MotorCycle Holdings Limited (ACN 150 386 995)

Prospectus for the:
Initial Public Offering of up to 23.1 million ordinary shares at an offer price of
A$2.00 each to raise up to A$46.3 million

This is an important document and should be read in its entirety. Carefully read this Prospectus in full and consult your licenced financial adviser, accountant, lawyer or other professional advisor if you are in any doubt as to what to do.
IMPORTANT NOTICES

Offer
This Prospectus is issued by MotorCycle Holdings Ltd (ACN 150 386 995) (MotorCycle Holdings) and MotorCycle SaleCo Limited (ACN 611 224 090) (SaleCo) for the purpose of Chapter 6D of the Corporations Act 2001 (Cth) (Corporations Act). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (Shares) in MotorCycle Holdings. See Section 7 of this Prospectus for further information on the Offer.

Lodgement and Listing
This Prospectus is dated 23 March 2016 (Prospectus Date) and was lodged with ASIC on that date.
MotorCycle Holdings will apply to ASX within seven days after the Prospectus Date, for admission of MotorCycle Holdings to the Official List and quotation of Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date
This Prospectus expires on the date which is 13 months after the date of this Prospectus (Expiry Date), No Shares will be issued on the basis of this Prospectus after the Expiry Date.

Note to Applicants – not investment advice
The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor.
It is important that you read this Prospectus carefully and in full before deciding whether to invest in MotorCycle Holdings. If you have any questions, you should consult your financial, accounting, legal, tax and/or other professional advisers before deciding whether to invest in Shares.
In particular, you should consider the best estimate assumptions underlying the pro forma Historical Financial Information and Forecast Financial Information (see Section 4) and the risk factors (see Section 4) that could affect the business, financial condition and financial performance of MotorCycle Holdings. You should carefully consider these risk factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and consult your financial, accounting, legal, tax and/or other professional advisers before deciding whether to invest in Shares. There may be risks in addition to these that should be considered in light of your personal circumstances.
No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by MotorCycle Holdings, SaleCo or their respective directors. You should rely only on information in this Prospectus.

Exposure Period
The Corporations Act prohibits MotorCycle Holdings and SaleCo from processing Applications to subscribe for Shares under this Prospectus in the seven day period after the Prospectus Date (Exposure Period). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724...
of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

**No cooling-off rights**

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

**Obtaining a copy of this Prospectus**

During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at www.motorcycleholdingsoffer.com.au for Australian investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus will be available to investors in electronic form at www.motorcycleholdingsoffer.com.au. The Offer constituted by this Prospectus in electronic form at www.motorcycleholdingsoffer.com.au is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States). If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may, before the Closing Date, obtain a paper copy of this Prospectus (free of charge) by telephoning the MotorCycle Holdings IPO Information Line on 1300 393 458 (within Australia) 9:00 am to 5:00 pm (EST), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 3 9415 4040 from 9:00 am to 5:00 pm (Sydney Time), Monday to Friday.

Applications for Shares may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 7 for further information.

**Statements of past performance**

This Prospectus includes information regarding the past performance of the Group. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

**Financial information**

Section 4 sets out in detail the financial information referred to in the Prospectus. The basis of preparation of the financial information is set out in Section 4.

All references to FY13, FY14 and FY15 appearing in this Prospectus are to the financial years ended 30 June 2013, 30 June 2014, or 30 June 2015 respectively, unless otherwise indicated. All references to 1HY14 and 1HY15 appearing in this Prospectus are to the six months ended 31 December 2014 and 31 December 2015 respectively, unless otherwise indicated. Historical Financial Information is presented on both an actual and pro forma basis and has been prepared in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards. This Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is presented on both a statutory and pro forma basis and is unaudited.
The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

**Forward looking statements**

This Prospectus contains forward looking statements which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘expects’, ‘intends’ and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These forward looking statements speak only as of the date of this Prospectus, and MotorCycle Holdings and SaleCo do not undertake to publicly update or revise any forward looking statement.

Any forward looking statements are subject to various risks that could cause MotorCycle Holdings’ actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, risks as set out in Section 4, general assumptions as set out in Section 4, specific assumptions as set out in Section 4, the sensitivity analysis as set out in Section 4, and other information in this Prospectus. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of MotorCycle Holdings, the Directors and management. MotorCycle Holdings and SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

**Selling restrictions**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be distributed to, or relied upon by, persons in the United States.

Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws. See Section 9.6 for more detail on selling restrictions that apply to the Offer in jurisdictions outside of Australia.

**Defined terms and time**

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary in Appendix B or are defined in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.
Disclaimer
Except as required by law, and only to the extent so required, none of MotorCycle Holdings, SaleCo or any other person warrants or guarantees the future performance of MotorCycle Holdings, or any return on any investment made pursuant to this Prospectus.

Investigating Accountant’s Report on Historical Financial Information and on Forecast Financial Information and Financial Services Guides
The provider of the Investigating Accountant’s Report on Historical Financial Information and on Forecast Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act (Financial Services Guide). The Investigating Accountant’s Report and accompanying Financial Services Guide are provided in Section 8.

Trademarks
MotorCycle Holdings owns or has rights to trademarks or trade names that it uses in connection with the operation of its business, including corporate names, logos and website names. In addition, MotorCycle Holdings owns or has the right to copyrights, trade secrets and other proprietary rights that protect the content of its products and the formulations of such products. Solely for convenience, some of the copyrights, trade names and trademarks referred to in this prospectus are listed without their ©, ® and ™ symbols, but MotorCycle Holdings will assert, to the fullest extent under applicable law, its rights to its copyright, trade names and trademarks.

Questions
Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in MotorCycle Holdings you should consult your financial, accounting, legal, tax and/or other professional advisers before deciding whether to invest in Shares.

Offer management
Morgans Corporate Limited (ABN 32 010 539 607) is managing and underwriting the Offer for MotorCycle Holdings and SaleCo.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY
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IMPORTANT INFORMATION

KEY DATES:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospectus lodgement date</td>
<td>Wednesday, 23 March 2016</td>
</tr>
<tr>
<td>Broker Firm Offer open</td>
<td>Thursday, 7 April 2016</td>
</tr>
<tr>
<td>Broker Firm Offer close</td>
<td>Wednesday, 20 April 2016</td>
</tr>
<tr>
<td>Allotment and issue or transfer of Shares</td>
<td>Friday, 22 April 2016</td>
</tr>
<tr>
<td>Dispatch of holding statements</td>
<td>Tuesday, 26 April 2016</td>
</tr>
<tr>
<td>Expected commencement of trading on the ASX</td>
<td>Friday, 29 April 2016</td>
</tr>
</tbody>
</table>

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. MotorCycle Holdings and the Lead Manager reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, in each case without notifying any recipient of this Prospectus or any Applicants. If the Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

KEY OFFER STATISTICS:

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer Price per Share</td>
<td>$2.00</td>
</tr>
<tr>
<td>Total value of Shares offered under this Prospectus</td>
<td>$46.3 million</td>
</tr>
<tr>
<td>Total New Shares to be issued under the Offer</td>
<td>10.1 million</td>
</tr>
<tr>
<td>Total Shares to be sold by SaleCo under the Offer</td>
<td>13.1 million</td>
</tr>
<tr>
<td>Total Shares on issue immediately after Completion</td>
<td>38.0 million</td>
</tr>
<tr>
<td>Market capitalisation based on the Offer Price</td>
<td>$75.9 million</td>
</tr>
<tr>
<td>Enterprise value¹</td>
<td>$86.9 million</td>
</tr>
<tr>
<td>Enterprise value¹ to pro forma FY16 EBITDA²</td>
<td>7.7x</td>
</tr>
<tr>
<td>Offer Price to pro forma FY16 NPAT per Share³</td>
<td>11.0x</td>
</tr>
</tbody>
</table>

HOW TO INVEST:

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in section 7 of this Prospectus and on the back of the Application Form.

¹ Enterprise value calculated as the market capitalisation at the Offer Price plus expected net debt at Completion.
² This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the enterprise value divided by the pro forma forecast EBITDA.
³ This ratio is commonly referred to as the price earnings or PE ratio. The PE ratio is calculated as the Offer Price divided by pro forma forecast NPAT divided by total Shares on issue immediately after Completion of the Offer.
LETTER FROM THE CHAIRMAN

Dear Investor,

On behalf of the Board, it is my pleasure to invite you to become a Shareholder of MotorCycle Holdings Limited (MotorCycle Holdings).

Founded 27 years ago, MotorCycle Holdings is now Australia’s largest motorcycle dealership operator with 34 franchises operating out of 24 dealership locations in Queensland, New South Wales and the Australian Capital Territory.

MotorCycle Holdings sells both new motorcycles and used motorcycles as well as providing accessories and parts, service and repair and finance, insurance and warranty products.

The Company has long standing relationships with the major motorcycle manufacturers and sells most of the top selling motorcycle brands in Australia.

MotorCycle Holdings’ business strategy is to continue to grow its core dealership business both organically and through acquisitions.

This strategy seeks to unlock benefits to MotorCycle Holdings from increased scale including improved terms from suppliers as a result of volume discounts applied across various product lines and the ability to amortise head office costs over a larger number of dealerships.

In addition, the Company plans to continue to use its centralised management processes to drive operational improvements in both existing and acquired dealerships in order to deliver improved financial performance in those dealerships.

MotorCycle Holdings has an experienced management team led by David Ahmet who has been with the business for 27 years. The Company has achieved compound annual pro forma revenue growth of 8.2% from FY13 to FY15 and compound annual pro forma EBITDA growth of 10.4% from FY13 to FY15.

An offer of approximately 23.1 million Shares is being made under this Prospectus. New Shareholders will hold approximately 61% of the Shares in the Company upon Completion of the Offer. The Archer Growth Fund, David Ahmet and the Management Shareholders will retain an approximate 39% interest in the Company. David Ahmet and the Management Shareholders are not selling any ordinary shares under the Offer. This Prospectus contains detailed information about the Offer, the industry in which the Company operates, the Company’s business and the Company’s historical and forecast financial performance.

As with other businesses, MotorCycle Holdings is subject to a range of risks both within and outside of its control, including the retail environment and general economic conditions, reliance on its franchise-based relationships with manufacturers, reliance on key personnel, interruption of the supply of motorcycles, employee recruitment and retention, changes to bailment financing arrangements and occupation health and safety incidents.

I encourage you to read this Prospectus carefully and in particular the risks outlined in Section 1.5 and Section 5 before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely

Bob Thorn
Chairman
INVESTMENT OVERVIEW
## 1. INVESTMENT OVERVIEW

### 1.1 Introduction

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is MotorCycle Holdings?</td>
<td>Founded in 1989, MotorCycle Holdings is Australia’s largest motorcycle dealership operator with 34 franchises operated from 24 locations in Queensland, New South Wales and the Australian Capital Territory. MotorCycle Holdings’ core business consists of the ownership and operation of motorcycle dealerships engaging in the sale of new motorcycles, used motorcycles, accessories and parts, finance, insurance and warranty products as well as service and repair. MotorCycle Holdings also owns and operates a rider training school and a motorcycle repair business which performs smash repair work for insurers. The Company represents a diverse portfolio of brands. In the new motorcycle category MotorCycle Holdings sells 8 of the top 10 selling motorcycle brands in Australia (by number of new motorcycle sales). In 2015 these 8 brands represented 84% of Australian new motorcycle volume. In the used motorcycle category the Company sells all of the top 10 selling brands in Australia.</td>
<td>Section 3.1</td>
</tr>
<tr>
<td>What industry does MotorCycle Holdings operate in?</td>
<td>MotorCycle Holdings operates in the motorcycle dealership industry in Australia.</td>
<td>Section 2.1</td>
</tr>
<tr>
<td>Who are MotorCycle Holdings customers?</td>
<td>The Company’s customers are motorcyclists who are primarily commuters, leisure riders, recreational users, farmers and adventure sports enthusiasts.</td>
<td>Section 2.2</td>
</tr>
</tbody>
</table>
| Why is the Offer being conducted?    | The purpose of the Offer is to provide:  
  • the Archer Growth Fund an opportunity to realise part of its investment in MotorCycle Holdings;  
  • MotorCycle Holdings the ability to refinance existing debt facilities and repay shareholder loans;  
  • MotorCycle Holdings access to capital markets to improve financial flexibility for growth; and  
  • a liquid market for the Shares.                                                                                                                                  | Section 7.1.2        |
## 1.2 Key features of MotorCycle Holdings’ business model

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
<tbody>
<tr>
<td>How does MotorCycle Holdings generate its income?</td>
<td>MotorCycle Holdings generates income through its ownership and operation of motorcycle dealerships engaging in the sale of new motorcycles, used motorcycles, accessories and parts, finance, insurance and warranty products as well as service and repair. MotorCycle Holdings also generates income through its ownership and operation of a rider training school and a motorcycle repair business which performs smash repair work for insurers. No individual division contributes to more than 29% of the Company’s gross margin.</td>
<td>Section 3.5</td>
</tr>
<tr>
<td>What are MotorCycle Holdings significant expenses?</td>
<td>MotorCycle Holdings’ significant expenses relate to staff and occupancy, which accounted for approximately 72% and 12% of operating costs (excluding materials purchased and changes in inventory) respectively in 1H16.</td>
<td>Section 4.5.1</td>
</tr>
<tr>
<td>What is MotorCycle Holdings strategy?</td>
<td>MotorCycle Holdings’ business strategy is to continue to grow its core dealership business both organically and through acquisitions. This strategy seeks to unlock benefits to MotorCycle Holdings from increased scale including improved terms from suppliers as a result of volume discounts applied across various product lines and the ability to amortise overheads over a larger number of dealerships. In addition, the Company plans to continue to use its centralised management processes to drive operational improvements in the dealerships it acquires in order to deliver improved financial performance in those dealerships.</td>
<td>Section 3.7</td>
</tr>
<tr>
<td>How does MotorCycle Holdings expect to fund its acquisitions?</td>
<td>MotorCycle Holdings expects to fund the majority of its future acquisitions from operating cashflows and the New Banking Facilities which will be in place at the time of listing.</td>
<td>Section 3.7.1</td>
</tr>
</tbody>
</table>
The Financial Information presented below is a summary only and should be read in conjunction with the more detailed discussion of the pro forma Historical Financial Information and the pro forma Forecast Financial Information in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the risk factors set out in Section 4. A reconciliation of the pro forma forecast and statutory forecast statements of profit or loss is provided in Section 4.

