross Rent**

Property Address	Market Gross Rent Low (\$)	Market Gross Rent Adopted (\$)	Market Gross Rent High (\$)
27-29 & 30 Parraweena Road and 4 Box Road Caringbah, NSW	487,475	503,068	513,812
1/132-136 Blaikie Rd, Jamisontown, NSW	474,720	485,040	495,360
<b>Total</b>	<b>962,195</b>	<b>988,108</b>	<b>1,009,185</b>

Source: BDOCF and JLL analysis

In forming our view on an appropriate market value of gross rent to adopt, we have relied on the work of JLL who we have engaged to assist us form a view on an appropriate market value of gross rent for the Prospective Cassen Leases. JLL assessed the market value of gross rent for the Prospective Cassen Leases across two reports ('the JLL Prospective Cassen Reports') and completed their work over a one month period ending 15 October 2021. The JLL Prospective Cassen Reports are attached as Appendix C to this Report.

In determining the market value of gross rent, JLL has utilised the direct comparison (or market approach) methodology. The direct comparison approach compares the leased premise to leases of similar premises and analyses these on a rate per square metre of lettable area basis taking into consideration and making comparisons for location attributes, the date (i.e. factoring in market movements), the standard of improvements and level of fit-out, zoning and allowable uses, access and parking, the level of services, constraints, encumbrances and other factors the valuer deems appropriate to factor into their valuation. JLL have confirmed to us (and state in the JLL Prospective Cassen Reports) that this valuation methodology is appropriate to adopt for the purposes of determining a market value for the gross rent in the JLL Prospective Cassen Reports.

JLL state there is a general hierarchy of weight placed on the available evidence, summarised as follows:

- 1) New lease to a new tenant;
- 2) Where market rent is agreed between the lessor and lessee at a midterm review or exercise of option specifically, where the lease dictates the rent is to be market and not subject to ratchet provisions (i.e. a clause stating the rent cannot be less than the previous year's rent);
- 3) Where market rent is set by determination under the terms of the lease or relevant legislation at a midterm review or exercise of option; and
- 4) New lease to a sitting tenant on expiry of an existing lease where the tenant has no right of continuing tenure. In this circumstance consideration must be given as to whether a premium rent was agreed rather than lose the goodwill and benefit of an existing fit-out/improvements.

The JLL Report was authorised for release by Brett Baxter, a director of JLL's NSW Valuation Advisory. Based on our enquiries and the information provided to us, in our view, it is appropriate for us to consider the work of JLL as they are a specialist firm capable of completing this work and they understand the purpose of their work in the context of this Report.

We have made enquiries of JLL in relation to the valuation methodology adopted in the JLL Prospective Cassen Reports. JLL have confirmed to us (and state in the JLL Prospective Cassen Reports) that the valuation methodology adopted in the JLL Prospective Cassen Reports is appropriate to adopt for the purposes of determining a market value for the gross rent.

JLL states in the JLL Prospective Cassen Reports that JLL is independent with respect to MTO and confirms that there is no conflict of interest with any party involved and neither JLL nor any of its personnel involved in the preparation of the JLL Prospective Cassen Reports have any material interest in MTO.

We confirm that we have been provided with consent by JLL to refer to the market values in the JLL Prospective Cassen Reports as current values in this Report. We have made reasonable enquiry of JLL and are satisfied that the market values in the JLL Prospective Cassen Reports are suitable for use in this Report. However, we do not take responsibility for the work of JLL.

The JLL Prospective Cassen Reports are attached to this Report as Appendix C. We recommend that MTO shareholders read the JLL Prospective Cassen Reports in full and in conjunction to this Report and related statements.

#### 4.2.4 Assessment of the Fairness of the Proposed Prospective Cassen Leases Transaction

In order to assess the fairness of the Proposed Prospective Cassen Leases Transaction, it is appropriate to compare the actual gross rent agreed to be paid by MTO for use of the portfolio of properties with the market value of the gross rent for the portfolio of properties that the Proposed Prospective Cassen Leases Transaction relates to.

Pursuant to RG 111, the Proposed Prospective Cassen Leases Transaction is considered to be fair if the value of the gross rent agreed to be paid by MTO is less than or equal to the market value of the gross rent.

Table 4.3 below summarises our assessment of the fairness of the Proposed Prospective Cassen Leases Transaction.

**Table 4.3: Assessment of the Fairness of the Proposed Prospective Cassen Leases Transaction**

	Reference	Low	High
Actual rent agreed to be paid by MTO	4.2.2	Not determinable	Not determinable
Fair market value of rent	4.2.3	Not determinable	Not determinable

Source: BDOCF analysis

After considering the information summarised above and set out in detail in the balance of this Report, we are unable to form a view on the fairness of the Proposed Prospective Cassen Leases Transaction as certain information is not currently determinable.

Given we are unable to determine the future value of gross rent to be paid nor the market value of gross rent at that time, by default, the Proposed Prospective Cassen Leases Transaction is considered to be **Not Fair** to the non-associated shareholders as at the date of this Report.

For completeness, we note that the current gross rent paid by MTO of approximately \$1.05 million, as set out in Table 4.1, exceeds the high end of market gross rent of approximately \$1.01 million set out in Table 4.2. If our fairness assessment was to be completed at the current point in time based on this information, it would also be not fair.

### 4.3 Assessment of Reasonableness

#### 4.3.1 Basis of Assessment

The basis of assessment used to assess the Proposed Prospective Cassen Leases Transaction is consistent with the methodology summarised in Section 2.3.1 for the Proposed Ahmet Leases Transaction.

Our assessment of the reasonableness of the Proposed Prospective Cassen Leases Transaction is set out as follows:

- ▶ Section 4.3.2 sets out the advantages of the Proposed Prospective Cassen Leases Transaction to the non-associated shareholders;
- ▶ Section 4.3.3 sets out the disadvantages of the Proposed Prospective Cassen Leases Transaction to the non-associated shareholders;
- ▶ Section 4.3.4 sets out the position of the non-associated shareholders if the Proposed Prospective Cassen Leases Transaction is not approved; and
- ▶ Section 4.3.5 provides our opinion on the reasonableness of the Proposed Prospective Cassen Leases Transaction to the non-associated shareholders.

#### 4.3.2 Advantages of the Proposed Prospective Cassen Leases Transaction

Table 4.2 below outlines the potential advantages to the non-associated shareholders of approving the Proposed Prospective Cassen Leases Transaction.

**Table 4.2: Potential Advantages of the Proposed Prospective Cassen Leases Transaction**

Advantage	Explanation
Able to exercise the option to renew for each property	<p>If the Proposed Prospective Cassen Leases Transaction is approved, MTO will have the right, but not the obligation, to exercise the option to renew each of the Prospective Cassen Leases.</p> <p>This will provide MTO the ability, at its election, to continue operating out of the two premises that the Proposed Prospective Cassen Leases Transaction relates to. By staying in the current premises, MTO will avoid relocation disruptions and costs including:</p> <ul style="list-style-type: none"> <li>▶ Management time and distractions with identifying alternative suitable premises;</li> <li>▶ Any business closures required to move from an old premises to a new premises;</li> <li>▶ The costs associated with relocating furniture and equipment, IT equipment, and setting up new show rooms and workshops; and</li> <li>▶ Costs associated with any make good clauses in the lease agreements.</li> </ul> <p>By avoiding a relocation, MTO will continue to be located in a familiar location for customers and suppliers.</p>
Ability to use a property valuer to assist to determine the market rent	<p>Prior to exercising the option under the Proposed Prospective Cassen Leases, MTO is able to appoint a property valuer to assist in determining an appropriate market rent.</p> <p>For example, JLL state in the JLL Prospective Cassen Reports that MTO is able to challenge the rental rate via appointing a valuer each period of sixty months from the date of commencement of the lease. While the use of the ratchet clause may limit the effectiveness of the market rent review, we note that MTO has been successful in the past in negotiating a rental reduction, even in circumstances where a ratchet clause was in place.</p>
Caringbah property rent currently within JLL market range	<p>As set out in Tables 4.1 and 4.2 above, the rent on the Caringbah property is currently within the market range set out by JLL. It is likely that MTO will be paying a market rent figure assuming the macroeconomic conditions in the broader rental market remain materially the same.</p>

Source: BDOCF analysis

#### 4.3.3 Disadvantages of the Proposed Prospective Cassen Leases Transaction

Table 4.3 below outlines the potential disadvantages to the non-associated shareholders of approving the Proposed Prospective Cassen Leases Transaction.

**Table 4.3: Potential Disadvantages of the Proposed Prospective Cassen Leases Transaction**

Disadvantage	Explanation
Rent ultimately agreed may exceed the range determined by an independent expert	<p>If the Proposed Prospective Cassen Leases Transaction is approved, the rent that will be payable by MTO will not be known until the option has been exercised. There is no guarantee that the rent ultimately agreed to be paid by MTO will be within the range determined by an independent property valuer.</p> <p>For completeness, we note that the rent figure is agreed between the parties following exercise of the option to renew. If MTO was to wait until this time to seek shareholder approval, it would have limited time in which to seek an alternative property to rent in circumstances that shareholders did not approve the resolution. MTO would also be forced to negotiate to break the Prospective Cassen Leases and there is no guarantee that MTO would be in a better position following this process.</p>
Annual rent increases of greater of CPI and 3.5%	Under the current terms of the Prospective Cassen Leases, annual net rent is increased at the greater of CPI and 3.5%. Over time, if CPI remains below 3.5%, this will lead to compounding rent increases above CPI and may result in the rent payable exceeding a market rate.
Jamisontown property rent above JLL market range	As set out in Tables 4.1 and 4.2 above, the gross rent on the Jamisontown property is above the range set out by JLL. If MTO is unable to negotiate this rent down at the time the option is exercised, it is likely that MTO will be paying above average rent assuming the macroeconomic conditions in the broader rental market remain materially the same.
No further ability to block the exercise of the option	If the Proposed Prospective Cassen Leases Transaction is approved, non-associated shareholders will have no further ability to block the exercise of the option if, for example, they are of the view that the rent negotiated by MTO is not commercial.

Source: BDOCF analysis

#### 4.3.4 Position of MTO if the Proposed Prospective Cassen Leases Transaction is Not Approved

If the Proposed Prospective Cassen Leases Transaction does not proceed, and shareholder approval is not able to be obtained at a subsequent date, MTO will not be able to exercise either option to renew the Prospective Cassen Leases.