### Pro forma revenue ($m)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>159</td>
<td>175</td>
<td>186</td>
<td>213</td>
</tr>
</tbody>
</table>

### Pro forma historical and forecast consolidated statements of profit or loss

<table>
<thead>
<tr>
<th>$m</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>158.7</td>
<td>174.7</td>
<td>185.7</td>
<td>212.8</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6.4</td>
<td>7.5</td>
<td>7.8</td>
<td>11.3</td>
</tr>
<tr>
<td>EBIT</td>
<td>5.8</td>
<td>6.9</td>
<td>7.1</td>
<td>10.5</td>
</tr>
<tr>
<td>NPAT</td>
<td>3.7</td>
<td>4.5</td>
<td>4.6</td>
<td>6.9</td>
</tr>
</tbody>
</table>

### Statutory historical and forecast consolidated statements of profit or loss

<table>
<thead>
<tr>
<th>$m</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>157.7</td>
<td>173.8</td>
<td>184.7</td>
<td>212.8</td>
</tr>
<tr>
<td>PBT</td>
<td>4.2</td>
<td>5.1</td>
<td>5.4</td>
<td>6.3</td>
</tr>
<tr>
<td>NPAT</td>
<td>2.8</td>
<td>3.6</td>
<td>3.7</td>
<td>4.4</td>
</tr>
</tbody>
</table>
What is MotorCycle Holdings’ dividend policy?
The payment of a dividend by MotorCycle Holdings is at the discretion of the Directors and will be a function of a number of factors including MotorCycle Holdings’ operating results, cash flows, financial condition, and any other factors the Directors may consider relevant.

It is the current intention of the Directors to target a dividend payout ratio of 50% to 70% of statutory NPAT. However, the actual dividend payout ratio may vary between periods depending on the factors noted above.

Due to the short period between Completion of the Offer and 30 June 2016, the Directors do not intend to pay a dividend in respect of the full year ending 30 June 2016. For future years, it is the current intention of the Directors to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in March and final dividends will be paid in September following the relevant financial period. It is intended that future dividends will be franked to the maximum extent possible.

What will be the first dividend and when will it be paid?
The Directors anticipate that the first dividend to Shareholders will be determined based on the operating results and financial position of MotorCycle Holdings for the half year to 31 December 2016 to be paid in March 2017 subject to the factors outlined in Section 4.9.
1.3 Key strengths

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
</table>
| Market leading      | Founded in 1989, MotorCycle Holdings is Australia’s largest motorcycle dealership operator with 34 franchises operated from 24 locations in Queensland, New South Wales and the Australian Capital Territory.  
MotorCycle Holdings has long standing relationships with the major motorcycle manufacturers, selling new motorcycles manufactured by 8 of the top 10 selling new motorcycle manufacturers in Australia, being BMW, Harley-Davidson, Honda, Hyosung, Kawasaki, KTM, Kymco, Suzuki, Triumph and Yamaha.  
The motorcycle dealership industry in Australia is highly fragmented with dealerships typically operated by individuals who are often motorcycle enthusiasts.  
MotorCycle Holdings estimates:  
• the total addressable Australian motorcycle dealer market (including new and used motorcycle sales, accessories and parts, finance, insurance and warranty products as well as service and repairs) was $2.8bn in FY2015.  
• new motorcycle sales in Australia in FY2015 were approximately $1.0 billion and used motorcycle sales were approximately $0.5 billion.  
MotorCycle Holdings accounts for approximately 6% of new motorcycle sales in Australia (by number of new motorcycles sold) and approximately 23% of new motorcycle sales in Queensland (by number of new motorcycles sold). | Section 3.1          |
<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
</table>
| **MotorCycle Holdings business model** | MotorCycle Holdings’ business model gives it competitive advantages through:  
  • multi brand dealerships which diversify reliance on any single manufacturer;  
  • diversified revenue streams from a variety of business divisions including new and used motorcycle sales, accessories and parts, finance, insurance and warranty products and service and repair;  
  • scale benefits including improved terms from suppliers as a result of volume discounts applied across various product lines and the ability to amortise overheads over a larger number of dealerships;  
  • its well capitalised business which enables it to pursue acquisitions in a fragmented market and invest in a wide range of new and used motorcycle stock; and  
  • its investment in people, training and management systems provide a scalable base and when combined with a sales based culture drives operational and dealership performance. | Section 3.5          |
| **Strong growth history and future opportunities** | MotorCycle Holdings has delivered consistent growth in earnings since 2011. The Company’s earnings growth has resulted from a combination of acquisitions and improved performance from its existing dealership network.  
Since 2011 MotorCycle Holdings has demonstrated the business’ ability to:  
  • source, execute and integrate dealership acquisitions;  
  • drive operational and financial improvement in the acquired dealerships;  
  • leverage scale benefits across the MotorCycle Holdings Group.  
MotorCycle Holdings has identified a pipeline of potential dealership acquisitions in the future. Refer to Section 1.4 for further information in relation to key growth drivers. | Section 3.2          |
### Strong leadership team

MotorCycle Holdings has a highly skilled executive management team which have all been employed with the business since 2009. The team has been instrumental in driving the growth of the business.

- **David Ahmet** (Founder, Managing Director and Chief Executive Officer) founded the business in 1989 and has overseen the growth of the business since that time from one location to 24 locations today. David has been integral to the sourcing and execution of the acquisitions for the MotorCycle Holdings Group.

- **Bob Donovan** (Chief Financial Officer) has led the MotorCycle Holdings Group’s finance function since 2002 and has been responsible for the financial and administrative aspects of the business as well as information technology.

- **Chris Chenoweth** (General Manager and Group Bike Sales) joined MotorCycle Holdings in 2008 and successfully ran two of the Company’s dealerships before taking responsibility for MotorCycle Holdings’ centralised motorcycle sales and dealership performance. Prior to joining MotorCycle Holdings, Chris ran a motorcycle dealership in the United Kingdom for 3 years. Preceding that he worked in a senior sales role in a motorcycle dealership in South Australia.

The addition of Bob Thorn and David Foster as directors of MotorCycle Holdings is expected to continue to drive the growth of the business:

- **Bob Thorn** (Non-Executive Chairman) has had extensive senior management and board experience in the retail sector including 9 years as managing director of Super Cheap Retail Group Limited. Bob is currently the non-executive chair of PWR Holdings Limited and a director of Myer Holdings Limited.

- **David Foster** (Non-Executive Director) has had an extensive career in financial services, including a previous role as CEO of Suncorp Bank. David is currently a director of Thorn Group Limited, Kina Securities Limited and G8 Education Limited.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong leadership team</td>
<td>MotorCycle Holdings has a highly skilled executive management team which have all been employed with the business since 2009. The team has been instrumental in driving the growth of the business.</td>
<td>Section 6.1 and 6.2</td>
</tr>
<tr>
<td></td>
<td>- <strong>David Ahmet</strong> (Founder, Managing Director and Chief Executive Officer) founded the business in 1989 and has overseen the growth of the business since that time from one location to 24 locations today. David has been integral to the sourcing and execution of the acquisitions for the MotorCycle Holdings Group.</td>
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<td></td>
<td>- <strong>Bob Donovan</strong> (Chief Financial Officer) has led the MotorCycle Holdings Group’s finance function since 2002 and has been responsible for the financial and administrative aspects of the business as well as information technology.</td>
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<td></td>
<td>- <strong>Chris Chenoweth</strong> (General Manager and Group Bike Sales) joined MotorCycle Holdings in 2008 and successfully ran two of the Company’s dealerships before taking responsibility for MotorCycle Holdings’ centralised motorcycle sales and dealership performance. Prior to joining MotorCycle Holdings, Chris ran a motorcycle dealership in the United Kingdom for 3 years. Preceding that he worked in a senior sales role in a motorcycle dealership in South Australia.</td>
<td></td>
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<td></td>
<td>The addition of Bob Thorn and David Foster as directors of MotorCycle Holdings is expected to continue to drive the growth of the business:</td>
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<tr>
<td></td>
<td>- <strong>Bob Thorn</strong> (Non-Executive Chairman) has had extensive senior management and board experience in the retail sector including 9 years as managing director of Super Cheap Retail Group Limited. Bob is currently the non-executive chair of PWR Holdings Limited and a director of Myer Holdings Limited.</td>
<td></td>
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<tr>
<td></td>
<td>- <strong>David Foster</strong> (Non-Executive Director) has had an extensive career in financial services, including a previous role as CEO of Suncorp Bank. David is currently a director of Thorn Group Limited, Kina Securities Limited and G8 Education Limited.</td>
<td></td>
</tr>
</tbody>
</table>
# Financial profile

MotorCycle Holdings has a strong track record of financial performance including:

- compound annual pro forma revenue growth of 8.2% from FY13 to FY15
- compound annual pro forma EBITDA growth of 10.4% from FY13 to FY15

The business expects to continue to deliver strong growth for FY16 including:

- Pro forma revenue growth of 14.6%; and
- Pro forma EBITDA growth of 44.9% and pro forma NPAT growth of 50.0%

The Company is anticipated to have pro forma net debt (being gross, excluding bailment finance, less cash) of $11.0 million at Listing which represents less than 1.0x pro forma FY16 EBITDA.

## 1.4 Key growth drivers

### Acquisition of dealerships

MotorCycle Holdings has identified a pipeline of potential dealership acquisitions including both single dealership and multi dealership operations.

Acquisitions will be contemplated where they fit with the Company’s acquisition criteria which include:

- adequate volume potential of new and used motorcycle sales;
- potential to increase profitability through:
  - implementing MotorCycle Holdings centralised management processes including increasing the penetration of finance and insurance products associated with motorcycle sales; and
  - migration of new dealerships to the existing MotorCycle Holdings operating platforms and systems; and
- geographic locations that enhance current dealership network profile.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leveraging existing dealerships to increase market share and profitability</strong></td>
<td>MotorCycle Holdings will continue to focus on leveraging performance of existing dealerships to increase market share and drive organic growth. The Company intends on maintaining its centralised approach at a Group level to drive performance across the various business lines to grow dealership profitability. In addition MotorCycle Holdings regularly evaluates expanding existing dealerships and/or adding brands to motorcycle dealerships and expanding to new manufacturers.</td>
<td>Section 3.7.2</td>
</tr>
<tr>
<td><strong>Operational improvements</strong></td>
<td>MotorCycle Holdings has identified opportunities for further improvement in its service division by implementing practices from the automotive industry. This strategy has already been successfully implemented in the finance and insurance division. The Company is also focussed on growing its market share of used motorcycle sales. The Company is continuing to implement improvements in the procurement of used motorcycles through its dealerships and from the Company’s dedicated used buying team in order to increase its share of the dealer-to-private market.</td>
<td>Section 3.7.3</td>
</tr>
<tr>
<td><strong>Benefits of Scale</strong></td>
<td>MotorCycle Holdings expects to continue to drive scale benefits from the growth of its existing dealership network. These benefits include: • improved terms from suppliers as a result of volume discounts applied across various product lines; • the ability to amortise overheads over a larger number of dealerships; and • the ability to assist motorcycle manufacturers in managing large stock clearances where MotorCycle Holdings is able to utilise its wide distribution network and additional interest free bailment periods</td>
<td>Section 3.7.4</td>
</tr>
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</table>
### 1.5 Key risks

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
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</thead>
<tbody>
<tr>
<td><strong>Retail environment and general economic conditions</strong></td>
<td>The operating and financial performance of MotorCycle Holdings is influenced by a variety of general economic and business conditions and a prolonged deterioration in those conditions could be expected to have an adverse impact on the Company’s financial performance. As the products sold by MotorCycle Holdings are generally discretionary items, the Company is particularly exposed to a deterioration in general economic and business conditions.</td>
<td>Section 5.1.1</td>
</tr>
<tr>
<td><strong>Relationships with manufacturers</strong></td>
<td>MotorCycle Holdings’ right to sell new motorcycles derives exclusively from the rights granted to it pursuant to the Franchise Agreements. The failure by MotorCycle Holdings to comply with the terms of a Franchise Agreement or the breakdown of a relationship with a manufacturer may result in the termination or non-renewal of one or more Franchise Agreements which may reduce the Company’s access to an inventory of new motorcycles and consequently adversely affect the Company’s financial performance. The breakdown or termination of a manufacturer relationship under a Franchise Agreement could have an adverse effect on MotorCycle Holdings’ financial performance, particularly any relationship or relationships from which MotorCycle Holdings derives a material proportion of its earnings. MotorCycle Holdings will need to enter into new Franchise Agreements in respect of any dealership acquisitions or expansions of its existing dealerships.</td>
<td>Section 5.1.2</td>
</tr>
<tr>
<td><strong>Reliance on key personnel</strong></td>
<td>MotorCycle Holdings’ success is dependent to a significant degree upon the efforts of key members of management. The loss of the services key members of management, in particular, David Ahmet, or the failure to attract additional key individuals to key management roles, could have a material adverse effect on the Company’s operations, including its relationships with manufacturers.</td>
<td>Section 5.1.3</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
<td>For more information</td>
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<td>------------------------------------------------</td>
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</tr>
<tr>
<td><strong>Interruption of the supply of motorcycles</strong></td>
<td>MotorCycle Holdings is reliant on manufacturers to supply new motorcycles for sale. If the Company is not able to meet demand for its products due to interruption of supply from manufacturers, the Company’s financial performance may be adversely affected.</td>
<td>Section 5.1.4</td>
</tr>
<tr>
<td><strong>Employee recruitment and retention</strong></td>
<td>MotorCycle Holdings relies on its ability to attract and retain experienced and high performing employees, especially dealer principals and sales staff. If MotorCycle Holdings is unable to attract and retain sales staff, it may be unable to sell its inventory which may negatively impact MotorCycle Holdings’ sales and adversely affect the Company’s ability to develop and implement its business strategies.</td>
<td>Section 5.1.5</td>
</tr>
<tr>
<td><strong>Bailment financing risk</strong></td>
<td>MotorCycle Holdings depends on bailment financing arrangements to fund the supply of new motorcycles from manufacturers. While bailment financing arrangements have been in place in Australia for at least 30 years, any change in the terms of the bailment financing arrangements may impact MotorCycle Holdings’ business model. If a bailment financier stopped providing finance to MotorCycle Holdings for any reason, the Company’s ability to manage its working capital will be impaired and may require the Company to seek financing from alternative sources.</td>
<td>Section 5.1.6</td>
</tr>
<tr>
<td><strong>Occupational health and safety</strong></td>
<td>MotorCycle Holdings employees are at risk of workplace accidents and incidents. MotorCycle Holdings may be liable for penalties and damages if an employee is injured in the course of their employment. Such workplace accidents and incidents have the potential to harm the Company’s reputation and financial performance.</td>
<td>Section 5.1.7</td>
</tr>
</tbody>
</table>
1.6 Directors and key management