In this circumstance, we understand that MTO will endeavour to seek an alternative leasing arrangement. In doing so, the company would have to consider factors including:

- ▶ The ability to negotiate an alternative leasing arrangement with the related party to enable continued use of the current premises;
- ▶ The costs associated with:
  - meeting any make good requirements at the current premises;
  - relocating furniture and equipment;
  - setting up a new office space, including any fixtures and fittings that may be required;
  - updating office stationary with new office details;
- ▶ Loss of any intangible benefit gained from clients being familiar with the current premises; and
- ▶ Possibility of downtime due to the migration and set-up of IT equipment.

MTO has also incurred costs that it will be unable to recover, irrespective of whether or not the Proposed Prospective Cassen Leases Transaction is approved.

#### 4.3.5 Assessment of the Reasonableness of the Proposed Prospective Cassen Leases Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information, the Proposed Prospective Cassen Leases Transaction is **Reasonable** to the non-associated shareholders as at the date of this Report.

### 4.4 Opinion

Under RG 111, the Proposed Prospective Cassen Leases Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Prospective Cassen Leases Transaction is 'reasonable' if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Prospective Cassen Leases Transaction may not be 'fair' to the non-associated shareholders.

In our opinion, in the absence of any other information, the Proposed Prospective Cassen Leases Transaction is **Not Fair but Reasonable** to the non-associated shareholders as at the date of this Report.

We strongly recommend that the non-associated shareholders also have regard to the information set out in the balance of this Report, including the appendices and the Important Information set out in Section 5, before deciding whether to vote in favour of or against the Proposed Prospective Cassen Leases Transaction.

## 5.0 Important Information

### 5.1 Read this Report, and Other Documentation, in Full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the non-associated shareholders in conjunction with this Report should also be read in full, including the Notice of Meeting.

### 5.2 Shareholders' Individual Circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the non-associated shareholders as a whole. BDOCF has not considered the impact of the Proposed Lease Transactions on the particular circumstances of individual non-associated shareholders. Individual non-associated shareholders may place a different emphasis on certain elements of the Proposed Lease Transactions relative to the emphasis placed in this Report. Accordingly, individual non-associated shareholders may reach different conclusions as to whether or not the Proposed Lease Transactions are fair and reasonable in their individual circumstances.

The decision of an individual Non-Associated Shareholder to vote in favour of or against each of the Proposed Lease Transactions is likely to be influenced by their particular circumstances and accordingly, non-associated shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against each of the Proposed Lease Transactions is a matter for individual non-associated shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Non-associated shareholders should carefully consider the Notice of Meeting. Non-associated shareholders who are in doubt as to the action they should take in relation to the Proposed Lease Transactions should consult their professional adviser.

With respect to taxation implications of the Proposed Lease Transactions, it is strongly recommended that non-associated shareholders obtain their own taxation advice, tailored to their own particular circumstances.

### 5.3 Scope

In this Report we provide our opinions on whether or not each of the Proposed Lease Transactions are fair and reasonable to the non-associated shareholders.

This Report has been prepared at the request of the Non-Associated Directors for the sole benefit of the non-associated shareholders entitled to vote, to assist them in their decisions to vote in favour of or against the Proposed Lease Transactions. This Report is to accompany the Notice of Meeting to be sent to the shareholders to consider the Proposed Lease Transactions and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Non-Associated Directors and the non-associated shareholders without our written consent. We accept no responsibility to any person other than the Non-Associated Directors and the non-associated shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Proposed Lease Transactions. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the non-associated shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinions. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides, the listing requirements of the relevant exchanges (where relevant) and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- ▶ We have performed our analysis on the basis that the conditions precedent to the Proposed Lease Transactions are satisfied;
- ▶ That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ All information which is material to the non-associated shareholders' decisions on the Proposed Lease Transactions has been provided and is complete, accurate and fairly presented in all material respects;

- ▶ ASX announcements and other publicly available information relied on by us are accurate, complete and not misleading;
- ▶ If the Proposed Lease Transactions are approved, that they will be implemented in accordance with the stated terms;
- ▶ The legal mechanism to implement the Proposed Lease Transactions is correct and effective;
- ▶ There are no undue changes to the terms and conditions of the Proposed Lease Transactions, or complex issues unknown to us; and
- ▶ Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Lease Transactions. Other advisers have provided advice in relation to those matters to MTO in relation to the Proposed Lease Transactions.

MTO has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity, including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Company, its executives and management of all the entities.

#### **5.4 Purpose of this Report**

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act 2001 ('the Corporations Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 5.4.1 and 5.4.2 below.

##### *5.4.1 Requirements of the Corporations Acts*

This Report has not been prepared for the purpose of complying with any requirements of the Corporations Act.

##### *5.4.2 Listing Requirements*

#### **Chapter 10 of ASX Listing Rules**

ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, a substantial holder or a related party without the approval of non-associated shareholders.

ASX Listing Rule 10.2 defines an asset as substantial if its value or the consideration for it is, or in ASX's opinion is, 5% or more of the value of the equity interests of the entity, as set out in the latest accounts given to the ASX in accordance with the ASX listing rules ('Substantial Asset'). ASX typically assesses whether or not a lease is a 'substantial asset' by reference to whether the rent over the term (including any options to renew) exceeds 5% of a company's equity interests as set out in the most recent accounts lodged with ASX. In relation to the leases considered in this Report, we understand:

- ▶ The rent payable by MTO under each individual Ahmet Lease over the new term and the option term does not exceed 5% of MTO's equity interests. However, in aggregate, the rent does exceed 5% of the equity interests. As the Ahmet Leases are for the same term and the options were exercised at the same time, ASX has formed the view that they form part of the same transaction and so should be aggregated;
- ▶ For the Retrospective Cassen Lease, the total rent over its term exceeds 5% of the equity interests; and
- ▶ MTO is also seeking shareholder approval for the Prospective Leases.

As the Proposed Lease Transactions involves the acquisition of a Substantial Asset from related parties (being Mr David Ahmet and Mr Rob Cassen or entities affiliated with them), pursuant to ASX Listing Rule 10.1, the Proposed Lease Transactions require the approval of non-associated shareholders.

#### **ASX Listing Rule 10.5**

Under ASX Listing Rule 10.5, where shareholder approval is sought for the purpose of complying with ASX Listing Rule 10.1, the notice of meeting distributed to shareholders in relation to the transaction must include a report prepared by an independent expert, which states the expert's opinion as to whether the transaction is fair and reasonable to the non-associated shareholders.

This Report has been prepared to comply with the requirements of ASX Listing Rules 10.1 and 10.5, having regard to the Proposed Lease Transactions.



## 5.5 Current Market Conditions

Our opinions and the analysis set out in this Report are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision (particularly as the full impact of the COVID-19 outbreak continues to evolve as at the date of this Report).

In circumstances where we become aware of and believe that a change in these conditions, prior to the Meeting, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to MTO. BDOCF is not responsible for updating this Report following the Meeting or in the event that a change in prevailing circumstance does not meet the above conditions.

## 5.6 Reliance on Information

MTO recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO Services Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by MTO, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming opinions as to whether or not each of the Proposed Lease Transactions is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management, the information was evaluated through analysis, inquiry and review to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Non-Associated Directors represent and warrant to us, for the purpose of this Report, that all information and documents furnished by MTO (either by management directly or through advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Non-Associated Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, MTO has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

## 5.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('\$') references in this Report are in Australian dollars unless otherwise stated.

## 5.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- ▶ MTO annual report for the year ended 30 June 2020;
- ▶ MTO annual report for the year ended 30 June 2021;
- ▶ MTO ASX announcements;
- ▶ The JLL Ahmet Reports (attached as Appendix A), the JLL Retrospective Cassen Report (attached as Appendix B) and the JLL Prospective Cassen Reports (attached as Appendix C);
- ▶ Lease documents;

- ▶ Capital IQ;
- ▶ Other research publications and publicly available data as sourced throughout this Report; and
- ▶ Discussions and correspondence with JLL, MTO, management and their advisers.

## **5.9 APES 225 Valuation Services**

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

## **5.10 Forecast Information**

Any forecast financial information referred to in this Report has originated from the Company's management ('Management') and is adopted by the Company's directors in order to provide us with a guide to the potential financial performance of MTO. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of MTO. Evidence may be available to support the directors' best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by Management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided by Management.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of MTO have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

## **5.11 Qualifications**

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the ASX Listing Rules of the ASX and the Corporations Act.

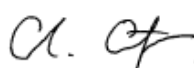
BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Chris Catanzaro have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Catanzaro, BCom (Hons), CA, CFA, are directors of BDOCF. Both Mr Whittaker and Mr Catanzaro have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Catanzaro are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

**BDO Corporate Finance Ltd**



**Mark Whittaker**  
Director



**Chris Catanzaro**  
Director



## PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED LEASE TRANSACTIONS

### 6.0 Overview of the Proposed Lease Transactions

This section sets out an overview of the transactions assessed in this Report and is structured as follows:

- ▶ Section 6.1 outlines the background to the Proposed Lease Transactions;
- ▶ Section 6.2 provides a brief description of the Proposed Ahmet Leases Transaction;
- ▶ Section 6.3 provides a brief description of the Proposed Retrospective Cassen Lease Transaction; and
- ▶ Section 6.4 provides a brief description of the Proposed Prospective Cassen Leases Transaction.

This section is a summary only and should not be treated as a complete description of the Proposed Lease Transactions. The non-associated shareholders should refer to the Notice of Meeting and subsequent disclosures for detailed and additional information relating to the Proposed Lease Transactions.

#### 6.1 Background to the Proposed Lease Transactions

On 1 September 2021, MTO announced to the market that they failed to seek approval under ASX Listing Rule 10.1 in relation to the exercise of options to renew a number of leases with related parties, namely:

- ▶ The Ahmet Leases; and
- ▶ The Retrospective Cassens Lease.

To remedy the breach, the ASX requires MTO to seek shareholder approval for the Ahmet Leases and for the Retrospective Cassens Lease at the AGM, which is scheduled for 2 December 2021.

In addition, MTO will also seek shareholder approval to renew two additional leases, the Caringbah Lease and Penrith Lease, otherwise referred to in this Report as the Proposed Prospective Cassen Leases Transaction.

The purpose of this Report is discussed further in Section 5.4.

#### 6.2 Overview of the Proposed Ahmet Leases Transaction

Since 2011, MTO has leased eleven premises of which ten are 50% owned by Director David Ahmet or an entity controlled by him and one is owned by an entity controlled by Mr Ahmet, under thirteen separate leases. These leases were previously disclosed in the Company's initial public offering prospectus in 2016 and in each of the Company's annual reports since then.