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who are the Directors of MotorCycle Holdings?</td>
<td>• Bob Thorn, Independent Non-Executive Chairman</td>
<td>Section 6.1</td>
</tr>
<tr>
<td></td>
<td>• David Ahmet, Managing Director and Chief Executive Officer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Warren Bee, Independent Non-Executive Director</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Scott Greck, Non-Independent Non-Executive Director</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• David Foster, Independent Non-Executive Director and chair of the Audit and Risk Committee and Nomination and Remuneration Committee</td>
<td></td>
</tr>
<tr>
<td>Who are the key management of MotorCycle Holdings?</td>
<td>• David Ahmet, Managing Director and Chief Executive Officer</td>
<td>Section 6.2</td>
</tr>
<tr>
<td></td>
<td>• Chris Chenoweth, General Manager and Group Bike Sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Bob Donovan, Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mike Cooksley, Group Finance and Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Russell Lemon, Group Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Shane Musgrove, Group Parts and Accessories</td>
<td></td>
</tr>
</tbody>
</table>

1.7 Significant interests of key people and related party transactions

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who are the Shareholders before the Offer and what will be their interest post Completion?</td>
<td></td>
<td>Section 7.1.4</td>
</tr>
<tr>
<td>Shares held pre-completion</td>
<td>Shares issued/(sold)</td>
<td>Shares held on Completion</td>
</tr>
<tr>
<td>(m)</td>
<td>(m)</td>
<td>(m)</td>
</tr>
<tr>
<td>The Archer Growth Fund</td>
<td>17.0</td>
<td>61%</td>
</tr>
<tr>
<td>David Ahmet</td>
<td>8.4</td>
<td>30%</td>
</tr>
<tr>
<td>Management Shareholders</td>
<td>2.6</td>
<td>9%</td>
</tr>
<tr>
<td>New Shareholders</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>27.9</td>
<td>100.0%</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
<td>For more information</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
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</tr>
<tr>
<td>What significant benefits are payable to Directors and other persons</td>
<td>On Completion David Ahmet will hold 8,357,000 Shares. Scott Greck will hold an indirect interest in Shares through his interest in the Archer Growth Fund. Each of Bob Thorn, Warren Bee and David Foster intend to apply for Shares under the Offer. Final Directors’ shareholdings will be notified to ASX following listing. The Directors may hold their interests in Shares directly or indirectly through holdings by companies or trusts. All Non-Executive Directors (other than Scott Greck) will receive directors’ fees. David Ahmet will receive remuneration as an Executive Director. The Archer Growth Funds will have Redeemable Preference Shares held by, and shareholder loans owed to it, redeemed and repaid out of the proceeds of the Offer. Management Shareholders will receive remuneration under their employment agreements. Advisers and other service providers are entitled to fees for services as set out in Section 6.3.1.</td>
<td>Sections 6.3.1, 6.3.2, 6.3.3, 6.3.6</td>
</tr>
<tr>
<td>connected with MotorCycle Holdings or the Offer and what significant</td>
<td></td>
<td></td>
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<tr>
<td>interests do they hold?</td>
<td></td>
<td></td>
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<tr>
<td>Will any Shares be subject to restrictions on disposal following</td>
<td>The Archer Growth Fund, David Ahmet and certain members of management or their affiliates have agreed to enter into voluntary escrow arrangements under which they will be restricted from dealing with Shares they hold on Completion of the Offer. The Archer Growth Fund will be restricted from dealing with the Shares it holds on Completion of the Offer until the first anniversary of Listing. David Ahmet, Chris Chenoweth and affiliates of David Ahmet, Bob Donovan, Mike Cooksley and Shane Musgrove will be restricted from dealing with the Shares they hold on Completion of the Offer until the second anniversary of Listing.</td>
<td>Section 7.7</td>
</tr>
<tr>
<td>Completion?</td>
<td></td>
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</tbody>
</table>
### 1.8 Overview of the Offer

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
<th>For more information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the Offer?</strong></td>
<td>The Offer is an initial public offering of 23.1 million Shares at the Offer Price of $2.00 per Share. The Offer is expected to raise approximately $46.3 million (before Offer costs).</td>
<td>Section 7.1</td>
</tr>
<tr>
<td><strong>Who are the issuers of this Prospectus?</strong></td>
<td>MotorCycle Holdings and SaleCo.</td>
<td>Section 7.1</td>
</tr>
<tr>
<td><strong>What is SaleCo?</strong></td>
<td>SaleCo is a special purpose vehicle, established to acquire Existing Shares from Selling Shareholders and to sell them to Successful Applicants under the Offer. The Existing Shares which SaleCo acquired from Selling Shareholders will be transferred to Successful Applicants at the Offer Price.</td>
<td>Section 7.1.3</td>
</tr>
<tr>
<td><strong>What will the proceeds of the Offer be used for?</strong></td>
<td>The net proceeds from the funds raised under the Offer will be used for the following uses:</td>
<td>Section 7.1.2</td>
</tr>
<tr>
<td></td>
<td>• payment of proceeds by SaleCo to Selling Shareholders: $26.1 million</td>
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<td>• redemption of Redeemable Preference Shares held by the Archer Growth Fund and repayment of shareholder loans owed to the Archer Growth Fund: $13.0 million</td>
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<td></td>
<td>• repayment of debt: $3.0 million</td>
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<td></td>
<td>• payment of costs of the Offer: $4.2 million</td>
<td></td>
</tr>
<tr>
<td><strong>Will the Shares be quoted on the ASX?</strong></td>
<td>Yes. MotorCycle Holdings will, within seven days of the date of this Prospectus, apply to ASX for its admission to the Official List and quotation of its Shares by ASX (under the code “MTO”). Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Money received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</td>
<td>Section 9.7.1</td>
</tr>
<tr>
<td><strong>Is the Offer underwritten?</strong></td>
<td>The Offer is fully underwritten by the Lead Manager.</td>
<td>Section 7.6, 9.4.1</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
<td>For more information</td>
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</tr>
<tr>
<td><strong>How is the Offer structured and who will be eligible to participate?</strong></td>
<td>The Offer comprises:</td>
<td>Section 7.1, 7.3.1</td>
</tr>
<tr>
<td></td>
<td>• the Broker Firm Offer, which is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia and are not in the United States or a US person; and</td>
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<tr>
<td></td>
<td>• the Institutional Offer, which consisted of an invitation to certain Institutional Investors in Australia, New Zealand, Hong Kong and Singapore to apply for Shares.</td>
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</tr>
<tr>
<td><strong>What is the allocation policy?</strong></td>
<td>The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by MotorCycle Holdings, SaleCo and the Lead Manager.</td>
<td>Section 7.3.4</td>
</tr>
<tr>
<td></td>
<td>The allocation of Shares among Applicants in the Institutional Offer was determined by MotorCycle Holdings, SaleCo and the Lead Manager.</td>
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<tr>
<td></td>
<td>The allocation of Shares to Applicants in the Broker Firm Offer is at the discretion of that Broker.</td>
<td></td>
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<tr>
<td><strong>How can I apply?</strong></td>
<td>If you are an investor applying under the Broker Firm Offer, you should complete the Broker Firm Application Form attached to or accompanying this Prospectus and lodge it with your Broker.</td>
<td>Section 7.3.2</td>
</tr>
<tr>
<td><strong>What are the tax implications of investing in Shares?</strong></td>
<td>A summary of certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9.9.</td>
<td>Section 9.9</td>
</tr>
<tr>
<td></td>
<td>The tax consequences of any investment in the Shares will depend upon an investor’s particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</td>
<td></td>
</tr>
<tr>
<td><strong>Is there any brokerage, commission or stamp duty payable by applicants?</strong></td>
<td>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</td>
<td>Section 7.2, 7.3</td>
</tr>
<tr>
<td><strong>When will I receive confirmation that my Application has been successful?</strong></td>
<td>It is expected that initial holding statements will be despatched by standard post on or about Tuesday 26 April 2016.</td>
<td>Section 7.3.5</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
<td>For more information</td>
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<tr>
<td><strong>What is the minimum and maximum Application size under the Offer?</strong></td>
<td>The minimum Application under the Broker Firm Offer is $2000 (equivalent to 1000 Shares) worth of Shares and in multiples of $500 (250 Shares) thereafter. There is no maximum Application under the Broker Firm Offer. MotorCycle Holdings, SaleCo and the Lead Manager reserve the right to or to scale back any Applications in the Broker Firm Offer. There was no minimum application or maximum application under the Institutional Offer. MotorCycle Holdings, SaleCo and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</td>
<td>Section 7.2, 7.3.2</td>
</tr>
<tr>
<td><strong>Where can I get more information about this Prospectus or the Offer?</strong></td>
<td>Please call the MotorCycle Holdings Offer Information line on 1300 393 458 (within Australia) or +61 3 9415 4040 (outside Australia) from 9.00 am until 5.00 pm AEST, Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether the Shares are a suitable investment for you should consult your financial, accounting, legal, tax and/or other professional advisers before deciding whether to invest in Shares.</td>
<td>Section 7.2</td>
</tr>
<tr>
<td><strong>Can the Offer be withdrawn?</strong></td>
<td>MotorCycle Holdings and SaleCo may cancel or withdraw the Offer before Completion. If the Offer is cancelled or withdrawn, then all Application Moneys will be refunded in full (without interest) as soon as possible in accordance with the requirement of the Corporations Act.</td>
<td>Section 7.2</td>
</tr>
</tbody>
</table>
INDUSTRY OVERVIEW
2. INDUSTRY OVERVIEW

2.1 Market structure of the motorcycle industry in Australia

The motorcycle dealership industry in Australia is highly fragmented generally consisting of a large number of individual private dealership operators.

The major motorcycle manufacturers such as BMW, Harley-Davidson, Honda, Hyosung, Kawasaki, KTM, Kymco, Suzuki, Triumph and Yamaha generally distribute motorcycles to dealerships who then retail to consumers under a franchise arrangement.

MotorCycle Holdings estimates that there are over 700 dealerships across Australia, with only 2 operators (excluding MotorCycle Holdings) owning more than 4 locations.

2.1.1 Market size and value

MotorCycle Holdings estimates the total addressable motorcycle dealer market in Australia across all product and service streams was approximately $2.8 billion in FY2015, with the new motorcycle sales market estimated at approximately $1.0 billion and the used motorcycle market estimated at approximately $0.5 billion.

Australian Bureau Statistics (ABS) census data and the results of a consumer survey conducted in January 2016 by L.E.K. Consulting indicates an annual aggregate spend in Australia of approximately $782 million on servicing and accessories and parts for registered motorcycles and approximately $138 million aggregate annual spend on servicing and accessories and parts for unregistered motorcycles.

Figure 2.1: Motorcycle dealership market (FY2015)

Source: Management estimates
Figure 2.2 below illustrates that the number of registered motorcycles in Australia has increased at a CAGR of 4.4% since 2009.

**Figure 2.2: Registered motorcycles in Australia, by state (2004-15)***

Thousands of motorcycles

![Bar chart showing registered motorcycles by state from 2004 to 2015](chart)

Note: Only includes registered motorcycles; * Calendar year

Source: L.E.K. Consulting

Figure 2.3 illustrates that motorcycles per 1,000 persons have increased from 29 to 34 since 2009. New motorcycle volume is skewed toward road motorcycles, which also have the highest average sale price. Road motorcycles are used for commuting purposes and also for leisure.

**Figure 2.3: Registered motorcycle penetration in Australia (2004-15)***

Number of registered motorcycles per 1,000 population

![Line chart showing motorcycle penetration from 2004 to 2015](chart)

Note: Only includes registered motorcycles; * Calendar year

Source: L.E.K. Consulting
MotorCycle Holdings trade-in data indicates motorcycles are replaced by owners every 5 years on average. MotorCycle Holdings considers the key factors driving demand for motorcycles include population growth, GDP growth and corresponding increases in disposable income.

### 2.2 Categories of motorcycles

Motorcycles can be segmented into four key categories, with road motorcycles encompassing the greatest variety in styles.

#### Figure 2.4: Motorcycle categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Price range*</th>
<th>Description</th>
<th>Key sub-categories</th>
<th>Target market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road</td>
<td>$2,000 – $70,000</td>
<td>Designed for use on paved roads</td>
<td>• Cruiser • Super Sport • Sports tourer • Tourer • Under 250cc • Super Motard • Adventure tourer • Naked</td>
<td>• Commuters • Leisure riders for recreational purposes</td>
</tr>
<tr>
<td>Off-Road</td>
<td>$1,000 – $14,500</td>
<td>Designed and used for off-road leisure activities and events such as trail riding and motocross</td>
<td>• Motocross • Enduro • Farm • Trail • Fun/mini kids</td>
<td>• Adventure sports • Recreational users</td>
</tr>
<tr>
<td>ATV</td>
<td>$1,500 – $35,000</td>
<td>Also known as quad bikes and are used on a variety of terrain. Primarily used in agriculture and farming applications</td>
<td>• TV/quad</td>
<td>• Farmers • Recreational users</td>
</tr>
<tr>
<td>Scooter</td>
<td>$2,000 – $15,000</td>
<td>Easier to operate than a road motorcycle. It is the smallest product proportion in the industry</td>
<td>• Scooter</td>
<td>• Commuters living in urban areas</td>
</tr>
</tbody>
</table>

Note:* Indicative price range based on listing price of new 2015 motorcycles

Source: L.E.K. Consulting

Research conducted by LEK suggests that 30% of motorcycle owners purchased their current motorcycle as an upgrade. New motorcycles are purchased primarily due to greater reliability and in some cases due to attractive deals offered by dealerships.
2.2.1 New Motorcycles

New motorcycles account for the largest portion of total units sold in Australia and generate the largest proportion of revenue at approximately 69% of total revenue for new motorcycles. Of the new motorcycles sold, approximately 46% are road motorcycles (including scooters) and approximately 54% are off-road motorcycles (including ATVs).

New motorcycle sales volumes in Australia experienced strong growth (5.4% CAGR) from 2004 to 2009 and have been relatively stable since the global financial crisis (-0.8% CAGR).