MTO obtained a waiver of ASX listing rule 10.1 in 2016 so that shareholder approval was not required for the exercise of options to renew the Ahmet Leases in 2016. The terms of these leases were negotiated on a commercial arm's length basis in 2011 and were for an initial five year term, with options to renew for a further 15 years (comprising three options for five year periods). With respect to the options, the Company:

- ▶ Exercised the first options for a renewed five year term from 1 July 2016 to 30 June 2021;
- ▶ Exercised the second options for a further period of five years from 1 July 2021 to 30 June 2026; and
- ▶ Has one further five year option for each of the Ahmet Leases.

For each of the Ahmet Leases, the owners of the relevant premises and, subsequently, the lessors for the 13 leases include:

- ▶ For two of the Ahmet Leases:
  - David Hedley Ahmet; and
  - John Oliver;
- ▶ For one of the Ahmet Leases, Kenlake Pty Ltd as trustee for the Ahmet Family Trust;
- ▶ For the remaining ten Ahmet Leases:
  - Kenlake Pty Ltd as trustee for the Ahmet Family Trust; and
  - Demiford Pty Ltd as trustee for the J O A N Family Trust.

Management's rationale for the Proposed Ahmet Leases Transaction is as follows:

- ▶ This group of leases covers seven dealerships, the most recent of which has been in the same location and under MTO's control for 15 years and many years before that with previous owners;
- ▶ Every one of these stores are in good locations for motorcycle dealerships, either because they are in a motorcycle precinct (Moss Street, Springwood and Lawrence Drive, Nerang), form a motorcycle precinct by themselves (Virginia) or are located on major arterial roads;
- ▶ Due to the nature of motorcycle franchises, each business is only capable of moving within a limited geographical area. If an alternative was found, approval would need to be granted individually by each of the franchisors for the new premises and those approvals often come with onerous requests for space or fit-out;
- ▶ Each dealership generally costs up to \$100,000 to fit out properly ready for trading;
- ▶ There are additional marketing expenses required to enable customers who have been going to a dealership for many years to find the new location;
- ▶ Management have examined the possibility of moving several of these stores over the years and have never found a compelling alternative site;
- ▶ There is the added complication of having to move all of these shops at once. Even if it were possible to find alternative sites, the logistics of moving all of these dealerships would cause significant business interruption; and
- ▶ Management have dealt with certain landlords for 30 years without complaint. These same landlords provided support during a difficult COVID-19 period, and MTO value that loyalty very highly.

### 6.3 Overview of the Proposed Retrospective Cassen Lease Transaction

Since 2011, Cassons Pty Ltd, who are a wholly-owned subsidiary of MTO since their acquisition in FY18, have leased the Cassons Warehouse at Eastern Creek ('Cassons Warehouse Lease') from JRC Imports Australia Pty Ltd ('JRC1').

The terms of this lease were negotiated on a commercial arm's length basis in 2011 and were for an initial 10 year term, with one option for a further 10 years at expiry of the initial term. The previous lease expired on 30 June 2021 and the option was exercised, with the new lease beginning on 1 July 2021 for a further 10 years (with no additional options). Details of the Cassons Warehouse Lease have been disclosed in the Company's annual reports since the Group acquired Cassons Pty Ltd.

The lessor under the Cassons Warehouse Lease is JRC1. Robert Cassen is a related party by virtue of his directorship of MTO. He has a 50% shareholding in JRC1, whilst also being one of two directors at JRC1. JRC1 is also acting in concert with Robert Cassen and is subsequently a related party of the Company.

Management's rationale for the Proposed Retrospective Cassens Lease Transaction is as follows:

- ▶ Management have indicated that it was considered possible to relocate, as any similar sized industrial shed in the general area could have been leased and set up to receive and despatch stock. However, moving would cause additional business disruption;
- ▶ There was no immediate need for more space and no real possibility of operating from a smaller warehouse;
- ▶ Despite the possibility of moving and a likelihood of up to six months free rent as an incentive, at no stage was there a compelling reason to move other than the possibility of cheaper rent. Management note that the landlord varied the rent down to market, despite the lease having a ratchet that otherwise prevented the rent from falling below the previous year's level;
- ▶ When the option was exercised and the lease was entered into, there was considerable uncertainty with the onset of COVID-19 and Management were of the view that it was not in the Company's best interests to incur the disruption caused by moving premises; and
- ▶ The market rental rate for the Cassons Warehouse Lease was established by looking at similar available space with a Sydney real estate firm, further supported by the rent the owners were able to charge for the other half of the building to an arm's length tenant in a commercial transaction.

### 6.4 Overview of the Proposed Prospective Cassen Leases Transaction

MTO subsidiary, Motorcycle Accessories Supermarket Pty Ltd, has entered into leases for premises at Penrith with JRC Imports No.2 Pty Ltd ('JRC2') ('Penrith Lease') and at Caringbah with JRC Imports No.3 Pty Ltd ('JRC3') ('Caringbah Lease'). Robert Cassen is a Director of MTO and so is a related party of the Company. He currently holds 50% of the shares in JRC2 and JRC3 and is one of two directors of each of those companies. JRC2 and JRC3 are acting in concert with Robert Cassen and so are treated as related parties of the Company.

The terms of these leases were each negotiated on a commercial arm's length basis in 2012 (Penrith Lease) and 2013 (Caringbah Lease) respectively and were each for an initial 10 year term with one option of 10 years. With respect to the expiry date of the original term, we note:

- ▶ The Caringbah Lease expires on 30 November 2022 and the 10 year option may be exercised between 28 February and 31 May 2022; and

- ▶ The Penrith Lease expires on 30 June 2023 and the 10 year option may be exercised between 30 September and 31 December 2022.

Details of the Penrith Lease and the Caringbah Lease have been disclosed in the Company's annual reports since the Group acquired Cassens Pty Ltd in FY18. Upon exercise of each option, the parties must try to agree on the market rent for the renewed lease and if they cannot agree, the rent is determined by an independent expert, but the rent must not be less than the rent for the previous period.

Management's rationale for the Proposed Prospective Cassen Leases Transaction are as follows:

- ▶ MTO currently intends on exercising the option on the Penrith Lease as this is considered one of the best performing dealerships and Management have no desire to move from this location; and
- ▶ MTO currently intends on exercising the option on the Caringbah Lease and are currently in negotiations to be appointed as the dealer for additional motorcycle franchises. This will utilise the excess space on the property and Management expect it will complement the already established accessories business through increased foot traffic to the premises.

## 7.0 Background of MotorCycle Holdings

This section is set out as follows:

- ▶ Section 7.1 sets out an overview of MTO;
- ▶ Section 7.2 sets out the corporate structure of MTO;
- ▶ Section 7.3 sets out an overview of the equity structure of MTO;
- ▶ Section 7.4 sets out a summary of MTO share trading data available; and
- ▶ Section 7.5 sets out a summary of the historical financial information of MTO.

### 7.1 Background

Founded in 1989, MTO is a motorcycle dealership and accessories group that operates from 41 retail locations in Queensland, New South Wales, Victoria and the Australian Capital Territory. MTO was listed on the ASX on 29 April 2016.

MTO's core business consists of:

- ▶ The ownership and operation of motorcycle dealerships and retail accessories outlets that engage in:
  - The sale of new motorcycles;
  - The sale of used motorcycles;
  - The sale of vehicle accessories and parts; and
  - Motorcycle financing plans;
- ▶ Insurance and mechanical protection plans; and
- ▶ Servicing and repairs.

MTO also owns and operates a motorcycle repair business which performs smash repair work for insurers and in October 2017, the Group acquired Cassons Pty Ltd, who operate a motorcycle accessories wholesaling business. The Company represents a diverse portfolio of brands, selling all of the top 10 selling motorcycle brands in Australia. The top 10 selling motorcycle manufacturers in Australia represented 91% of new motorcycle volume.

### 7.2 Corporate Structure of MTO

MTO currently has 18 subsidiaries within its corporate structure. All subsidiaries are incorporated in Australia and are either directly controlled by MTO Limited or are wholly owned within the group. The group also has a 50% ownership interest in MotorCycle Finance Pty Ltd, a joint venture that was established to provide secured loans to customers directly for the purchase of motorcycles.

### 7.3 Equity Structure of MTO

#### 7.3.1 Ordinary Shares

As at 14 September 2021, MTO had 61,706,710 ordinary shares on issue. The top ten shareholders of the company are set out in Table 7.1. Table 7.1 does not consider the impact of any changes in shareholding as a result of the Proposed Transaction.

**Table 7.1: Top 10 Shareholders**

	Shareholders	Number of Shares	Percentage Holding
1	Citicorp Nominees Pty Limited	17,419,109	28.2%
2	Greenslide Pty Ltd	6,300,000	10.2%
3	Kenlake Pty Limited	4,179,394	6.8%
4	J P Morgan Nominees Australia Pty Limited	3,411,606	5.5%
5	Freda Cassen	3,181,819	5.2%
6	R Cassen Pty Ltd <R Cassen Family A/C>	3,181,819	5.2%
7	HSBC Custody Nominees (Australia) Limited	1,946,344	3.2%
8	National Nominees Limited	1,288,871	2.1%
9	Mr Bruce Roland Collins	839,610	1.4%
10	David Hedley Ahmet	581,596	0.9%
	Other Shareholders	42,330,168	68.6%
	<b>Total shares on issue</b>	<b>61,706,710</b>	<b>100.0%</b>

Source: MTO FY2021 Annual Report, MTO ASX announcements and Company shareholder register

Having regard to the information set out in Table 7.1 above, we note the following substantial holders and their relevant interest:

- ▶ David Hedley Ahmet (who is the current Managing Director of MotorCycle Holdings) and his associates currently hold 11,438,994 shares or 18.5% of the total issued capital;
- ▶ Bennelong Australian Equity Partners Pty Ltd is the Company's second largest shareholder, with a shareholding of 8,365,486 shares, which is equivalent to 13.6% of the total issued capital;
- ▶ Auscap Asset Management Limited is the Company's third largest shareholder, with a shareholding of 4,260,000 shares, which is equivalent to 6.9% of the total issued capital;
- ▶ Mitsubishi UFG Financial Group, Inc is the Company's fourth largest shareholder, with a shareholding of 4,009,752 shares, which is equivalent to 6.5% of the total issued capital;
- ▶ Robert Cassen is the Company's fifth largest shareholder, with a shareholding of 3,413,833 shares, which is equivalent to 5.5% of the total issued capital; and
- ▶ Freda Cassen is the Company's sixth largest shareholder, with a shareholding 3,231,451 shares, which is equivalent to 5.2% of the total issued capital.

### 7.3.2 Performance Rights on Issue

The Long Term Incentive Plan ('LTIP') was approved by shareholders at the Company's annual general meeting in 2020. The performance rights are subject to certain performance hurdles being met over the relevant monitoring period. These performance hurdles include:

- ▶ **Relative total shareholder return ('TSR')**: 50% of the Performance Rights are subject to relative TSR assessed over a three-year performance period commencing 1 July 2020 and ending 30 June 2023, compared to a peer group of 12 ASX listed companies. Vesting will occur based on the Company's positioning in the peer group; and
- ▶ **Earnings per share ('EPS')**: 50% of the Performance Rights are subject to growth in the Company's EPS assessed over a three-year performance period commencing 1 July 2020 and ending 30 June 2023, on a compound annual growth rate ('CAGR') basis. Vesting will occur based depending on the size of EPS CAGR achieved.

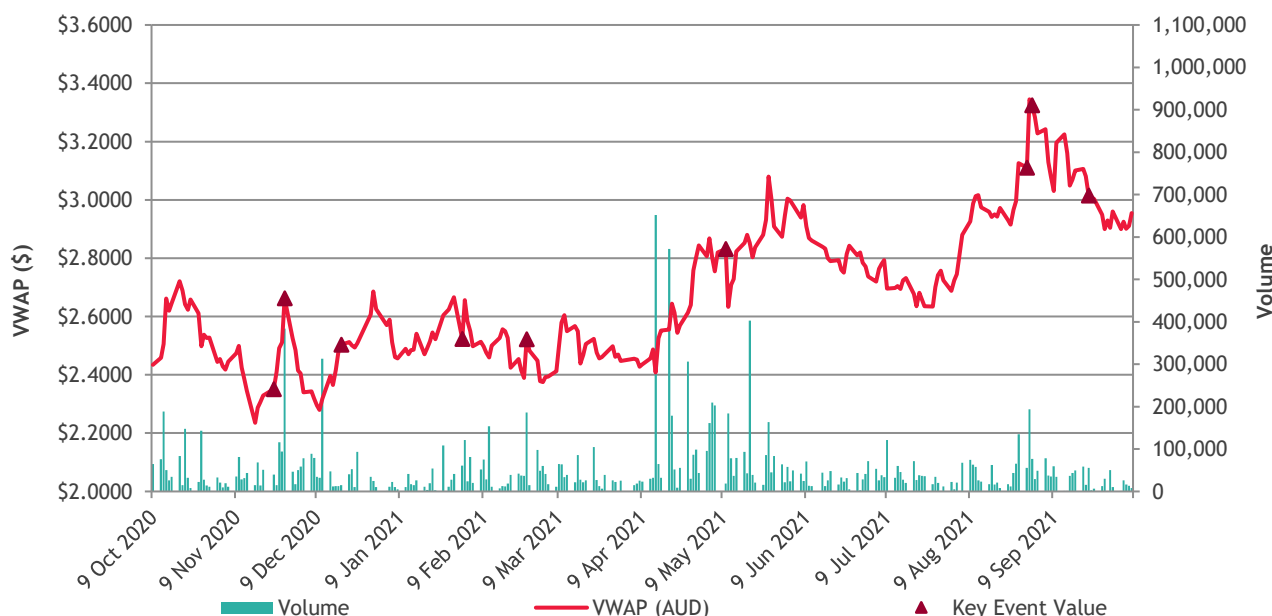
As at 30 June 2021 MTO had 824,626 performance rights on issue.

## 7.4 Share Performance of MTO

### 7.4.1 Share Price Performance

Figure 7.1 displays the daily volume weighted average price ('VWAP') and daily volume of MTO shares traded on the ASX over the period 9 October 2020 to 8 October 2021.

Figure 7.1: Daily VWAP and Volume of MTO Shares Traded from 9 October 2020 to 8 October 2021



Source: Capital IQ as at 8 October 2021

Over the period graphed in Figure 7.1 above, MotorCycle Holding's daily VWAP displays a period low of \$2.24 on 16 November 2020 and a period high of \$3.34 on 31 August 2021.

In addition to the share price and volume data of MTO shown above, we have also provided additional information in Table 7.2 below to assist readers to understand the possible reasons for the movement in MTO share price over the

period analysed. The selected ASX announcement references in Table 7.2 below correspond to those displayed in Figure 7.1 above.

**Table 7.2: Selected MTO ASX Announcements from 9 October 2020 to 8 October 2021**

Date	Announcement
23/11/2020	The Company announced there was an error in the annual report relating to the remuneration report. The report initially stated that bonuses were not awarded. This was incorrect and the report should have stated that 'bonuses have not yet been awarded', as amounts were subsequently awarded to the Managing Director and CFO.
27/11/2020	MTO provided an update to shareholders on the current trading and financial position of the Company. The Company expects to report underlying EBITDA between \$23 million and \$25 million for the period ended 30 June 2021, subject to audit.
18/12/2020	Mitsubishi UFJ Financial Group, Inc. reduced its substantial holding in the company from 7.66% to 6.5%.
01/02/2021	MTO provided an update to shareholders on the current trading and financial position of the Company for the six months to 31 December 2020. The Company expects to report underlying EBITDA between \$26 million and \$27 million for the period, subject to audit.
25/02/2021	MTO announced strong performance for the six months to 31 December 2020. Key features of the result include a 23% increase in revenue, a 168% increase in underlying EBITDA and a 258% increase in net profit after tax when compared to the same period in 2019.
10/05/2021	MTO provided an update to shareholders on the current trading and financial position of the Company. The Company expects to report underlying EBITDA between \$42 million and \$45 million for the period ended 30 June 2021, subject to audit.
30/08/2021	MTO announced a record performance for the year to 30 June 2021, with revenue and profit increases across all divisions. The company reported a 19% increase in revenue and a Gross Profit increase of 26%, which helped drive a net profit after tax increase of 86%.
01/09/2021	Failure to seek approval under Listing Rule 10.1 in relation to the exercise of options to renew a number of leases with related parties. MTO will seek shareholder approval to exercise the options at the 2021 Annual General Meeting scheduled for 2 December 2021.
22/09/2021	Auscap Asset Management Limited reduce their interest in the Company from 7.94% to 6.90% by selling 640,000 shares.

Source: MTO ASX Announcements from 9 October 2020 to 8 October 2021

#### 7.4.2 Liquidity of MTO Shares on the ASX

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments. This is particularly dependent on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 7.3 summarises the monthly liquidity of MTO shares from 1 October 2020 to 8 October 2021. Liquidity has been summarised by considering the following:

- ▶ Volume of share trades per month;
- ▶ Value of total trades in MTO shares per month;
- ▶ Number of MTO shares traded per month as a percentage of total MTO shares outstanding at the end of the month; and
- ▶ Volume weighted average price per month.

**Table 7.3: Liquidity of MTO shares on the ASX**

Month	Volume	Turnover (A\$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A\$)
October 2021 (to 8 <sup>th</sup> )	75,320	220,322	61,706,710	0.12%	\$2.93
September 2021	764,740	2,383,750	61,706,710	1.24%	\$3.12
August 2021	1,007,360	3,073,947	61,706,710	1.63%	\$3.05
July 2021	866,290	2,346,499	61,706,710	1.40%	\$2.71
June 2021	630,780	1,814,461	61,706,710	1.02%	\$2.88
May 2021	2,121,790	6,017,208	61,706,710	3.44%	\$2.84
April 2021	2,348,320	5,979,015	61,706,710	3.81%	\$2.55
March 2021	898,560	2,233,515	61,706,710	1.46%	\$2.49
February 2021	1,035,370	2,602,071	61,706,710	1.68%	\$2.51

Month	Volume	Turnover (A\$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A\$)
January 2021	440,020	1,126,087	61,706,710	0.71%	\$2.56
December 2020	1,116,100	2,671,127	61,706,710	1.81%	\$2.39
November 2020	1,156,580	2,899,202	61,706,710	1.87%	\$2.51
October 2020	1,764,620	4,353,267	61,706,710	2.86%	\$2.47
<b>Total</b>	<b>14,225,850</b>	<b>37,720,471</b>	<b>61,706,710</b>	<b>23.05%</b>	<b>\$2.65</b>

Source: Capital IQ as at 8 October 2021

Assuming a weighted average number of 61,706,710 shares on issue over the period, approximately 23.05% of the total shares on issue were traded over the period 1 October 2020 to 8 October 2021. In our view, this indicates that MTO shares display a relatively low level of liquidity.

## 7.5 Historical Financial Information of MTO

This section sets out the historical financial information of MTO. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in MTO annual reports, including the full Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position and Statements of Cash Flows.

MTO financial statements have been audited by KPMG. BDOCF has not performed any audit or review of any type on the historical financial information of MTO and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

### 7.5.1 Statements of Profit or Loss and Other Comprehensive Income

Table 7.4 summarises the statements of profit or loss and other comprehensive income of MTO for the 12 months ended 30 June 2019, 2020 and 2021.

**Table 7.4: MTO Statements of Profit or Loss and Other Comprehensive Income**

	12 Months Ended 30-June-19 Audited (\$'000)	12 Months Ended 30-June-20 Audited (\$'000)	12 Months Ended 30-June-21 Audited (\$'000)
Sales Revenue	315,054	348,588	430,692
Cost of Sales	(233,485)	(261,616)	(305,438)
<b>Gross profit/(loss)</b>	<b>81,569</b>	<b>86,972</b>	<b>125,254</b>
<b>Other income</b>			
Share of profit of equity accounted investee, net of tax	-	-	885
Other income	14,833	21,101	8,099
<b>Total Income</b>	<b>96,402</b>	<b>108,073</b>	<b>134,238</b>
<b>Expenses</b>			
Employee benefits expense	(51,661)	(52,828)	(59,689)
Finance costs	(2,890)	(3,880)	(1,752)
Depreciation and amortisation expense	(3,790)	(13,188)	(13,413)
Impairment expense	-	(24,296)	-
Occupancy costs	(12,339)	(2,509)	(2,745)
Other expenses	(13,675)	(13,790)	(16,386)
<b>Total Expenses</b>	<b>(84,355)</b>	<b>(110,491)</b>	<b>(93,985)</b>
<b>Profit before tax</b>	<b>12,047</b>	<b>(2,418)</b>	<b>40,253</b>
Income tax expense	(3,702)	(6,702)	(11,954)
<b>Net profit after tax</b>	<b>8,345</b>	<b>(9,120)</b>	<b>28,299</b>
Other comprehensive income - equity accounted investee	(290)	(181)	207
<b>Total comprehensive income for the year attributed to owners of the company</b>	<b>8,055</b>	<b>(9,301)</b>	<b>28,506</b>

Source: MTO FY2019, FY2020 and FY2021 Annual Reports



With reference to Table 7.4 above, we note the following:

- ▶ Revenue growth from FY19 to FY21 was underpinned by increases in new motorcycle unit sales. Between FY19 and FY20, new unit sales grew by 16.3%, which was followed by 20% growth between FY20 and FY21. Revenue was also positively impacted in FY21 with the two acquisitions announced by MTO in 2019 (Canberra MotorCycle Centre and Morgan & Wacker in Melbourne) providing their first full year contribution to the result;
- ▶ MTO incurred a non-cash impairment of \$24.3 million against the carrying value of the wholesale divisions' intangible assets, which principally related to goodwill from the Cassons acquisition;
- ▶ Finance costs, which relates to interest on borrowing, declined in FY21 after a 34% increase from FY19 and FY20. The increase between FY19 and FY20 is principally attributable to the recognition of interest pertaining to lease liabilities under AASB 16. In FY21 MTO repaid both short and long term debt amounts, thus reducing the interest portion owed; and
- ▶ MTO adopted AASB 16 on 1 July 2019. As a result, lease expense was removed from occupancy costs and was replaced with depreciation and interest expense. As a result, there is an approximately \$10 million decrease in occupancy costs between FY19 and FY20, which corresponds to the same approximate increase seen in depreciation and amortisation expense during the same period.