Various categories of new motorcycle sales have experienced different rates of growth. For example, road motorcycles, the largest segment by volume and value, has experienced very strong growth pre-global financial crisis (12% CAGR) and marginal growth since (1% CAGR). Conversely, the scooter segment, which is the smallest segment by volume and value, has experienced a decline (-5.9% CAGR) since the global financial crisis.

The majority of MotorCycle Holdings’ sales are in the road motorcycle segment which has the highest average sale price and the highest accompanying additional expenditure on accessories and parts and finance, insurance and warranty.

Figure 2.5: New motorcycle sales by type (2004-15)*

 Thousands of motorcycles

![Figure 2.5: New motorcycle sales by type (2004-15)*](source)

Source: L.E.K. Consulting
Note: New motorcycle sales includes registered and unregistered motorcycles; * Calendar year

2.2.2 Used Motorcycles

For accomplished dealership operators, margins from the sale of a used motorcycle are higher than from the sale of a new motorcycle as dealerships are able to source the correct stock, service and repair if necessary and then retail the motorcycle through their dealerships.

Used motorcycles sales volume growth in Queensland, MotorCycle Holdings’ largest market, has delivered growth of 5.5% CAGR from 2005 to 2009 and 3.6% CAGR from 2009 to 2015. Accordingly, through periods of higher economic growth, management has experienced new motorcycles sales growth to be higher relative to used motorcycles sales volumes and the reverse occurring in times of slower economic growth.
2.2.3 New all-terrain vehicles

Although all-terrain vehicles are primarily purchased for agricultural and farming purposes, the sale of these vehicles accounts for approximately 20% of total new motorcycles sold in Australia. The mobile, heavy duty and durable nature of all-terrain vehicles makes them suitable for performing work-related tasks on farms.

2.2.4 New motor scooters

Motor scooters are the smallest contributor of revenue in the industry in Australia, accounting for approximately 6% of total revenue for new motorcycles sold in Australia. The engine capacity of scooters tends to be much smaller than that of a standard motorcycle, limiting the potential market for these products.

2.3 Purchase channel for current motorcycle

More than 50% of motorcycle purchases in Australia are of new motorcycles from a motorcycle dealership. According to a consumer survey conducted by the Company, approximately 65% of all motorcycles sold in Australia (by total number of motorcycles sold) were purchased from a dealership and approximately 35% of all motorcycles sold in Australia (by total number of motorcycles sold) were purchased privately.
2.4 Motorcycle dealership revenue sources

There are five main business segments from which motorcycle dealerships may generate income:

1. New motorcycle sales
   The retailing of new motorcycles through a franchise agreement with the various motorcycle manufacturers or distributors.

2. Used motorcycle sales
   The retailing of used motorcycles which have been acquired at the dealership from a customer as a trade-in, acquired direct from a private seller or acquired from another dealership.

3. Finance, insurance and warranty
   The facilitation of the sale of finance and insurance products to consumers. These products are utilised by the consumer for purposes such as financing the purchase of the motorcycle or insuring the purchased motorcycle. The dealership receives payment for finance and insurance and products it sells to consumers through the dealership. Some dealerships also offer warranties on new motorcycles and used motorcycles. The providers of finance and insurance products to the motorcycle industry include Allianz Insurance, Bank of Queensland, BMW Australia Finance Limited, Kawasaki Motors Finance, Pepper Asset Finance Pty Ltd, QBE, Riders Finance Group, St George Bank, Swann Insurance, Yamaha Motor Finance and Yamaha Motor Insurance.

4. Accessories and parts
   The sale of accessories for safety and functional purposes (for example helmets, boots, jackets and tyres) and parts. The sale of accessories and parts may complement a motorcycle sale, and may occur any time during the period of the motorcycle ownership or as part of a service/repair of the motorcycle. Motorcycle dealerships typically source accessories from local distributors who distribute on behalf of the accessories manufacturer. Accessories distributors in Australia include Monza Imports, McLeod Accessories, Cassons and Link International. Parts are typically purchased by the dealership from the motorcycle manufacturer.

5. Service and repair of motorcycles
   The customer can return to the dealership for servicing and repair of the motorcycle as part of a new motorcycle warranty, a used motorcycle warranty or for general service and maintenance.
2.5 Competitive landscape in Australia

The motorcycle dealership industry in Australia is highly fragmented with dealerships typically operated by individuals who are often motorcycle enthusiasts. MotorCycle Holdings estimates that there are over 700 dealerships across Australia, with only 3 operators other than MotorCycle Holdings owning 4 or more dealerships.

Figure 2.8: Dealership operators by number of locations

Source: Management estimates

2.5.1 Operators of multiple dealerships

Table 2.1:

<table>
<thead>
<tr>
<th>Operator</th>
<th>Number of locations</th>
<th>Geography</th>
<th>Brands*</th>
</tr>
</thead>
<tbody>
<tr>
<td>MotorCycle Holdings</td>
<td>24</td>
<td>Queensland, NSW and ACT</td>
<td>BMW, Harley-Davidson, Honda, Hyosung, Kawasaki, KTM, Kymco, Suzuki, Triumph, Yamaha</td>
</tr>
<tr>
<td>Peter Stevens Motorcycles</td>
<td>11</td>
<td>Main dealership presence in Victoria. Also operates dealerships in South Australia and NSW</td>
<td>Arctic cat, Can-am, Harley-Davidson, Honda, Hyosung, Kawasaki, KTM, Piaggio, Suzuki, Triumph, Vespa and Yamaha</td>
</tr>
<tr>
<td>Fraser Motorcycles</td>
<td>6</td>
<td>Main presence in NSW. Also operates one dealership in Western Australia</td>
<td>Ducati, Harley-Davidson, Honda and Norton</td>
</tr>
<tr>
<td>Sunstate Motorcycles</td>
<td>4</td>
<td>Queensland</td>
<td>Suzuki, Yamaha, Honda, Kawasaki, Triumph, Vespa, Piaggio, Hyosung, Aprilia, Moto Guzzi</td>
</tr>
</tbody>
</table>
### 2.6 Regulation

#### 2.6.1 Motorcycle dealership and sales person licencing

Table 2.2 below summarises the regulatory regime in relation to motorcycle dealerships, motorcycle repairs and riding schools in each of the states in which MotorCycle Holdings currently operates.

**Table 2.2:**

<table>
<thead>
<tr>
<th>Business Activity</th>
<th>Queensland (QLD)</th>
<th>New South Wales (NSW)</th>
<th>Australian Capital Territory (ACT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motorcycle dealerships</td>
<td>QLD Government</td>
<td>NSW Fair Trading</td>
<td>ACT Office of Regulatory Services</td>
</tr>
<tr>
<td>Motorcycle repairers</td>
<td>N/A</td>
<td>NSW Fair Trading</td>
<td>ACT Office of Regulatory Services</td>
</tr>
<tr>
<td>Riding Schools</td>
<td>Department of Transport and Main Roads</td>
<td>Roads and Maritime Services</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sales persons employed by the MotorCycle Holdings Group are also required to hold licences under various State-based legislation. The relevant legislation includes the *Property Agents and Motor Dealers Act 2000* (Queensland), the *Motor Dealers and Repairs Act 2013* (New South Wales) and the *Sale of Motor Vehicles Act 1977* (Australian Capital Territory). The MotorCycle Holdings Group has implemented administrative processes to ensure that dealer principals and sales persons hold the requisite licences at all times.

#### 2.6.2 Consumer finance and insurance sales

The larger motorcycle dealerships invest in dedicated staff to sell finance and insurance products on behalf of financers and insurance providers at the time of motorcycle purchase.

An Australian credit licence is not required for the sale of consumer finance as this business is conducted under a point of sale exemption from the requirement to hold such a licence pursuant to *National Consumer Credit Protection Act 2009* (Cth) and associated regulations.

Relevant individuals in the dealerships are appointed as authorised representatives of Australian financial services licensees to sell associated insurance products.

The insurance product includes consumer credit, gap cover, tyre and rim and comprehensive insurance. The dealership earns commission income based on the policies written through that dealership.
2.6.3 Warranty sales
Motorcycle dealerships also can offer extended warranties on new motorcycles or provide warranties on used motorcycles. Warranty products can either be outsourced to third party providers or underwritten by the dealership who then provides any required parts and service.

2.7 Motorcycle financing & insurance

2.7.1 Bailment motorcycle finance
New motorcycle inventory purchases by motorcycle dealerships are generally financed through bailment finance which plays an important role in the working capital cycle of the motorcycle dealership industry. A more detailed overview is outlined below, with the basic principle of a bailment finance arrangement being that new motorcycles are purchased from a manufacturer using financing provided by a bailment financier who holds title to the motorcycle until it is sold by the dealership.

Figure 2.9:

In the motorcycle industry each major manufacturer is aligned with a bailment finance provider (see table below). As an alternative to trading terms to enable a dealership to fund the purchase of new motorcycles, the bailment provider typically offers an interest free period of 90 days, through a bailment finance agreement with the manufacturer. If the motorcycle is not sold within this period, the bailment finance provider then charges the dealership a commercial rate of interest. This bailment financing process has been in place in Australia for at least 30 years.

The current providers of bailment finance to the motorcycle dealership industry, which can change from time to time, include:

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Bailment provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMW</td>
<td>BMW Australia Finance Ltd</td>
</tr>
<tr>
<td>KTM</td>
<td>BOQ Credit Pty Ltd</td>
</tr>
<tr>
<td>Harley-Davidson</td>
<td>St George Bank</td>
</tr>
<tr>
<td>Honda</td>
<td>BOQ Credit Pty Ltd</td>
</tr>
<tr>
<td>Kawasaki</td>
<td>GE Commercial Corporation (Australia) Pty Ltd</td>
</tr>
<tr>
<td>Suzuki</td>
<td>GE Commercial Corporation (Australia) Pty Ltd</td>
</tr>
<tr>
<td>Yamaha</td>
<td>Yamaha Motor Finance Pty Ltd</td>
</tr>
</tbody>
</table>
The purchase of new Triumph and Hyosung motorcycles is funded through extended trade credit provided by Peter Stevens Motorcycles Pty Ltd.

### 2.7.2 Insurance

There are a variety of insurance providers to the motorcycle industry including Swann Insurance, QBE, Yamaha Motor Insurance, and Allianz Insurance. Dealerships offer products from the various insurance providers to their customers often at the time the customer is purchasing a motorcycle. Some of the insurance products that are offered by dealerships include:

- **comprehensive vehicle insurance**: insures the motorcycle owner against losses including those associated with theft, accidents and accidental damage.

- **loan protection insurance**: covers the motorcycle owner’s loan repayments if the insured is unable to work. Subject to the specific policy this will cover periods where the insured is deceased, injured, ill or involuntarily unemployed.

- **tyre and rim insurance**: covers the cost to replace or repair tyres (including punctures and blowouts) or rims which are damaged as a result of road hazards such as kerbs or potholes.

- **gap cover insurance**: may cover the difference between the motorcycle insurance payout and the balance of finance owing on the motorcycle in the event the insured party’s motorcycle is written off or stolen and not recovered (depending on the level of cover chosen).
3. COMPANY OVERVIEW

3.1 Introduction to MotorCycle Holdings

MotorCycle Holdings is Australia’s largest motorcycle dealership operator with 34 franchises operated from 24 locations in Queensland, New South Wales and the Australian Capital Territory.

Its core business consists of the ownership and operation of motorcycle dealerships engaging in the sale of new and used motorcycles, accessories and parts, finance, insurance and warranty products as well as service and repairs.

The Company also owns and operates a rider training school and a motorcycle service and repair business which performs smash repair work for insurers.

MotorCycle Holdings has an estimated 6% market share of all new motorcycle sales nationally (by number of motorcycles sold) and 23% in Queensland (by number of motorcycles sold).

MotorCycle Holdings retails motorcycles manufactured by a diverse range of motorcycle manufacturers. In the new motorcycle category MotorCycle Holdings sells motorcycles manufactured by 8 of the top 10 selling motorcycle manufacturers in Australia which in 2015 represented 84% of new motorcycle volume. The top 10 selling motorcycle manufacturers in Australia represented 91% of new motorcycle volume. In the used motorcycle category, the Company sells motorcycles manufactured by all top 10 manufacturers.
3.1.1 Locations

- Darwin
- Perth
- Adelaide
- Hobart
- Sydney
- Brisbane
- Cairns
- Melbourne

- Morgan & Wacker BMW
- TeamMoto Gold Coast

- Kawasaki
- TeamMoto Kawasaki
- Bowen Hills
- TeamMoto Moorooka
- TeamMoto North Coast
- Ultimate Motorcycles Ipswich
- Ultimate Motorcycles Kawasaki Gold Coast
- Ultimate Motorcycles Kawasaki Springwood

- Harley-Davidson
- Canberra Harley-Davidson, ACT
- Gold Coast Harley-Davidson, QLD
- Morgan & Wacker Harley-Davidson, QLD
- Sydney Harley-Davidson, NSW

- Honda
- TeamMoto Gold Coast
- TeamMoto Honda Springwood
- TeamMoto Honda Virginia

- Hyosung
- TeamMoto Learner Motorcycle Centre
- TeamMoto Virginia

- KTM
- TeamMoto Moorooka
- TeamMoto Virginia
- Ultimate Motorcycles Ipswich

- KYMCO
- TeamMoto Learner Motorcycle Centre
- TeamMoto Virginia

- Suzuki
- TeamMoto Virginia
- Ultimate Motorcycles Ipswich

- Triumph
- TeamMoto Blacktown
- TeamMoto Triumph Springwood
- TeamMoto Triumph Virginia

- Yamaha
- TeamMoto Blacktown
- TeamMoto Moorooka
- TeamMoto Yamaha Cairns
- TeamMoto Yamaha Gold Coast
- TeamMoto Yamaha Northside
- Ultimate Motorcycles Kawasaki Springwood
3.2 History of MotorCycle Holdings

David Ahmet joined Yamaha Moorooka as a sales person in 1988 and took a part ownership in the Yamaha Moorooka dealership in 1989 which he owned with John Oliver.

Since 1989 MotorCycle Holdings has grown its dealership network both organically, by acquisitions and by being granted additional franchises in existing dealerships, and now operates from the largest number of locations in Australia.

In 2011, the Archer Growth Fund became MotorCycle Holdings' largest shareholder following the purchase of the Oliver family’s shareholding.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Canberra Harley-Davidson and Sy's Harley-Davidson (Campbelltown) acquired</td>
<td>24</td>
</tr>
<tr>
<td>2013</td>
<td>Kawasaki, Suzuki, and Yamaha Ipswich, Kawasaki Gold Coast, Kawasaki Springwood, and Yamaha Springwood (collectively Ultimate Motorbikes) acquired</td>
<td>22</td>
</tr>
<tr>
<td>2012</td>
<td>Harley-Davidson Brisbane, Harley-Davidson Gold Coast (Morgan and Wacker), BMW Brisbane and BMW Gold Coast acquired</td>
<td>18</td>
</tr>
<tr>
<td>2011</td>
<td>Archer Growth Fund acquires majority shareholding, Honda Virginia established, Motorcycle repair and painting business acquired (Advanced Motorcycle Spraypainting and Decals)</td>
<td>15</td>
</tr>
<tr>
<td>2010</td>
<td>Hyosung Springwood established</td>
<td>14</td>
</tr>
<tr>
<td>2009</td>
<td>Kawasaki Moorooka established</td>
<td>13</td>
</tr>
<tr>
<td>2006</td>
<td>Yamaha and Triumph Blacktown acquired</td>
<td>12</td>
</tr>
<tr>
<td>2005</td>
<td>Honda Gold Coast, Yamaha Northside acquired</td>
<td>11</td>
</tr>
<tr>
<td>2003</td>
<td>Yamaha Cairns, Yamaha Gold Coast and Motorcycle Riding School acquired</td>
<td>9</td>
</tr>
<tr>
<td>2002</td>
<td>Kawasaki Northcoast acquired</td>
<td>7</td>
</tr>
<tr>
<td>2000</td>
<td>Kawasaki Bowen Hills acquired and KTM added to Virginia</td>
<td>6</td>
</tr>
<tr>
<td>1998</td>
<td>KTM added to Moorooka</td>
<td>5</td>
</tr>
<tr>
<td>1996</td>
<td>Triumph Virginia and Springwood established</td>
<td>5</td>
</tr>
<tr>
<td>1993</td>
<td>Suzuki Virginia acquired</td>
<td>3</td>
</tr>
<tr>
<td>1992</td>
<td>Honda Springwood acquired</td>
<td>2</td>
</tr>
<tr>
<td>1989</td>
<td>David Ahmet becomes partner in Yamaha Moorooka</td>
<td>1</td>
</tr>
</tbody>
</table>

3.3 Snapshot of MotorCycle Holdings Operations

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of locations</td>
<td>24 locations</td>
</tr>
<tr>
<td>Australian new motorcycle market share (by number of motorcycles sold)</td>
<td>Approximately 6%</td>
</tr>
<tr>
<td>Dealership brands</td>
<td>Team Moto, Ultimate Motorcycles, Morgan and Wacker, Gold Coast Harley-Davidson, Canberra Harley-Davidson, Sy's Harley-Davidson</td>
</tr>
</tbody>
</table>
**Criteria** | **Comment**
--- | ---
Motorcycle manufacturers retailed under Franchise Agreements | BMW, Harley-Davidson, Honda, Hyosung, Kawasaki, KTM, Kymco, Suzuki, Triumph, Yamaha
Management structure | Experienced central management team supporting dealer principals
Dealership management software | Dealerships all operate on the Revolution sales management IT platform
Staff | 431

### 3.4 Management structure

MotorCycle Holdings generally recruits individuals with a strong interest in motorcycles and aims to equip these employees with the necessary skills through internal training programs. MotorCycle Holdings believes it offers accelerated advancement and attractive remuneration for those interested in the motorcycle industry.

MotorCycle Holdings has a centralised management process, including finance and administration, accessories sourcing and ranging, human resource management, finance and insurance, used motorcycle purchasing, servicing and marketing. MotorCycle Holdings Group head office has responsibility for instilling sales disciplines and driving the performance of the various business lines throughout the dealership network. At a MotorCycle Holdings Group level, there is accountability in management roles with each group level management team member having responsibility for a respective business line such as motorcycle sales, accessories and parts, service and finance and insurance (see organisational chart below).

The senior management team set a range of key performance indicators and benchmarks across MotorCycle Holdings’ divisions and review those key performance indicators and benchmarks on a daily, weekly and monthly basis, identifying areas for improvement or below benchmark performance and then work with the respective dealer principals (who run each dealership) to implement best practice.

The other important function served by the organisational structure is to reduce the administration burden at the dealership level in order to allow the dealerships to focus on revenue generating customer facing activities. The MotorCycle Holdings Group head office has approximately 11 administration staff dedicated to reduce the administration burden at the dealership level.

At a dealership level, each dealer principal has responsibility and accountability for driving individual dealership performance and dealer principal incentives are driven by individual dealership profitability. Other employees within dealerships who are employed in customer facing sales roles such as motorcycle sales, accessories and finance managers, also have commission incentives in their compensation. This model drives alignment between the group head office management team and the dealership operations.

The business has enjoyed continuity at senior levels with the newest member of the senior team joining the business in 2009.
As at January 2016 MotorCycle Holdings employed 431 staff across the business.

Senior management

- **David Ahmet**
  Chief Executive Officer

- **Chris Chenoweth**
  General Manager and
  Group Bike Sales

19 Dealer Principals

- **Bob Donovan**
  Chief Financial Officer

- **Mike Cooksley**
  Group Finance and Insurance

- **Shane Musgrave**
  Group Parts and Accessories

- **Russel Lemon**
  Group Service
3.5 Business Model

The diagram below sets out the business divisions which are at the centre of MotorCycle Holdings’ business model.

MotorCycle Holdings’ business model is to generate multiple income streams at each dealership and leverage MotorCycle Holdings Group resources and scale to drive profitability.

MotorCycle Holdings has a diverse source of revenue and margin contributors. No individual division contributes to more than 29% of the Company’s gross margin.

The various divisions of MotorCycle Holdings business are each described below.

3.5.1 New and used motorcycles

The business sources new motorcycles from a variety of manufacturers and distributors and sells these products to consumers through company owned dealerships which operate under franchise arrangements with the relevant manufacturers or distributors. These franchise agreements generally have a duration of three years.

The Company also sources used motorcycles which have been acquired at the dealership from a customer as a trade-in, acquired direct from a private seller or acquired from another dealership.

MotorCycle Holdings also employs a dedicated used motorcycle buying team devoted to acquiring used motorcycle inventory from consumers and other dealerships Australia wide. The used motorcycle buying team operate in conjunction with the head of motorcycle sales to ensure they acquire used motorcycles for which demand exists at the dealership level.

The approximate split between new and used motorcycle sales is 54% and 46% (by number of motorcycles sold by MotorCycle Holdings in the 12 months to January 2016).
3.5.2 Accessories and parts
MotorCycle Holdings also generates income from the sale of motorcycle accessories to consumers within the dealerships. These accessories include helmets, boots, gloves, jackets and tyres. Often consumers will purchase accessories at the time of purchasing a new or used motorcycle and MotorCycle Holdings has employees dedicated to selling accessories as part of the motorcycle sales process.

The business also sells parts (typically sourced from the motorcycle manufacturers) at the dealerships. This sale can occur as part of a service or to a consumer who is seeking a replacement part for their motorcycle.

3.5.3 Finance, insurance & warranty
MotorCycle Holdings has focussed on implementing practices from the automotive industry for the facilitation of the sale of allied finance, insurance and warranty products within dealerships. Consumers have a range of finance and insurance products available within the dealership to fund the purchase of, and/or insure their new or used motorcycle. The customer can also purchase an extended warranty on new motorcycles or purchase a warranty for used motorcycles.

3.5.4 Service and repair
MotorCycle Holdings also provides service and repair of motorcycles. The customer can return to the dealership for servicing of the motorcycle as part of a new motorcycle extended warranty, a used motorcycle warranty or for general service and maintenance.

MotorCycle Holdings also operates its’ own dedicated smash repair business, Advanced Motorcycle Spraypainting and Decals, which undertakes smash repair work for insurers and also undertakes repair work for customers. Advanced Motorcycle Spraypainting and Decals is a preferred service provider to many of the major insurance companies in Queensland.

3.5.5 Riding school
MotorCycle Holdings also owns and operates a motorcycle riding school which trains riders for their Queensland motorcycle licence through the Q-RIDE training program. Instructors coach motorcycle riders through courses designed for learners. Once training is successfully completed the rider will be given a Q-RIDE competency certificate which the rider may then take to Queensland Department of Transport to get a licence issued.

3.6 Relationships with manufacturers
MotorCycle Holdings has maintained a long and productive relationship with the various motorcycle manufacturers and distributors. The business currently has Franchise Agreements in place with the following manufacturers or their distributors: BMW, Harley-Davidson, Honda, Hyosung, Kawasaki, KTM, Kymco, Suzuki, Triumph and Yamaha. The Franchise Agreements typically last for 3 years.

MotorCycle Holdings has never had a franchise arrangement terminated.
<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Length of relationship (years)</th>
<th>Dealership locations</th>
</tr>
</thead>
</table>
| Yamaha       | 27                            | TeamMoto Blacktown, NSW  
TeamMoto Moorooka, QLD  
TeamMoto Yamaha Cairns, QLD  
TeamMoto Yamaha Gold Coast, QLD  
TeamMoto Yamaha Northside, QLD |
| Honda        | 24                            | TeamMoto Gold Coast, QLD  
TeamMoto Honda Springwood, QLD  
TeamMoto Honda Virginia, QLD |
| Suzuki       | 23                            | TeamMoto Virginia, QLD  
Ultimate Motorcycles Ipswich, QLD |
| Triumph      | 20                            | TeamMoto Blacktown, NSW  
TeamMoto Triumph Springwood, QLD  
TeamMoto Triumph Virginia, QLD |
| KTM          | 18                            | TeamMoto Moorooka, QLD  
TeamMoto Virginia, QLD  
Ultimate Motorcycles Ipswich, QLD |
| Hyosung      | 6                             | TeamMoto Learner Motorcycle Centre, QLD  
TeamMoto Moorooka, QLD  
TeamMoto North Coast, QLD  
TeamMoto Virginia, QLD |
| Kawasaki     | 6                             | TeamMoto Kawasaki Bowen Hills, QLD  
TeamMoto Moorooka, QLD  
TeamMoto North Coast, QLD  
Ultimate Motorcycles Ipswich, QLD  
Ultimate Motorcycles Kawasaki Gold Coast, QLD  
Ultimate Motorcycles Kawasaki Springwood, QLD |
| Kymco        | 6                             | TeamMoto Learner Motorcycle Centre, QLD  
TeamMoto Virginia, QLD |
| Harley-Davidson | 4                     | Canberra Harley-Davidson, ACT  
Sy's Harley-Davidson, NSW  
Gold Coast Harley-Davidson, QLD  
Morgan & Wacker Harley-Davidson, QLD |
| BMW          | 4                             | Morgan & Wacker BMW, QLD  
TeamMoto Gold Coast, QLD |
3.7 Growth Strategy

MotorCycle Holdings has a track record of delivering growth and is now Australia’s largest motorcycle dealership operator.

MotorCycle Holdings’ business strategy is to continue to grow its core dealership business both organically and through acquisitions.

This strategy seeks to unlock benefits accruing to MotorCycle Holdings from increased scale including improved terms from suppliers as a result of volume discounts applied across various product lines and the ability to amortise overheads over a larger number of dealerships.

In addition, the Company plans to continue to use its centralised management process to drive operational improvements in the dealerships it acquires in order to deliver improved financial performance in those dealerships.

3.7.1 Acquisition of dealerships

MotorCycle Holdings will continue to investigate network expansion via dealership acquisitions.

MotorCycle Holdings continues to cultivate a pipeline of potential dealership acquisitions including both single dealership and multi dealership operations.

Acquisitions will be contemplated where they fit with MotorCycle Holdings acquisition criteria which include:

• adequate volume potential of new and used motorcycle sales;
• potential to increase profitability through implementing MotorCycle Holdings sales disciplines including increasing the penetration of finance and insurance products associated with motorcycle sales; and
• geographic locations that enhance current dealership network profile.

MotorCycle Holdings has a track record of being able to improve the financial performance of dealerships it acquires by implementing its sales disciplines, adding used motorcycle inventory, driving penetration of allied finance and insurance products and replacing the acquired dealership’s procurement and rebate terms with suppliers with MotorCycle Holdings target’s procurement and rebate terms.

MotorCycle Holdings expects to fund the majority of its future acquisitions from operating cashflow and the New Banking Facilities which will be in place at the time of Listing.

3.7.2 Leveraging the existing dealerships to increase market share and profitability

MotorCycle Holdings will continue to focus on leveraging performance of existing dealerships to increase market share and drive organic growth.

MotorCycle Holdings’ intends on maintaining its centralised management process to drive performance across the various divisions to grow dealership profitability. In addition MotorCycle Holdings regularly evaluates expanding existing dealerships and/or adding to new manufacturers.

3.7.3 Operational improvements

MotorCycle Holdings has identified opportunities for further improvement in the service division by implementing practices from the automotive industry. This strategy has already been successfully implemented in the finance and insurance division. Opportunities include a more targeted and disciplined approach to ensuring customers return to MotorCycle Holdings dealerships regularly for service and maintenance.

MotorCycle Holdings is also focussed on growing its market share of used motorcycle sales. MotorCycle Holdings is continuing to implement improvements in the procurement of used motorcycles through
company owned dealerships and from the Company’s dedicated used motorcycle buying team in order to increase the inventory of used motorcycles available to customers.

MotorCycle Holdings also offers the following to help differentiate a dealership used motorcycle sale from a private-to-private used motorcycle sale:

- 2 day free exchange where the customer can return the motorcycle within 48 hours and exchange it for another motorcycle within the MotorCycle Holdings network
- 49 point quality inspection by MotorCycle Holdings trained mechanics
- 90 day warranty extension when a 1, 2 or 3 year warranty is purchased

With a growing network of dealerships, the business is also continuing to try to optimise the sale price of used motorcycles by transferring stock between MotorCycle Holdings dealerships where different manufacturers or models will realise better margins.

### 3.7.4 Benefits of scale

MotorCycle Holdings expects to continue to drive scale benefits from the growth of the existing network. These benefits include:

- improved terms from suppliers as a result of volume discounts applied across various product lines;
- the ability to amortise overheads over a larger number of dealerships; and
- the ability to assist motorcycle manufacturers in managing large stock clearances where MotorCycle Holdings is able to utilise its wide distribution network and additional interest free bailment periods.

### 3.8 Property

All properties required for the operation of the MotorCycle Holdings’ business are on a leasehold arrangement. Lease terms are typically 3 – 5 years with multiple options to extend at the option of the Company.