#### 7.5.2 Statements of Financial Position

Table 7.5 summarises MTO statements of financial position as at 30 June 2019, 2020 and 2021.

**Table 7.5: MTO Statements of Financial Position**

	As At 30-June-19 Audited (\$'000)	As At 30-June-20 Audited (\$'000)	As At 30-June-21 Audited (\$'000)
<b>Current assets</b>			
Cash and cash equivalents	9,175	39,494	4,668
Trade and other receivables	8,179	7,592	8,572
Inventories	84,396	74,425	86,237
Current tax assets	2,095	-	-
Other current assets	12	-	308
<b>Total non-current assets</b>	<b>103,857</b>	<b>121,511</b>	<b>99,785</b>
<b>Non-current assets</b>			
Right of use assets	-	28,795	43,208
Property, plant and equipment	11,546	11,464	11,546
Deferred tax assets	653	488	800
Goodwill and other intangible assets	119,684	94,571	92,505
Interest in equity accounted investees	3,539	3,164	4,506
Other non-current assets	117	146	80
<b>Total non-current assets</b>	<b>135,539</b>	<b>138,628</b>	<b>152,645</b>
<b>Total assets</b>	<b>239,396</b>	<b>260,139</b>	<b>252,430</b>
<b>Current liabilities</b>			
Trade and other payables	12,457	12,652	17,075
Short term borrowings	30,550	30,602	22,513
Lease liabilities	-	11,100	10,430
Current tax liabilities	-	2,057	3,203
Provisions	5,692	6,459	7,681
Contract liabilities	2,988	2,444	3,245
<b>Total current liabilities</b>	<b>51,687</b>	<b>65,314</b>	<b>64,147</b>



	As At 30-June-19 Audited (\$'000)	As At 30-June-20 Audited (\$'000)	As At 30-June-21 Audited (\$'000)
<b>Non-current liabilities</b>			
Borrowings	46,815	44,623	5,000
Lease liabilities	-	20,227	34,879
Deferred tax liabilities	-	-	-
Provisions	1,448	582	675
Contract liabilities	4,209	4,804	3,479
<b>Total non-current liabilities</b>	<b>52,472</b>	<b>70,236</b>	<b>44,033</b>
<b>Total liabilities</b>	<b>104,159</b>	<b>135,550</b>	<b>108,180</b>
<b>Net assets</b>	<b>135,237</b>	<b>124,589</b>	<b>144,250</b>
<b>Equity</b>			
Contributed equity	120,081	120,081	120,081
Share-based payment reserve	177	254	665
Retained earnings	14,979	4,254	23,504
<b>Total equity</b>	<b>135,237</b>	<b>124,589</b>	<b>144,250</b>

Source: MTO FY2019, FY2020 and FY2021 Annual Reports

With respect to Table 7.5 above, we note the following:

- ▶ Inventories balance increased in FY21, following a decline in FY20 when compared to FY19. The FY20 inventory decrease is attributable to the company's approach to the COVID-19 pandemic. With sales slowing in March and early April management took action to protect the business from the change in conditions which included adopting a lean approach to inventories. However with consumer confidence returning in FY21, inventory balances returned to pre-COVID levels;
- ▶ Right of use assets and lease liabilities increased in FY21 as result MTO exercising the options on the Ahmet Leases and the Retrospective Cassen Lease;
- ▶ A \$24.3 non-cash impairment of goodwill which arose from the acquisition of Cassons Pty Ltd was recognised in FY20; and
- ▶ Interest in equity accounted investees relates to the MotorCycle Finance Pty Ltd joint venture which the group has a 50% ownership interest in. This line item represents the Group's 50% share in the net assets of the joint venture. The Group also recorded 50% of the joint venture's profit after tax as a revenue line item in the statement of profit of loss and other comprehensive income.

### 5.5.3 Statements of Cash Flows

Table 5.7 summarises MTO Statement of Cash Flows for the 12 month periods ended 30 June 2019, 2020 and 2021.

**Table 5.7: MTO Summarised Statements of Cash Flows**

	12 Months Ended 30-June-19 Audited (\$'000)	12 Months Ended 30-June-20 Audited (\$'000)	12 Months Ended 30-June-21 Audited (\$'000)
<b>Cash flow from operating activities</b>			
Receipts from customers (inclusive of GST)	362,228	406,906	480,288
Payments to suppliers and employees (inclusive of GST)	(335,460)	(356,438)	(438,255)
Interest and other costs of finance paid	(2,890)	(3,880)	(1,752)
Income taxes paid	(4,888)	(1,693)	(11,120)
Interest received	11	9	-
<b>Net cash (used)/provided by operating activities</b>	<b>19,001</b>	<b>44,904</b>	<b>29,161</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of businesses (net of cash acquired)	-	(2,581)	-
Investment in equity accounted investees	(2,750)	-	(250)
Payments for property, plant and equipment	(2,185)	(1,213)	(2,102)
Proceeds from sale of property, plant and equipment	126	66	316
<b>Net cash (used)/provided by investing activities</b>	<b>(4,809)</b>	<b>(3,728)</b>	<b>(2,036)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings	(3,475)	(1,167)	(47,622)
Proceeds from borrowings	-	-	5,000
Repayments of lease principal	-	(9,690)	(10,073)
Dividend paid	(4,011)	-	(9,256)
<b>Net cash (used)/provided by financing activities</b>	<b>(7,486)</b>	<b>(10,857)</b>	<b>(61,951)</b>
Net increase/(decrease) in cash and cash equivalents	6,706	30,319	(34,826)
Cash and cash equivalents at the beginning of the period	2,469	9,175	39,494
<b>Cash and Cash equivalents at the end of the period</b>	<b>9,175</b>	<b>39,494</b>	<b>4,668</b>

Source: MTO FY2019, FY2020 and FY2021 Annual Reports

With reference to Table 5.7 above, we note the following:

- ▶ Between FY20 and FY21, increased payments to suppliers and employees was driven by an increase in total motorcycle sales, the inclusion of the new Indian Dealerships and other franchises and the full year effect of the businesses acquired in FY20. The higher cash outflows to suppliers also correspond broadly to the increase in inventory levels, following a reduction to combat the impacts of COVID-19; and
- ▶ Net cash out from financing activities decreased in FY21 as a result of the company's commitment to improving its net debt position and also a dividend payment to reward shareholders for consistently strong trading conditions. Having ended FY20 with a strong cash position management used this surplus in balance to repay \$20 million in debt of August 2020, with a further \$27.6 million being repaid through the remainder of FY21. The Company also paid a 20 cent dividend per share, fully franked.

## 8.0 Industry Overview

This section sets out an overview of the motorcycle dealership and industrial property industries.

The information presented in this section has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe. BDOCF has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a broad guide only.

### 8.1 Motorcycle Dealership Industry

The below discussion is based on the views and data of IBIS World with respect to their analysis of the Motorcycle Dealership industry in Australia.<sup>1</sup>

As a collective, the motorcycle industry experienced decreasing revenue declining at an approximate annualised rate of 3.5% over the five years from 2016-2021, to \$1.7 billion. The downward trend during this period is due to the shift in consumer preferences towards used motorcycles and negative consumer sentiment. The effects of the COVID-19 outbreak have also adversely affected the industry, with revenue anticipated to fall by 2.2% over 2020-21.

On top of the COVID-19 pandemic, motorcycle operating costs have grown over the past five years, with insurance and third-party rates often equivalent to high-rating car policies. Increased government regulations regarding noise and pollution have also affected motorcycle prices. These factors have contributed to declining demand and revenue for the industry over the past five years.

In relation to market share the industry remains fragmented, with most enterprises contributing a small share of industry revenue. Dealership firms require franchising agreements with key motorcycle manufacturers and distributors such as Honda, Suzuki, Yamaha and Kawasaki to resell products to consumers. Dealerships continue to typically remain independent, however some industry consolidation has occurred over the past five years as larger industry participants, such as MTO, have sought to increase economies of scale. Overall, industry enterprise and established numbers have decreased over the past five years on the back of declining motorcycle sales.

From a forecasting perspective, positive consumer sentiment is projected to return which will support industry sales over the next five years. Motorcycle dealers are also anticipated to benefit from higher petrol prices, which will prompt some consumers to switch to fuel-efficient motorcycles rather than driving cars that typically cost more to operate. However, motor vehicle retailers are anticipated to offer a wider range of fuel-efficient, hybrid and electric cars over the next five years, limiting the benefits of this trend. Overall, industry revenue is forecast to fall slightly at an annualised 0.3% over the five years through 2025-26, to \$1.6 billion.

### 8.2 Industrial Property Industry

The below discussion is based on the views and data of IBIS World with respect to their analysis of the Industrial Property industry in Australia.<sup>2</sup>

Prior to the COVID-19 pandemic, business inventories and merchandise trade increased, boosting demand for industrial property spaces, namely warehousing, transport and logistic facilities. Additionally, positive business confidence coupled with low interest rates encouraged investment in industrial property. Although industrial property prices have increased over the past five years, weaker demand for certain industrial property types has reduced the average rental yield.