### 3.9 Logistics

The majority of motorcycles, parts and accessories are stored at the respective dealerships where they are available for sale. The following briefly describes the movement of inventory:

- New motorcycles are delivered directly from the manufacturers or distributors to the individual dealerships.
- Used motorcycles are acquired at the dealerships via trade-ins or direct purchases from consumers and other dealers. Where used motorcycles are acquired by the Group used motorcycle buying team, they will be transported from the seller to the dealership MotorCycle Holdings deems is best suited to retail each model by the Company’s transport vans.
- Accessories are primarily ordered centrally at the Company’s distribution centre. Where cost efficient, they are dispatched by the supplier directly to the dealerships. Where freight costs can be saved, they are dispatched to the distribution centre and then transported by Company owned vans who typically do a daily delivery to dealerships.
- Parts are delivered directly to the dealerships from the manufacturers and distributors.

### 3.10 Marketing and online presence

MotorCycle Holdings engages in marketing on an ongoing basis, for example it utilises electronic direct marketing, as well as traditional forms of advertising such as newspaper, magazines and radio advertising.
In particular, MotorCycle Holdings engages its customers through email marketing, usually in the form of a newsletter, an invitation to attend the launch of a new motorcycle model at a dealership, a sale catalogue or details in relation to special events including ride days, dealership barbeques or sales events. This approach to marketing allows MotorCycle Holdings to remain engaged with its customer database which includes approximately 80,000 unique email addresses.

MotorCycle Holdings also operates a number of websites. These websites generally correspond with the various dealerships brands, as well as a website relating to the Motorcycle Riding School.

In addition, MotorCycle Holdings maintains an online presence through social media pages corresponding for each of its dealership brands.

### 3.11 Information Technology

MotorCycle Holdings utilises a dealership management solution called Revolution. Revolution provides process and system solutions for accounting, sales, service, parts and client relationship management. MotorCycle Holdings has also developed reporting tools for benchmarking and performance management and is also able to measure and manage stock levels and aging across the entire dealership network for new and used motorcycles, accessories and parts.

Where an acquired dealership is not utilising the Revolution solution, the MotorCycle Holdings management team transition the acquired business to Revolution following completion of the acquisition.
4 Financial Information
4. FINANCIAL INFORMATION

4.1 Introduction
This section contains both the Historical Financial Information and Forecast Financial Information for the Company (collectively, the “Financial Information”).

a) Statutory Historical Financial Information of the Company, being the:
   i. Statutory historical consolidated statements of profit or loss for FY13, FY14, FY15, 1H15 and 1H16;
   ii. Statutory historical consolidated statements of cash flow for FY13, FY14, FY15, 1H15 and 1H16; and
   iii. Statutory consolidated statement of financial position as at 31 December 2015.

b) Pro Forma Historical Financial Information of the Company, being the:
   i. Pro forma historical consolidated statements of profit or loss for FY13, FY14, FY15, 1H15 and 1H16;
   ii. Pro forma historical summary consolidated statements of cash flow for FY13, FY14, FY15, 1H15 and 1H16; and
   iii. Pro forma historical consolidated statement of financial position as at 31 December 2015.

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are collectively the “Historical Financial Information”.

c) Statutory Forecast Financial Information of the Company, being the:
   i. Statutory forecast consolidated statement of profit or loss for FY16; and
   ii. Statutory forecast summary consolidated statement of cash flow for FY16.

d) Pro Forma Forecast Financial Information, being the:
   i. Pro forma forecast consolidated statement of profit or loss for FY16; and
   ii. Pro forma forecast summary consolidated statement of cash flow for FY16.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are collectively the “Forecast Financial Information”.

Section 4 also summarises:
• the basis of preparation and presentation of the Financial Information (see Section 4.2);
• the key operating and financial metrics of the Company (see Sections 4.3 and 4.4);
• management discussion and analysis of the Pro Forma Historical Financial Information (see Section 4.5);
• a summary of the Company’s indebtedness before and immediately after the Offer (see Section 4.6.3);
• the Directors’ general and specific assumptions underlying the Forecast Financial Information (see Section 4.7);
• an analysis in respect of the key sensitivities in respect to the Pro Forma Forecast Financial Information (see Section 4.8);
• a summary of the Company’s proposed dividend policy (see Section 4.9); and
• the significant accounting policies of the Company (see Section 4.10 and Appendix A).

All amounts disclosed are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million. Tables have not been amended to correct immaterial summation variances that may arise from this rounding convention.
The Financial Information has been reviewed (but not audited) by Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) whose Investigating Accountant’s Report is contained in Section 8. Investors should note the scope and limitations of the Investigating Accountant’s Report.

The information in this section should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2 Basis of preparation and presentation of Financial Information

The Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the AASB. Compliance with these standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards as adopted by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Company’s significant accounting policies have been consistently applied throughout the periods presented and are set out in Appendix A.

The Company has one reporting segment under AASB 8 Operating Segments, being the sale of new and used motorcycles, accessories and parts, finance, insurance and warranty and service and repair.

4.2.1 Preparation of Historical Financial Information

The Statutory Historical Financial Information has been derived from:

- the audited consolidated statutory financial statements of the Company for FY13, FY14 and FY15, which have been audited by Deloitte Touche Tohmatsu which issued unmodified audit opinions in respect of those periods; and

- the reviewed consolidated statutory financial statements of the Company for 1H15 and 1H16. Deloitte Touche Tohmatsu issued an unqualified review conclusion in respect to those periods.

The Statutory Historical Financial Information is summarised in Section 4.3.

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus and has been derived from:

- the audited consolidated statutory financial statements of the Company for FY13, FY14 and FY15; and

- the reviewed consolidated statutory financial statements of the Company for 1H15 and 1H16

In preparing the Pro Forma Historical Financial Information, a number of adjustments were made to the audited and reviewed results, including the full period impact of the operating and capital structure expected to be in place following the completion of the Offer as if it was in place as at 1 July 2012 and to exclude other non-recurring items as set out in Section 4.3.

Refer to sections 4.3, 4.4 and 4.6 for reconciliations between:

a) The statutory and pro forma revenue, EBITDA and NPAT for FY13, FY14, FY15, 1H15 and 1H16;

b) The statutory and pro forma net cash flows before financing and taxation for FY13, FY14, FY15, 1H15 and 1H16; and

c) The statutory historical consolidated statement of financial position and the pro forma historical consolidated statement of financial position as at 31 December 2015.
4.2.2 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for the inclusion in this Prospectus.

The Forecast Financial Information has been prepared by the Directors and management with due care and attention, having regard to an assessment of present economic and operating conditions and based on numerous assumptions, including the Directors’ best estimate general and specific assumptions regarding future events and actions set out in Section 4.7. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors believe the general and specific best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the Company’s actual financial performance or financial position.

Investors are advised to review the Forecast Financial Information in conjunction with the Directors’ best estimate general and specific assumptions set out in Section 4.7, the sensitivity analysis set out in Section 4.8, risk factors as set out in Section 5 and other information set out in this Prospectus.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of MotorCycle Holdings, the Directors and management, and are not reliably predictable. Accordingly, none of MotorCycle Holdings, the Directors or any other person can provide investors with any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The Statutory Forecast Financial Information has been prepared on a basis consistent with how the Company’s statutory financial statements are expected to be prepared for future financial periods. The Statutory Forecast Financial Information for FY16 is the best estimate of the financial performance that the Directors expect to report in the Company’s general purpose statutory consolidated financial report for FY16.

The Statutory Forecast Financial Information assumes Completion of the Offer will occur on 21 April 2016, hence it reflects only a part-year effect of the Company’s intended operating and capital structure following Completion of the Offer.

The Pro Forma Forecast Financial Information differs from the Statutory Forecast Financial Information as it reflects the full-year effect of the operating and capital structure that will be in place following Completion of the Offer, excluding non-recurring items as set out in Section 4.3.

Refer to sections 4.3 and 4.4 for reconciliations between:

a) The statutory and pro forma EBITDA and NPAT for FY16; and

b) The statutory and pro forma net cash flows before financing and taxation for FY16.

The basis of preparation and presentation of the Pro Forma Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation of the Pro Forma Historical Financial Information. The Directors have no intention of updating or revising the Forecast Financial Information or other forward-looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or other factors affect the information contained in this Prospectus, except where required by law.

Investors should note that past results do not guarantee future performance.
4.2.3 Explanation of certain non-IFRS measures

The Company uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as “non-IFRS financial measures”. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and not act as a substitute for those measures.

Because non-IFRS financial measures are not defined by the recognised body of accounting standards, they do not have a prescribed meaning and the way that the Company calculates them may be different to the way that other companies calculate similarly-titled measures.

The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

**EBITDA and EBITDA margin**
- EBITDA represents earnings before interest accrued on corporate debt, tax, depreciation and amortisation expenses. The Company includes the accrued interest cost associated with its bailment finance facilities (after any applicable interest free period) within EBITDA as it is considered an integral operating cost of the Company doing business. Bailment finance interest is incurred when a motorcycle held by a dealership has exceeded the interest free period (typically 90 days) provided by the manufacturer (Refer to Section 2.7.1 Bailment motorcycle finance).
- EBITDA margin is a profitability measure and is calculated by dividing EBITDA by revenue, expressed as a percentage.

**EBIT and EBIT margin**
- EBIT represents EBITDA less depreciation and amortisation expenses.
- EBIT margin is a profitability measure and is calculated by dividing EBIT by revenue, expressed as a percentage.

**Working capital**
The Company defines working capital as the total of current trade and other receivables, inventory and prepayments less the total of trade and other payables, current provisions, other current creditors and bailment finance liability.

**Capital expenditure**
Capital expenditure relates to investment in new technology, refurbishment of leasehold premises and investment in property, plant and equipment. Growth capital expenditure historically has related to the acquisition of the business assets of new dealerships and site improvement from relocation and/or redevelopment of existing dealerships.

**Operating cash flow conversion**
Operating Cash Flow Conversion represents net cash flow before financing and taxation and before growth capital expenditure divided by EBITDA, expressed as a percentage. Net cash flow before financing and taxation represents net cash provided by operating activities and before corporate debt costs and income tax. As a result, it is a measure of the operating cash flow generated by the business before growth capital expenditure.

It is important to note that operating cash flows do not take into account the requirements of the business to fund financing costs such as interest accrued on corporate debt, bank fees, debt repayment and tax payments. Management uses this to measure the efficiency of the business in converting EBITDA into operating cash flows.
4.3 Pro forma historical and forecast consolidated statements of profit or loss and other comprehensive income

Table 1A sets out the pro forma historical consolidated statements of profit or loss and other comprehensive income for FY13, FY14 and FY15 and the pro forma forecast consolidated statement of profit or loss and other comprehensive income for FY16.

Table 1A: Pro forma historical and forecast consolidated statements of profit or loss and other comprehensive income

<table>
<thead>
<tr>
<th>$m</th>
<th>Notes</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3</td>
<td>158.7</td>
<td>174.7</td>
<td>185.7</td>
<td>212.8</td>
</tr>
<tr>
<td>Materials purchased and change in inventories</td>
<td>(119.6)</td>
<td>(131.5)</td>
<td>(140.8)</td>
<td>(160.8)</td>
<td></td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(22.3)</td>
<td>(25.0)</td>
<td>(26.0)</td>
<td>(29.0)</td>
<td></td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>(3.9)</td>
<td>(4.5)</td>
<td>(4.6)</td>
<td>(5.1)</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>4</td>
<td>(6.0)</td>
<td>(5.8)</td>
<td>(6.0)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Bailment interest</td>
<td>5</td>
<td>(0.5)</td>
<td>(0.4)</td>
<td>(0.5)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(152.3)</td>
<td>(167.2)</td>
<td>(177.9)</td>
<td>(201.5)</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>6.4</td>
<td>7.5</td>
<td>7.8</td>
<td>11.3</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(0.6)</td>
<td>(0.7)</td>
<td>(0.7)</td>
<td>(0.8)</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>5.8</td>
<td>6.9</td>
<td>7.1</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td></td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>5.4</td>
<td>6.5</td>
<td>6.6</td>
<td>10.1</td>
<td></td>
</tr>
<tr>
<td>Tax expense</td>
<td>6</td>
<td>(1.7)</td>
<td>(2.0)</td>
<td>(2.1)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>3.7</td>
<td>4.5</td>
<td>4.6</td>
<td>6.9</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The pro forma historical consolidated statements of profit and loss for FY13, FY14 and FY15 are reconciled to the respective statutory historical consolidated statements of profit or loss for FY13, FY14 and FY15 in Table 3.
2. The pro forma forecast consolidated statement of profit or loss for FY16 is reconciled to the statutory forecast consolidated statement of profit or loss for FY16 in Table 3.
3. Revenue represents the sales and income from the Company’s five business streams: new motorcycle sales, used motorcycle sales, finance, insurance and warranty income, parts and accessories sales and service and repair sales.
4. Other expenses notably include motor vehicle fleet and distribution costs and marketing expenses.
5. The Company includes the accrued interest cost associated with its bailment finance facilities within EBITDA as it is considered an integral operating cost of the Company doing business.
6. Tax expense reflects the assumption of an effective corporate tax rate of 31.0% applied to the pro forma profit before tax.
Table 1B sets out the statutory historical consolidated statements of profit or loss and other comprehensive income for FY13, FY14 and FY15 and the statutory forecast consolidated statement of profit or loss and other comprehensive income for FY16.

**Table 1B: Statutory historical and forecast consolidated statements of profit or loss and other comprehensive income**

<table>
<thead>
<tr>
<th>$m</th>
<th>Statutory historical</th>
<th>Statutory forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY13</td>
<td>FY14</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>146.8</td>
<td>160.8</td>
</tr>
<tr>
<td>Other revenue</td>
<td>10.9</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>157.7</td>
<td>173.8</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(2.8)</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Expenses excluding finance costs</td>
<td>(150.7)</td>
<td>(165.7)</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>4.2</td>
<td>5.1</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(1.4)</td>
<td>(1.5)</td>
</tr>
<tr>
<td><strong>Net Profit After Tax</strong></td>
<td>2.8</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Table 2 sets out the pro forma historical financial and operational metrics for FY13, FY14 and FY15 and the pro forma forecast financial and operational metrics for FY16.