The COVID-19 pandemic has severely constrained industry turnover throughout the 2020-21 period. Restrictions imposed by both Federal and State Governments, coupled with negative business confidence, have limited industrial tenant demand for space. As a result, many smaller scale tenants have been negotiating lower rental payments or terminating lease agreements entirely over the past two years. This has constrained rental yields and increased vacancy rates during this period.

Despite the lingering impacts and uncertainty attributable to COVID-19, demand for industry services is forecast to improve over the next five years, as government restrictions are lifted and business confidence recovers. The rebound in the domestic economy over the period is projected to increase rental yields and decrease vacancy rates to pre COVID-19 levels.

### 8.3 Additional Market Commentary

Further market commentary is set out in the JLL Ahmet Reports (attached as Appendix A), the JLL Retrospective Cassen Report (attached as Appendix B) and the JLL Prospective Cassen Reports (attached as Appendix C).

<sup>1</sup> IBISWorld Industry Report - Motorcycle Dealers in Australia.

<sup>2</sup> IBISWorld Industry Report - Industrial and Other Property Operators in Australia.

## Appendix A: The JLL Ahmet Reports

Please see the below link to access the JLL Ahmet Reports.

<https://public.mcholdings.com.au/JLL-20210923/Appendix%20A.pdf>

## **Appendix B: The JLL Retrospective Cassen Report**

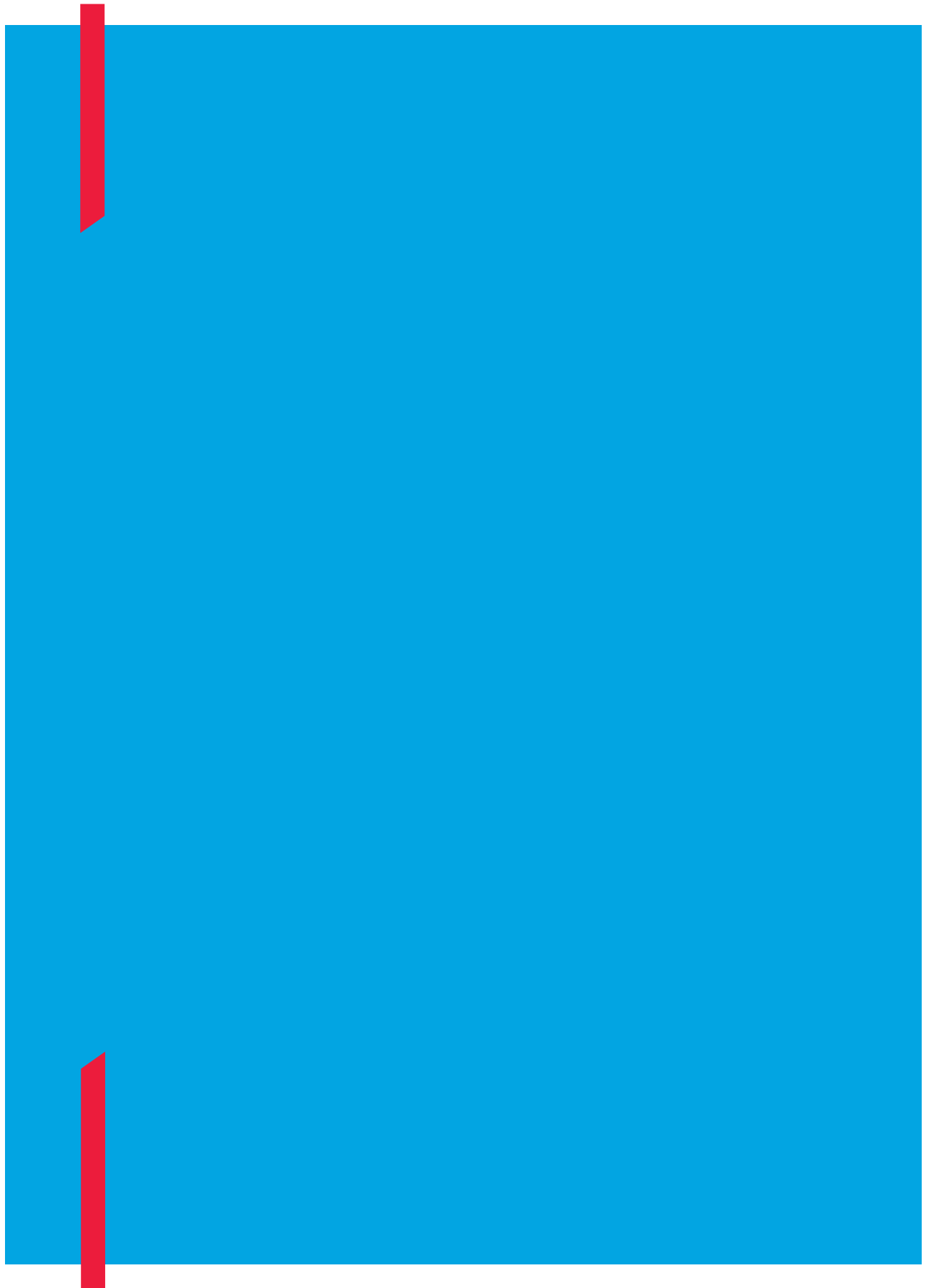
Please see the below link to access the JLL Retrospective Cassen Report.

<https://public.mcholdings.com.au/JLL-20210923/Appendix%20B.pdf>

## Appendix C: The JLL Prospective Cassen Reports

Please see the below link to access the JLL Prospective Cassen Reports.

<https://public.mcholdings.com.au/JLL-20210923/Appendix%20C.pdf>



# MotorCycle Holdings

ABN 29 150 386 995

MTO

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

## Need assistance?



### Phone:

1300 552 270 (within Australia)  
+61 3 9415 4000 (outside Australia)



### Online:

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10am (Brisbane Time)** on **Tuesday, 30 November 2021**.

## Proxy Form

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### PARTICIPATING IN THE MEETING

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

### Lodge your Proxy Form:

XX

#### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

#### By Mail:

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

#### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



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



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



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of MotorCycle Holdings Limited hereby appoint

☐

the Chairman  
of the Meeting

OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of MotorCycle Holdings Limited to be held as virtually at <https://web.lumiagm.com/323891189> on Thursday, 2 December 2021 at 10am (Brisbane Time) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 4 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 by marking the appropriate box in step 2.

### Step 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Warren Bee as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of David Foster as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Participation of David Ahmet in Long-Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of exercise of option and renewal of leases between the Group and Ahmet Affiliates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of exercise of option and renewal of lease between a Group company and an entity acting in concert with Mr Robert Cassen - Cassons Warehouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of exercise of options to renew leases between a Group company and an entity acting in concert with Mr Robert Cassen - Caringbah Lease and Penrith Lease	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

MT O

2 8 0 1 0 4 A



Computershare



# ONLINE MEETING GUIDE

## GETTING STARTED

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time. To participate online visit <https://web.lumiagm.com> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

## TO LOG IN, YOU MUST HAVE THE FOLLOWING INFORMATION:

### Meeting ID

Meeting ID as provided in the Notice of Meeting.

### Australian Residents

- > **Username**  
(SRN or HIN) and
- > **Password**  
(postcode of your registered address).

### Overseas Residents

- > **Username**  
(SRN or HIN) and
- > **Password**  
(three-character country code)  
e.g. New Zealand - **NZL**;  
United Kingdom - **GBR**;  
United States of America - **USA**; Canada - **CAN**.

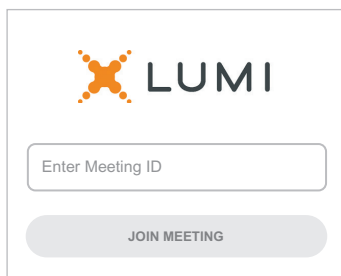
A full list of country codes is provided at the end of this guide.

### Appointed Proxies

To receive your unique username and password, please contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open 1 hour before the start of the meeting.

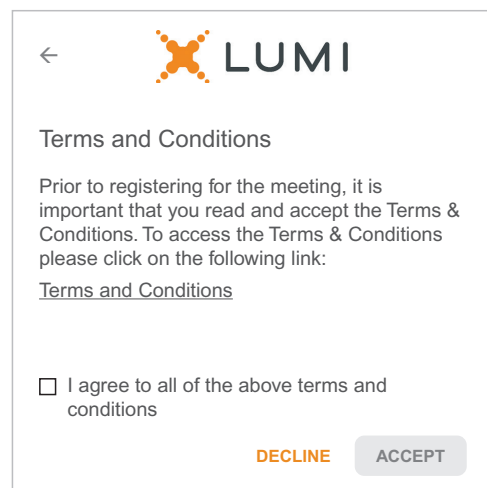
## PARTICIPATING AT THE MEETING

- 1 To participate in the meeting, you will be required to enter the unique 9-digit Meeting ID as provided in the Notice of Meeting.



The image shows a mobile app interface for LUMI. At the top is the LUMI logo, which consists of an orange 'X' made of dots followed by the word 'LUMI' in black. Below the logo is a text input field with the placeholder text 'Enter Meeting ID'. At the bottom of the screen is a grey button with the text 'JOIN MEETING' in white capital letters.

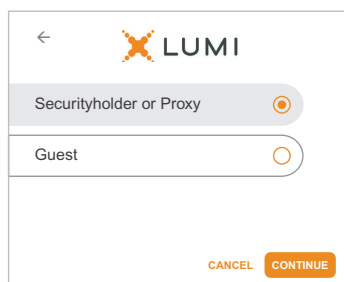
- 2 To proceed into the meeting, you will need to read and accept the Terms and Conditions.



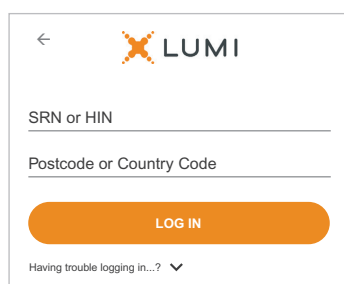
The image shows a mobile app interface for LUMI displaying the Terms and Conditions. At the top is a back arrow and the LUMI logo. Below the logo is the heading 'Terms and Conditions'. The text reads: 'Prior to registering for the meeting, it is important that you read and accept the Terms & Conditions. To access the Terms & Conditions please click on the following link:'. Below this text is a link labeled 'Terms and Conditions'. At the bottom, there is a checkbox with the text 'I agree to all of the above terms and conditions'. To the right of the checkbox are two buttons: 'DECLINE' in orange and 'ACCEPT' in a grey button.

3 Select the relevant log in option to represent yourself in the meeting.  
Note that only Securityholders and Proxies can vote and ask questions in the meeting.

**To register as a securityholder,** select 'Securityholder or Proxy' and enter your SRN or HIN and Postcode or Country Code.

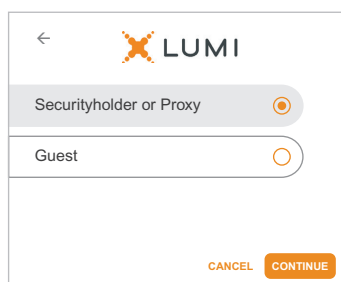


The screenshot shows the LUMI login interface. At the top is a back arrow and the LUMI logo. Below are two radio button options: 'Securityholder or Proxy' (selected) and 'Guest'. At the bottom are 'CANCEL' and 'CONTINUE' buttons.

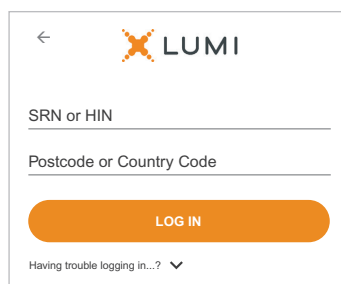


This screenshot shows the next step in the login process for a securityholder. It includes input fields for 'SRN or HIN' and 'Postcode or Country Code', a 'LOG IN' button, and a link for 'Having trouble logging in...?'.

**OR To register as a proxyholder,** select 'Securityholder or Proxy' and you will need your username and password as provided by Computershare. In the 'SRN or HIN' field enter your username and in the 'Postcode or Country Code' field enter your password.

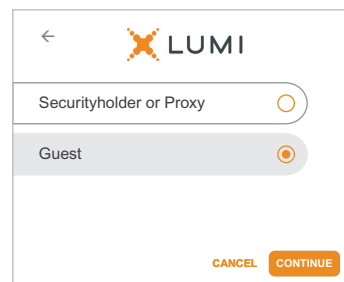


The screenshot shows the LUMI login interface. At the top is a back arrow and the LUMI logo. Below are two radio button options: 'Securityholder or Proxy' (selected) and 'Guest'. At the bottom are 'CANCEL' and 'CONTINUE' buttons.

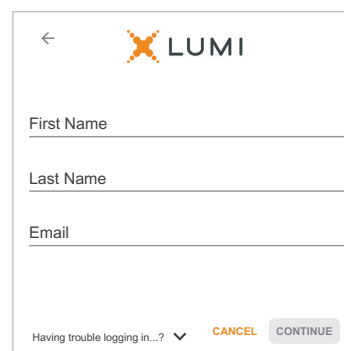


This screenshot shows the next step in the login process for a proxyholder. It includes input fields for 'SRN or HIN' and 'Postcode or Country Code', a 'LOG IN' button, and a link for 'Having trouble logging in...?'.

**OR To register as a guest,** select 'Guest' and enter your name and email address.

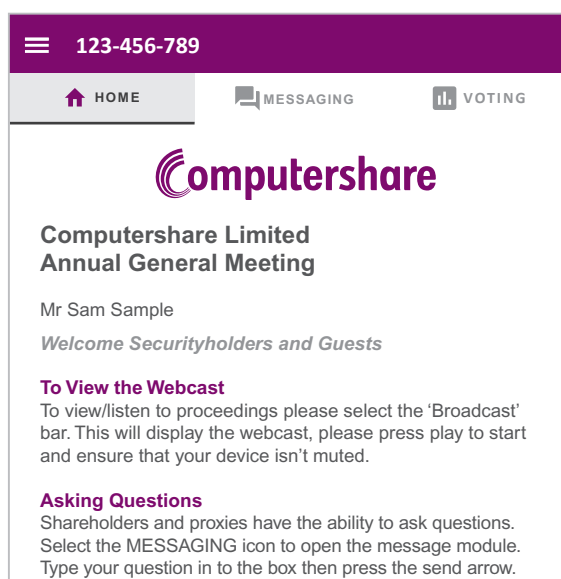


The screenshot shows the LUMI login interface. At the top is a back arrow and the LUMI logo. Below are two radio button options: 'Securityholder or Proxy' and 'Guest' (selected). At the bottom are 'CANCEL' and 'CONTINUE' buttons.



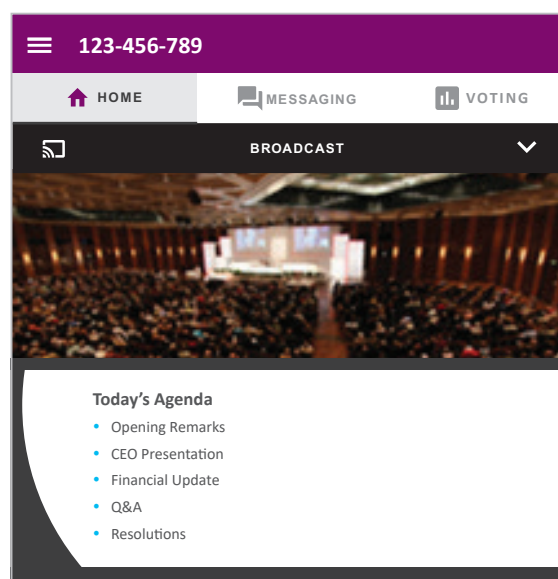
This screenshot shows the next step in the login process for a guest. It includes input fields for 'First Name', 'Last Name', and 'Email', a 'LOG IN' button, and a link for 'Having trouble logging in...?'.

4 Once logged in, you will see the home page, which displays the meeting title and name of the registered securityholder or nominated proxy.





The screenshot shows the home page of the Computershare LUMI app. The top bar is purple with a menu icon, the phone number '123-456-789', and navigation icons for HOME, MESSAGING, and VOTING. The main content area features the Computershare logo, the meeting title 'Computershare Limited Annual General Meeting', the user name 'Mr Sam Sample', and a welcome message. Below this is a section for 'To View the Webcast' and 'Asking Questions'.

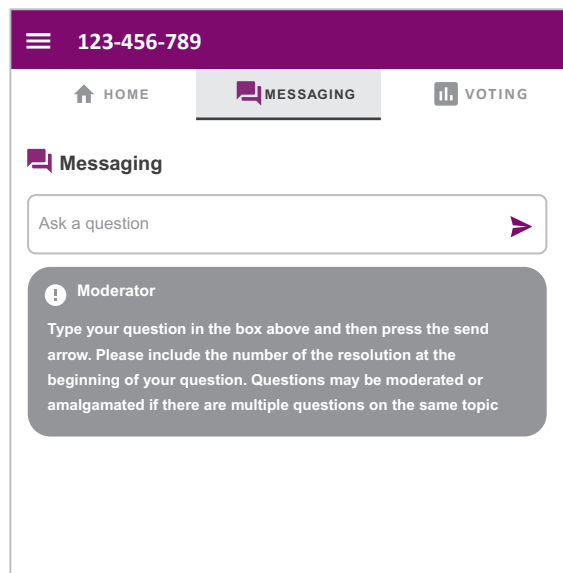
5 To view the webcast you must tap the broadcast arrow on your screen and press the play button. Click the arrow to switch between screens.




The screenshot shows the broadcast screen of the Computershare LUMI app. The top bar is purple with a menu icon, the phone number '123-456-789', and navigation icons for HOME, MESSAGING, and VOTING. The main content area features a 'BROADCAST' header with a play button icon, a video player showing a large audience, and a 'Today's Agenda' section with a list of items: Opening Remarks, CEO Presentation, Financial Update, Q&A, and Resolutions.

6 To ask a question tap on the messaging icon , type your question in the chat box at the top of the screen and select the send icon. Confirmation that your message has been received will appear.

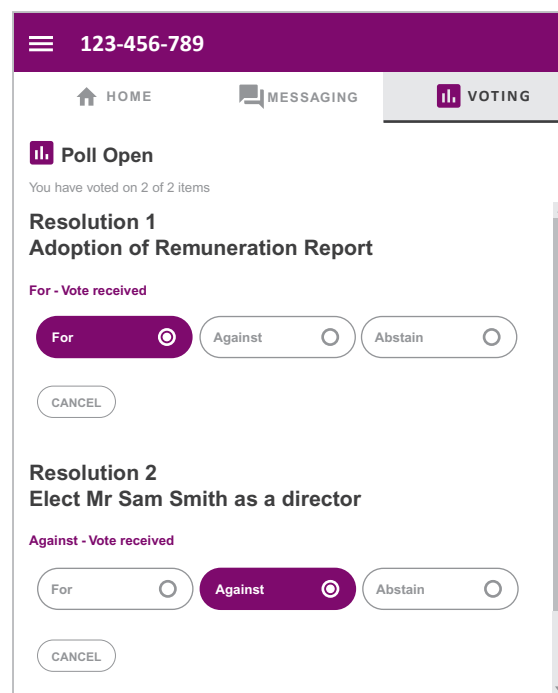
To ask a question verbally follow the instructions on the home page  of the virtual meeting platform, if verbal questions are available for the meeting.







7 When the Chair declares the poll open:

- > A voting icon  will appear on screen and the meeting resolutions will be displayed
- > To vote, select one of the voting options. Your response will be highlighted
- > To change your vote, simply select a different option to override

The number of items you have voted on or are yet to vote on, is displayed at the top of the screen. Votes may be changed up to the time the Chair closes the poll.



## Icon descriptions

	Home page icon, displays meeting information.
	Messaging icon, used to ask questions.
	Voting icon, used to vote. Only visible when the Chair opens the poll.
	The broadcast bar allows you to view and listen to the proceedings.

## FOR ASSISTANCE

If you require assistance before or during the meeting please call +61 3 9415 4024

# COUNTRY CODES

Select your country code from the list below and enter it into the password field.