**Table 2: Pro forma historical and forecast operational and financial metrics**

<table>
<thead>
<tr>
<th>$m</th>
<th>Notes</th>
<th>Pro forma historical</th>
<th>Pro forma forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY13</td>
<td>FY14</td>
<td>FY15</td>
</tr>
<tr>
<td>Number of dealership locations at period end</td>
<td>22</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Number of new motorcycles sold</td>
<td>6,016</td>
<td>6,482</td>
<td>6,413</td>
</tr>
<tr>
<td>New motorcycles sold growth %</td>
<td>n/a</td>
<td>7.7%</td>
<td>(1.1)%</td>
</tr>
<tr>
<td>Number of used motorcycles sold</td>
<td>5,335</td>
<td>5,888</td>
<td>5,890</td>
</tr>
<tr>
<td>Used motorcycles sold growth %</td>
<td>n/a</td>
<td>10.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Revenue growth %</td>
<td>n/a</td>
<td>10.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.0%</td>
<td>4.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>3.6%</td>
<td>3.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Operating cash flow before growth capital expenditure conversion %</td>
<td>1</td>
<td>93.4%</td>
<td>83.3%</td>
</tr>
</tbody>
</table>

Notes:
1. The operating cash flow before growth capital expenditure conversion metric represents the pro forma operating cash flow before growth capital expenditure divided by pro forma EBITDA.
Table 3 sets out the pro forma adjustments to the statutory historical consolidated statements of profit or loss and other comprehensive income for FY13, FY14 and FY15 and the statutory forecast consolidated statement of profit or loss and other comprehensive income for FY16.

### Table 3: Pro forma adjustments to the statutory historical and forecast consolidated statements of profit or loss and other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>Historical</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY13</td>
<td>FY14</td>
</tr>
<tr>
<td>Statutory revenue</td>
<td>157.6</td>
<td>173.8</td>
</tr>
<tr>
<td>Pro forma adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>Pro forma revenue</td>
<td>158.7</td>
<td>174.7</td>
</tr>
<tr>
<td>Statutory EBITDA</td>
<td>7.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Pro forma adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed public company costs</td>
<td>2</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Offer and other business transaction costs</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>Pro forma EBITDA</td>
<td>6.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Statutory NPAT</td>
<td>2.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Pro forma adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed public company costs</td>
<td>2</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Offer and other business transaction costs</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>Change in capital structure</td>
<td>4</td>
<td>1.9</td>
</tr>
<tr>
<td>Tax effect of adjustments and effective tax rate</td>
<td>5</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Pro forma NPAT</td>
<td>3.7</td>
<td>4.5</td>
</tr>
</tbody>
</table>

**Notes:**

1. Manufacturer marketing and non-volume performance incentive income has historically been presented net of operating expenses. The Company intends to restate the statutory consolidated financial statements for FY13, FY14 and FY15 to reclassify the incentive income as revenue and from FY16 will report this incentive income as revenue.

2. The listed public company costs represent the anticipated incremental costs that the Company will incur as a listed public company. These incremental costs include Directors’ remuneration, adjustments to executive management STI (refer Section 6.3.3), listing and registry fees and audit fees.

3. Offer and business transaction costs reflect the amount anticipated to be recorded in the FY16 statutory forecast consolidated statement of profit or loss. These costs represent an allocation of Offer transaction costs associated with the listing and sale of the shares by the Selling Shareholders. Additional non-recurring business transactions costs have also been recorded in the FY16 statutory forecast consolidated statement of profit or loss.

4. The change in capital structure adjusts the net interest expense reported in the statutory historical and forecast consolidated statements of profit or loss to reflect the New Banking Facilities and anticipated indebtedness of the Company from the date of the Offer (as described in Sections 4.6.3 and 4.6.4 respectively) in the pro forma historical and forecast consolidated statements of profit or loss. The redeemable preference shares, part of the existing capital structure, are intended to be redeemed prior to the Offer from the Company’s existing finance facilities and with proceeds from the Offer.

5. The tax effect of adjustments and effective tax rate reflects the net tax effect of the pro forma adjustments as well as adjusting the historical tax expense to reflect the Company’s anticipated effective tax rate as a listed public company of 31.0%.
Table 4 sets out the pro forma historical half year consolidated statements of profit or loss and other comprehensive income for 1H15 and 1H16.

**Table 4: Pro forma historical half year consolidated statements of profit or loss and other comprehensive income**

<table>
<thead>
<tr>
<th></th>
<th>Pro forma historical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H15</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Materials purchased and change in inventories</td>
<td>(71.8)</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(13.4)</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Bailment interest</td>
<td>(0.3)</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(90.7)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>4.4</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(0.4)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>4.0</td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>(1.2)</td>
</tr>
<tr>
<td><strong>Net Profit After Tax</strong></td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Notes:**
1. The pro forma historical consolidated statements of profit and loss for 1H15 and 1H16 are reconciled to the respective statutory historical consolidated statements of profit or loss for 1H15 and 1H16 in Table 7.

Table 5 sets out the statutory historical consolidated statements of profit or loss and other comprehensive income for 1H15 and 1H16.

**Table 5: Statutory historical half year consolidated statements of profit or loss and other comprehensive income**

<table>
<thead>
<tr>
<th></th>
<th>Pro forma historical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H15</td>
</tr>
<tr>
<td><strong>Sales revenue</strong></td>
<td>87.2</td>
</tr>
<tr>
<td>Other revenue</td>
<td>7.7</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>95.0</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Expenses excluding finance costs</td>
<td>(90.4)</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Net Profit After Tax</strong></td>
<td>2.1</td>
</tr>
</tbody>
</table>
Table 6 sets out the Pro forma historical financial and operational metrics for 1H15 and 1H16.

### Table 6: Pro forma historical half year operational and financial metrics

<table>
<thead>
<tr>
<th></th>
<th>1H15</th>
<th>1H16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of dealership locations at period end</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Number of new motorcycles sold</td>
<td>3,529</td>
<td>4,031</td>
</tr>
<tr>
<td>New motorcycles sold growth %</td>
<td>n/a</td>
<td>14.2%</td>
</tr>
<tr>
<td>Number of used motorcycles sold</td>
<td>3,149</td>
<td>3,253</td>
</tr>
<tr>
<td>Used motorcycles sold growth %</td>
<td>n/a</td>
<td>3.3%</td>
</tr>
<tr>
<td>Revenue growth %</td>
<td>n/a</td>
<td>19.5%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>4.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Operating cash flow before growth capex conversion %</td>
<td>76.7%</td>
<td>75.8%</td>
</tr>
</tbody>
</table>

Table 7 sets out the pro forma adjustments to the statutory historical consolidated statements of profit or loss and other comprehensive income for 1H15 and 1H16.

### Table 7: Pro forma adjustments to the statutory historical half year consolidated statements of profit or loss and other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>1H15</th>
<th>1H16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory revenue</td>
<td>95.0</td>
<td>113.6</td>
</tr>
<tr>
<td>Pro forma adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Pro forma revenue</td>
<td>95.0</td>
<td>113.6</td>
</tr>
<tr>
<td>Statutory EBITDA</td>
<td>4.7</td>
<td>6.9</td>
</tr>
<tr>
<td>Pro forma adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed public company costs</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Other business transaction costs</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Pro forma EBITDA</td>
<td>4.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Statutory NPAT</td>
<td>2.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Pro forma adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed public company costs</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Other business transaction costs</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Change in capital structure</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Tax effect of adjustments and effective tax rate</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Pro forma NPAT</td>
<td>2.6</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Notes:
Refer to Table 3 notes for explanations of the nature of pro forma adjustments in 1H15 and 1H16 as were applicable to FY15 and FY16

### 4.4 Pro forma historical and forecast consolidated statements of cash flows

Table 8 sets out the pro forma historical consolidated statements of cash flow for FY13, FY14 and FY15 and the pro forma forecast consolidated statement of cash flow for FY16.
### Table 8: Pro forma historical and forecast consolidated statements of cash flow

<table>
<thead>
<tr>
<th></th>
<th>Pro forma historical</th>
<th>Pro forma forecast</th>
<th>Statutory forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY13</td>
<td>FY14</td>
<td>FY15</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>6.4</td>
<td>7.5</td>
<td>7.8</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>3</td>
<td>(0.1)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Maintenance capital expenditure</td>
<td>(0.4)</td>
<td>(0.3)</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Operating cashflow before growth capex</strong></td>
<td>6.0</td>
<td>6.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Growth capital expenditure</td>
<td>4</td>
<td>(2.6)</td>
<td>(1.6)</td>
</tr>
<tr>
<td><strong>Operating cash flow before interest and tax</strong></td>
<td>3.4</td>
<td>4.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
<td></td>
<td>(1.9)</td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>5</td>
<td></td>
<td>(0.4)</td>
</tr>
<tr>
<td>Redemption of redeemable preference shares</td>
<td>6</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Net proceeds of existing finance facilities and New Banking Facilities</td>
<td>7</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Related parties loan repayment</td>
<td>8</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from the Offer</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>IPO transaction costs (capitalised to Equity)</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td></td>
<td></td>
<td>7.6</td>
</tr>
</tbody>
</table>

**Notes:**

1. A reconciliation of the statutory and pro forma historical operating cash flow before interest and tax has been provided at Table 9.
2. A reconciliation of the statutory and pro forma forecast operating cash flow before interest and tax has been provided at Table 10.
3. Change in working capital comprises inventories (new motorcycles, used motorcycles, parts and accessories net of obsolescence provisions), receivables, payables, employee entitlement and warranty provisions and bailment finance liabilities. The change in working capital excludes the incremental working capital of motorcycle dealerships acquired during FY13 and FY15, which is included in the growth capital expenditure to acquire the dealerships.
4. Growth capital expenditure comprises motorcycle dealership acquisitions and site improvements associated with motorcycle dealership redevelopment and/or relocation.
5. Net interest (excluding bailment agreements) presented in the pro forma forecast consolidated statement of cash flows reflects the net interest paid with reference to the New Banking Facilities and anticipated indebtedness of the Company. The statutory forecast consolidated statement of cash flows reflects net interest paid in relation to the existing capital structure of the Company inclusive of redeemable preference shares and existing finance facilities and, subsequent to the Offer date, anticipated net interest paid with reference to the New Banking Facilities.
6. Redeemable preference shares, as part of the existing capital structure, are intended to be redeemed prior to the Offer from the Company’s existing finance facilities and with proceeds from the Offer. This amount represents the principle of the redeemable preference shares with a redemption premium reflected in Net interest (excluding bailment agreements).
7. The net proceeds from the existing finance facilities of the Company and the anticipated indebtedness with reference to the facilities under the Facilities Agreement (as described in Sections 4.6.3 and 4.6.4) at 30 June 2016.
8. Loans to related parties are intended to be settled by the Company prior to the Offer with proceeds from the Offer.

Table 9 sets out the pro forma adjustments to the statutory historical consolidated statements of cash flow for FY13, FY14 and FY15.
Table 9: Pro forma adjustments to the statutory historical consolidated statements of cash flow

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statutory operating cash flow before interest and tax</strong></td>
<td>4.1</td>
<td>5.4</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Pro forma adjustments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed public company costs</td>
<td>(0.7)</td>
<td>(0.7)</td>
<td>(0.7)</td>
</tr>
<tr>
<td><strong>Pro forma operating cash flow before interest and tax</strong></td>
<td>3.3</td>
<td>4.7</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Notes:
1. The statutory operating cash flow before interest and tax has been derived from the net cash from operating activities presented in the statutory consolidated financial statements adjusted to exclude interest paid and income tax payment or receipts and to include investing activities to present statutory and pro forma operating cash flow before interest and tax on a consistent basis. The statutory operating cash flow before interest and tax in FY14 includes the reclassification of certain items for consistent presentation with other periods.

Table 10 sets out the pro forma adjustments to the statutory forecast consolidated statements of cash flow for FY16.

Table 10: Pro forma adjustments to the forecast consolidated statements of cash flow

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statutory net cash flows</strong></td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Pro forma adjustments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed public company costs</td>
<td>1</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Offer and business transaction costs</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>3</td>
<td>5.2</td>
</tr>
<tr>
<td>Redemption of redeemable preference shares</td>
<td></td>
<td>10.1</td>
</tr>
<tr>
<td>Net proceeds of existing finance facilities and New Banking Facilities</td>
<td></td>
<td>(0.3)</td>
</tr>
<tr>
<td>Related parties loan repayment</td>
<td></td>
<td>8.1</td>
</tr>
<tr>
<td>Proceeds from the Offer</td>
<td></td>
<td>(20.1)</td>
</tr>
<tr>
<td><strong>Pro forma net cash flows</strong></td>
<td></td>
<td>7.6</td>
</tr>
</tbody>
</table>

Notes:
1. The listed public company cost adjustment represents the full year recognition of incremental costs in the pro forma forecast consolidated statement of cash flows.
2. Offer and business transaction costs reflected in the statutory forecast consolidated statement of cash flows represent transaction costs anticipated to be expensed and capitalised (net of GST recovered).
3. The net interest (excluding bailment agreements) adjustment presents net interest in the pro forma forecast consolidated statement of cash flows reflective of facilities under the Facilities Agreement and the anticipated indebtedness of the Company on a full year basis.
Table 11 sets out the pro forma historical half year consolidated statements of cash flow for 1H15 and 1H16.

Table 11: Pro forma historical consolidated statements of cash flow

<table>
<thead>
<tr>
<th></th>
<th>1H15</th>
<th>1H16</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>4.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>(0.9)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Maintenance capital expenditure</td>
<td>(0.1)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Operating cashflow before growth capex</td>
<td>3.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Growth capital expenditure</td>
<td>(0.8)</td>
<td>–</td>
</tr>
<tr>
<td>Operating cash flow before interest and tax</td>
<td>2.6</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Notes:
1. A reconciliation of the statutory and pro forma historical half year operating cash flow before interest and tax has been provided at Table 12.

Table 12 sets out the pro forma adjustments to the statutory historical consolidated statements cash flow for 1H15 and 1H16.

Table 12: Pro forma adjustments to the statutory historical half year consolidated statements of cash flow

<table>
<thead>
<tr>
<th></th>
<th>1H15</th>
<th>1H16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro forma operating cash flow before interest and tax¹</td>
<td>3.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Listed company costs</td>
<td>(0.4)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Business transaction costs</td>
<td>–</td>
<td>0.4</td>
</tr>
<tr>
<td>Pro forma operating cash flow before interest and tax</td>
<td>2.6</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Notes:
1. Refer to Note 1 of Table 9

4.5 Management discussion and analysis of the Pro Forma Historical Financial Information

4.5.1 General factors affecting the operating results of the Company

Below is a discussion of the main factors which affected MotorCycle Holdings’ operations and relative financial performance in FY13, FY14, FY15 and 1H16 and which the Company expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected MotorCycle Holdings’ historical operating and financial performance, or everything that may affect the Company’s operations and financial performance in the future.