<b>ABW</b> ARUBA	<b>ECU</b> ECUADOR	<b>LIE</b> LIECHTENSTEIN	<b>SEN</b> SENEGAL
<b>AFG</b> AFGHANISTAN	<b>EGY</b> EGYPT	<b>LKA</b> SRI LANKA	<b>SGP</b> SINGAPORE
<b>AGO</b> ANGOLA	<b>ERI</b> ERITREA	<b>LSO</b> LESOTHO	<b>SGS</b> STH GEORGIA & STH SANDWICH ISL
<b>AIA</b> ANGUILLA	<b>ESH</b> WESTERN SAHARA	<b>LTU</b> LITHUANIA	<b>SHN</b> ST HELENA
<b>ALA</b> ALAND ISLANDS	<b>ESP</b> SPAIN	<b>LUX</b> LUXEMBOURG	<b>SJM</b> SVALBARD & JAN MAYEN
<b>ALB</b> ALBANIA	<b>EST</b> ESTONIA	<b>LVA</b> LATVIA	<b>SLB</b> SOLOMON ISLANDS
<b>AND</b> ANDORRA	<b>ETH</b> ETHIOPIA	<b>MAC</b> MACAO	<b>SLE</b> SIERRA LEONE
<b>ANT</b> NETHERLANDS ANTILLES	<b>FIN</b> FINLAND	<b>MAF</b> ST MARTIN	<b>SLV</b> EL SALVADOR
<b>ARE</b> UNITED ARAB EMIRATES	<b>FJI</b> FIJI	<b>MAR</b> MOROCCO	<b>SMR</b> SAN MARINO
<b>ARG</b> ARGENTINA	<b>FLK</b> FALKLAND ISLANDS (MALVINAS)	<b>MCO</b> MONACO	<b>SOM</b> SOMALIA
<b>ARM</b> ARMENIA	<b>FRA</b> FRANCE	<b>MDA</b> MOLDOVA REPUBLIC OF	<b>SPM</b> ST PIERRE AND MIQUELON
<b>ASM</b> AMERICAN SAMOA	<b>FRO</b> FAROE ISLANDS	<b>MDG</b> MADAGASCAR	<b>SRB</b> SERBIA
<b>ATA</b> ANTARCTICA	<b>FSM</b> MICRONESIA	<b>MDV</b> MALDIVES	<b>STP</b> SAO TOME AND PRINCIPE
<b>ATF</b> FRENCH SOUTHERN TERRITORIES	<b>GAB</b> GABON	<b>MEX</b> MEXICO	<b>SUR</b> SURINAME
<b>ATG</b> ANTIGUA AND BARBUDA	<b>GBR</b> UNITED KINGDOM	<b>MHL</b> MARSHALL ISLANDS	<b>SVK</b> SLOVAKIA
<b>AUS</b> AUSTRALIA	<b>GEO</b> GEORGIA	<b>MKD</b> MACEDONIA FORMER YUGOSLAV REP	<b>SVN</b> SLOVENIA
<b>AUT</b> AUSTRIA	<b>GGY</b> GUERNSEY	<b>MLI</b> MALI	<b>SWE</b> SWEDEN
<b>AZE</b> AZERBAIJAN	<b>GHA</b> GHANA	<b>MLT</b> MALTA	<b>SWZ</b> SWAZILAND
<b>BDI</b> BURUNDI	<b>GIB</b> GIBRALTAR	<b>MMR</b> MYANMAR	<b>SYC</b> SEYCHELLES
<b>BEL</b> BELGIUM	<b>GIN</b> GUINEA	<b>MNE</b> MONTENEGRO	<b>SYR</b> SYRIAN ARAB REPUBLIC
<b>BEN</b> BENIN	<b>GLP</b> GUADELOUPE	<b>MNG</b> MONGOLIA	<b>TCA</b> TURKS AND CAICOS ISLANDS
<b>BFA</b> BURKINA FASO	<b>GMB</b> GAMBIA	<b>MNP</b> NORTHERN MARIANA ISLANDS	<b>TCO</b> CHAD
<b>BGD</b> BANGLADESH	<b>GNB</b> GUINEA-BISSAU	<b>MOZ</b> MOZAMBIQUE	<b>TGO</b> TOGO
<b>BGR</b> BULGARIA	<b>GNQ</b> EQUATORIAL GUINEA	<b>MRT</b> MAURITANIA	<b>THA</b> THAILAND
<b>BHR</b> BAHRAIN	<b>GRC</b> GREECE	<b>MSR</b> MONTSERRAT	<b>TJK</b> TAJIKISTAN
<b>BHS</b> BAHAMAS	<b>GRD</b> GRENADA	<b>MTQ</b> MARTINIQUE	<b>TKL</b> TOKELAU
<b>BIH</b> BOSNIA & HERZEGOVINA	<b>GRL</b> GREENLAND	<b>MUS</b> MAURITIUS	<b>TKM</b> TURKMENISTAN
<b>BLM</b> ST BARTHELEMY	<b>GTM</b> GUATEMALA	<b>MWI</b> MALAWI	<b>TLS</b> EAST TIMOR DEMOCRATIC REP OF
<b>BLR</b> BELARUS	<b>GUF</b> FRENCH GUIANA	<b>MYS</b> MALAYSIA	<b>TMP</b> EAST TIMOR
<b>BLZ</b> BELIZE	<b>GUM</b> GUAM	<b>MYT</b> MAYOTTE	<b>TON</b> TONGA
<b>BMU</b> BERMUDA	<b>GUY</b> GUYANA	<b>NAM</b> NAMIBIA	<b>TTO</b> TRINIDAD & TOBAGO
<b>BOL</b> BOLIVIA	<b>HKG</b> HONG KONG	<b>NCL</b> NEW CALEDONIA	<b>TUN</b> TUNISIA
<b>BRA</b> BRAZIL	<b>HMD</b> HEARD AND MCDONALD ISLANDS	<b>NER</b> NIGER	<b>TUR</b> TURKEY
<b>BRB</b> BARBADOS	<b>HND</b> HONDURAS	<b>NFK</b> NORFOLK ISLAND	<b>TUV</b> TUVALU
<b>BRN</b> BRUNEI DARUSSALAM	<b>HRV</b> CROATIA	<b>NGA</b> NIGERIA	<b>TWN</b> TAIWAN
<b>BTN</b> BHUTAN	<b>HTI</b> HAITI	<b>NIC</b> NICARAGUA	<b>TZA</b> TANZANIA UNITED REPUBLIC OF
<b>BUR</b> BURMA	<b>HUN</b> HUNGARY	<b>NIU</b> NIUE	<b>UGA</b> UGANDA
<b>BVT</b> BOUVET ISLAND	<b>IDN</b> INDONESIA	<b>NLD</b> NETHERLANDS	<b>UKR</b> UKRAINE
<b>BWA</b> BOTSWANA	<b>IMN</b> ISLE OF MAN	<b>NOR</b> NORWAY	<b>UMI</b> UNITED STATES MINOR OUTLYING
<b>CAF</b> CENTRAL AFRICAN REPUBLIC	<b>IND</b> INDIA	<b>NPL</b> NEPAL	<b>URY</b> URUGUAY
<b>CAN</b> CANADA	<b>IOT</b> BRITISH INDIAN OCEAN TERRITORY	<b>NRU</b> NAURU	<b>USA</b> UNITED STATES OF AMERICA
<b>CCK</b> COCOS (KEELING) ISLANDS	<b>IRL</b> IRELAND	<b>NZL</b> NEW ZEALAND	<b>UZB</b> UZBEKISTAN
<b>CHE</b> SWITZERLAND	<b>IRN</b> IRAN ISLAMIC REPUBLIC OF	<b>OMN</b> OMAN	<b>VAT</b> HOLY SEE (VATICAN CITY STATE)
<b>CHL</b> CHILE	<b>IRQ</b> IRAQ	<b>PAK</b> PAKISTAN	<b>VCT</b> ST VINCENT & THE GRENADINES
<b>CHN</b> CHINA	<b>ISL</b> ICELAND	<b>PAN</b> PANAMA	<b>VEN</b> VENEZUELA
<b>CIV</b> COTE D'IVOIRE	<b>ISM</b> BRITISH ISLES	<b>PCN</b> PITCAIRN ISLANDS	<b>VGB</b> BRITISH VIRGIN ISLANDS
<b>CMR</b> CAMEROON	<b>ISR</b> ISRAEL	<b>PER</b> PERU	<b>VIR</b> US VIRGIN ISLANDS
<b>COD</b> CONGO DEMOCRATIC REPUBLIC OF	<b>ITA</b> ITALY	<b>PHL</b> PHILIPPINES	<b>VNM</b> VIETNAM
<b>COG</b> CONGO PEOPLES REPUBLIC OF	<b>JAM</b> JAMAICA	<b>PLW</b> PALAU	<b>VUT</b> VANUATU
<b>COK</b> COOK ISLANDS	<b>JER</b> JERSEY	<b>PNG</b> PAPUA NEW GUINEA	<b>WLF</b> WALLIS AND FUTUNA
<b>COL</b> COLOMBIA	<b>JOR</b> JORDAN	<b>POL</b> POLAND	<b>WSM</b> SAMOA
<b>COM</b> COMOROS	<b>JPN</b> JAPAN	<b>PRI</b> PUERTO RICO	<b>YEM</b> YEMEN
<b>CPV</b> CAPE VERDE	<b>KAZ</b> KAZAKHSTAN	<b>PRK</b> KOREA DEM PEOPLES REPUBLIC OF	<b>YMD</b> YEMEN DEMOCRATIC
<b>CRI</b> COSTA RICA	<b>KEN</b> KENYA	<b>PRT</b> PORTUGAL	<b>YUG</b> YUGOSLAVIA SOCIALIST FED REP
<b>CUB</b> CUBA	<b>KGZ</b> KYRGYZSTAN	<b>PRY</b> PARAGUAY	<b>ZAF</b> SOUTH AFRICA
<b>CXR</b> CHRISTMAS ISLAND	<b>KHM</b> CAMBODIA	<b>PSE</b> PALESTINIAN TERRITORY OCCUPIED	<b>ZAR</b> ZAIRE
<b>CYM</b> CAYMAN ISLANDS	<b>KIR</b> KIRIBATI	<b>PYF</b> FRENCH POLYNESIA	<b>ZMB</b> ZAMBIA
<b>CYP</b> CYPRUS	<b>KNA</b> ST KITTS AND NEVIS	<b>QAT</b> QATAR	<b>ZWE</b> ZIMBABWE
<b>CZE</b> CZECH REPUBLIC	<b>KOR</b> KOREA REPUBLIC OF	<b>REU</b> REUNION	
<b>DEU</b> GERMANY	<b>KWT</b> KUWAIT	<b>ROU</b> ROMANIA	
<b>DJI</b> DJIBOUTI	<b>LAO</b> LAO PDR	<b>RUS</b> RUSSIAN FEDERATION	
<b>DMA</b> DOMINICA	<b>LBN</b> LEBANON	<b>RWA</b> RWANDA	
<b>DNK</b> DENMARK	<b>LBR</b> LIBERIA	<b>SAU</b> SAUDI ARABIA KINGDOM OF	
<b>DOM</b> DOMINICAN REPUBLIC	<b>LBY</b> LIBYAN ARAB JAMAHIRIYA	<b>SCG</b> SERBIA AND MONTENEGRO	
<b>DZA</b> ALGERIA	<b>LCA</b> ST LUCIA	<b>SDN</b> SUDAN	