Revenue

Revenue is generated by MotorCycle Holdings through the sale of motorcycles and ancillary products (including accessories and parts, finance and insurance, warranties and service and repair) through its network of dealerships. Key drivers of revenue include:

- Number of dealerships
• Volume and product mix of motorcycle sales per dealership, which is measured by analysis of new and used motorcycle sales. The volume of sales by manufacturer and model is a key driver of mix due to differences in selling price
• Penetration of ancillary product sales in each dealership, inclusive of accessories and parts, finance and insurance, warranties and service and repair
• Supplier rebates and other incentives received for marketing contributions
• Seasonality, where the first six months of the financial year typically contributes approximately 53% of revenue due to a higher number of trading days and peak sales in the lead up to Christmas

The addition of dealerships from successful acquisitions, together with dealership refurbishments, has historically been a positive driver of the Company’s revenue profile. Operational improvements that are implemented by management on new dealership acquisitions that have a positive impact on revenue include:
• Introduction of used motorcycle stock, which is funded by the Company’s operating cash flows; and
• Implementation of the Company’s full suite of other ancillary products, head office sales disciplines, training and controls, in particular in respect of the sale of finance, insurance and warranty products.

Expenses
MotorCycle Holdings’ cost base is split between:
• Materials purchased and change in inventories, which primarily incorporates the purchase cost of inventory sold and direct costs, including labour, incurred in the provision of motorcycle repair and servicing; and
• Operating expenses, which primarily comprise employee expenses (across both the dealership network and support function), leasehold property costs, advertising and bailment finance interest. Labour costs are the most significant operating expense of the Company.

The following factors can impact MotorCycle Holdings’ materials purchased and change in inventories:
• The cost of sourcing stock from the Company’s suppliers, which the Company actively manages through negotiations with its suppliers
• The level of volume-based rebates received from suppliers
• Inventory control and management of the carrying value of inventory on hand

The key elements of MotorCycle Holdings’ operating expenses include:
• Employee benefits expense: includes salaries, wages and other employment related costs of staff employed by the Company, inclusive of dealership staff and within the support function. The remuneration structure for the majority of staff who interact with customers includes a variable component in the form of commission incentives.

The Company’s head office support function provides centralised oversight for business lines such as motorcycle sales, accessories and parts, finance, insurance and warranty as well as service and repair, together with administering the group’s finance function, IT, property management, human resources and the executive function.

• Occupancy expenses: includes rent expense and other property expenses for the Company’s 29 leasehold premises. Generally dealership leases are 3 to 5 year terms, and include further option terms.
• Bailment interest: bailment interest is attached to the funding for new motorcycle inventory purchases, which in most cases provides the Company with an interest free period for the first 90 days a motorcycle is held on the dealership floor. Management include this expense (after any applicable interest free period) in EBITDA as it is considered a key operating cost of doing business.
• Advertising: includes expenditure on online, radio and catalogue promotional activities.
Depreciation and amortisation

Leasehold improvements are depreciated over the term of the lease including any options, typically 15 to 20 years.

Other assets are depreciated over their useful life, typically between 3 and 10 years, depending on the class of asset.

Changes in working capital

The Company defines working capital as the total of current trade and other receivables, inventory and prepayments less the total of trade and other payables, current provisions, other current creditors and bailment finance liability.

Inventory is primarily driven by the number of dealerships at the end of the period and mix of stock on hand.

The investment in new motorcycle inventory is closely offset by a corresponding change in the bailment liability (allowing for temporary settlement timing differences).

The majority of sales are recorded at the point of sale in the dealership. As a result, the receivables balance largely represents rebates and incentives owing to the Company from suppliers.

Capital expenditure

The Company’s capital expenditure requirements primarily relate to the following categories:

• Expenditure relating to the acquisition of new dealerships. The Company completed the acquisition of six dealerships across the period from FY13 to FY15, with no acquisitions assumed in the Forecast Financial Information;

• Expenditure relating to the refurbishment of dealerships. The Company has traditionally undertaken refurbishment works at its acquired dealerships to bring them to a standard consistent with the remainder of the dealership network. The Franchise Agreements also require the Company to maintain its dealerships to a necessary standard; and

• Expenditure relating to the replacement and upgrade of other operating equipment as necessary, which primarily relates to IT systems and software, workshop equipment, and vehicles.
### 4.5.2 Pro forma historical consolidated statements of profit or loss and other comprehensive income: FY14 compared to FY13

#### Table 13: Pro forma historical consolidated statements of profit or loss and other comprehensive income: FY14 compared to FY13

<table>
<thead>
<tr>
<th>Pro forma historical1</th>
<th>FY13</th>
<th>FY14</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>158.7</td>
<td>174.7</td>
<td>10.1%</td>
</tr>
<tr>
<td>Materials purchased and change in inventories</td>
<td>(119.6)</td>
<td>(131.5)</td>
<td>9.9%</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(22.3)</td>
<td>(25.0)</td>
<td>12.1%</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>(3.9)</td>
<td>(4.5)</td>
<td>13.8%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(6.0)</td>
<td>(5.8)</td>
<td>(2.5%)</td>
</tr>
<tr>
<td>Bailment interest</td>
<td>(0.5)</td>
<td>(0.4)</td>
<td>(14.4%)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(152.3)</td>
<td>(167.2)</td>
<td>9.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6.4</td>
<td>7.5</td>
<td>18.1%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(0.6)</td>
<td>(0.7)</td>
<td>5.1%</td>
</tr>
<tr>
<td>EBIT</td>
<td>5.8</td>
<td>6.9</td>
<td>19.5%</td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td>0.1%</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>5.4</td>
<td>6.5</td>
<td>20.9%</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(1.7)</td>
<td>(2.0)</td>
<td>20.9%</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>3.7</td>
<td>4.5</td>
<td>20.9%</td>
</tr>
</tbody>
</table>

Notes:
1. The pro forma historical consolidated statements of profit or loss for FY13 and FY14 are reconciled to the respective statutory consolidated statements of profit or loss at Table 3

#### Table 14: Pro forma key operating and financial metrics: FY14 compared to FY13

<table>
<thead>
<tr>
<th>Pro forma historical</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of dealership locations at period end</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Number of new motorcycles sold</td>
<td>6,016</td>
<td>6,482</td>
</tr>
<tr>
<td>Number of used motorcycles sold</td>
<td>5,335</td>
<td>5,888</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>3.6%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

### Revenue

Revenue increased by $16.0 million to $174.7 million in FY14, representing 10.1% growth. Key factors driving revenue performance included:

- $11.4 million of incremental revenue from the full year contribution from 4 new locations in south-east Queensland (with associated Franchise Agreements with Yamaha, Suzuki and Kawasaki manufacturers) that were acquired in February 2013. The performance of the acquired dealerships also benefitted from operational improvements and showroom renovations carried out post-acquisition;
- 3.0% growth in revenue from the other 18 existing dealerships; and
- Total volume of motorcycle sales increased by 9.0% compared to FY13, with the mix of new and used motorcycle sales consistent across periods.
**EBITDA and EBIT**

Pro forma EBITDA increased by 18.1% from $6.4 million to $7.5 million. As a percentage of sales, pro forma EBITDA increased from 4.0% to 4.3% over the period.

Pro forma EBIT increased by 19.5% from $5.8 million to $6.9 million. As a percentage of sales, pro forma EBIT increased from 3.6% to 3.9% over the period.

The increase in EBITDA and EBIT was due to the impact of:

- The revenue growth outlined above;
- The margin benefit derived from incentives earned from the 7.7% growth in new motorcycle sales; and
- Operating expenses (excluding materials purchased and changes in inventories) increased by 9.2% from $32.7 million in FY13 to $35.7 million in FY14. However, as a percentage of sales, operating expenses (excluding materials purchased and changes in inventories) decreased from 20.6% in FY13 to 20.4% in FY14. The decrease was partially attributable to the increased scale of the dealership portfolio relative to the support function labour costs.

In April 2014 the Company revised its accessories and parts inventory provisioning policy to adopt the Company’s current assessment of net realisable value of the associated inventory, with a $0.2 million cost reflected in FY14 EBITDA. No further change to the Company’s inventory provisioning policies has been undertaken since April 2014.

Bailment interest and depreciation expense remained broadly consistent across the periods.

### 4.5.3 Pro forma historical consolidated statements of cash flow: FY14 compared to FY13

**Table 15: Pro forma historical consolidated statements of cash flow: FY14 compared to FY13**

<table>
<thead>
<tr>
<th>Pro forma historical¹</th>
<th>$m</th>
<th>FY13</th>
<th>FY14</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td></td>
<td>6.4</td>
<td>7.5</td>
<td>18.1%</td>
</tr>
<tr>
<td>Change in working capital</td>
<td></td>
<td>(0.1)</td>
<td>(0.9)</td>
<td>1,700.5%</td>
</tr>
<tr>
<td>Maintenance capital expenditure</td>
<td></td>
<td>(0.4)</td>
<td>(0.3)</td>
<td>(15.5%)</td>
</tr>
<tr>
<td><strong>Operating cashflow before growth capex</strong></td>
<td></td>
<td>6.0</td>
<td>6.3</td>
<td>5.3%</td>
</tr>
<tr>
<td>Growth capital expenditure</td>
<td></td>
<td>(2.6)</td>
<td>(1.6)</td>
<td>(40.1%)</td>
</tr>
<tr>
<td><strong>Operating cash flow before interest and tax</strong></td>
<td></td>
<td>3.3</td>
<td>4.7</td>
<td>41.4%</td>
</tr>
<tr>
<td>Operating cash flow before growth capex conversion %</td>
<td></td>
<td>93.4%</td>
<td>83.3%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

1. The pro forma historical consolidated statements of cash flow for FY13 and FY14 are reconciled to the respective statutory consolidated statements of cash flow at Table 9

Operating cash flow before interest and tax increased from $3.3 million to $4.7 million, reflecting an 18.1% increase in EBITDA and the impact of the items below.

**Change in working capital**

Working capital increased by $0.9 million in FY14. A notable increase was the investment in used motorcycle stock to support sales growth delivered from the three dealerships acquired in FY13.

The bailment liability decreased from $17.3 million at 30 June 2013 to $16.8 million at 30 June 2014.
Capital expenditure

The total investment in capital expenditure in FY14 was $1.9 million. The reduction compared to FY13 was primarily due to the prior period including $2.6 million of growth capital expenditure associated with the acquisition of four new dealership locations.

Capital expenditure in FY14 comprised:
- $1.6 million on refurbishment and showroom upgrades at two dealerships; and
- $0.3 million on the replacement of other operating assets including motor vehicle fleet and IT equipment.

4.5.4  Pro forma historical consolidated statements of profit or loss and other comprehensive income: FY15 compared to FY14

Table 16: Pro forma historical consolidated statements of profit or loss and other comprehensive income: FY15 compared to FY14

<table>
<thead>
<tr>
<th>Pro forma historical</th>
<th>FY14</th>
<th>FY15</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>174.7</td>
<td>185.7</td>
<td>6.3%</td>
</tr>
<tr>
<td>Materials purchased and change in inventories</td>
<td>(131.5)</td>
<td>(140.8)</td>
<td>7.1%</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(25.0)</td>
<td>(26.0)</td>
<td>4.2%</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>(4.5)</td>
<td>(4.6)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(5.8)</td>
<td>(6.0)</td>
<td>2.3%</td>
</tr>
<tr>
<td>Bailment interest</td>
<td>(0.4)</td>
<td>(0.5)</td>
<td>24.3%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(167.2)</td>
<td>(177.9)</td>
<td>6.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>7.5</td>
<td>7.8</td>
<td>3.3%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(0.7)</td>
<td>(0.7)</td>
<td>10.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>6.9</td>
<td>7.1</td>
<td>2.6%</td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td>6.6%</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>6.5</td>
<td>6.6</td>
<td>2.4%</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(2.0)</td>
<td>(2.1)</td>
<td>2.4%</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>4.5</td>
<td>4.6</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Notes:
1. The pro forma historical consolidated statements of profit or loss for FY14 and FY15 are reconciled to the respective statutory consolidated statements of profit or loss at Table 3

Table 17: Pro forma key operating and financial metrics: FY15 compared to FY14

<table>
<thead>
<tr>
<th>Pro forma historical</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of dealership locations at period end</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Number of new motorcycles sold</td>
<td>6,482</td>
<td>6,413</td>
</tr>
<tr>
<td>Number of used motorcycles sold</td>
<td>5,888</td>
<td>5,890</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>3.9%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>
Revenue
Revenue increased by $11.0 million to $185.7 million in FY15, representing 6.3% growth. Key factors driving revenue performance included:

- $3.9 million of incremental revenue from the part year contribution from two Harley-Davidson dealership acquisitions (in Canberra and Sydney) completed in April 2015 and June 2015;

- 4.1% growth in revenue from the other 22 existing dealership locations. The performance of the existing dealership locations included the benefit derived from the renovation of a dealership located in Newstead, Brisbane completed in May 2014 and the uplift in trading performance that followed management’s decision to relocate a Gold Coast dealership in June 2014; and

- Total volume of motorcycle sales decreased by 0.5% compared to FY14. The decrease reflected new motorcycles sales with used motorcycle sales steady compared to FY14. Revenue increased by $7.1 million despite the decrease in motorcycle sale numbers primarily due to the mix of models sold.

EBITDA and EBIT
Pro forma EBITDA increased by 3.3% from $7.5 million to $7.8 million. As a percentage of sales, pro forma EBITDA decreased from 4.3% to 4.2% over the period.

Pro forma EBIT increased by 2.6% from $6.9 million to $7.1 million. As a percentage of sales, pro forma EBIT decreased from 3.9% to 3.8% over the period.

The increase in EBITDA and EBIT was due to the impact of:

- The revenue growth outlined above;

- Operating expenses (excluding materials purchased and changes in inventories) increased by 3.9% from $35.7 million in FY14 to $37.1 million in FY15. However, as a percentage of sales, operating expenses (excluding materials purchased and changes inventories) decreased from 20.4% in FY14 to 20.0% in FY15. The increase in operating expenses was primarily attributable to the part year impact of the two dealership acquisitions completed towards the end of FY15 inclusive of incurred transaction expenses of $0.3 million. There was no requirement to invest in the support function infrastructure during FY15 to administer the new dealership acquisitions.

Bailment interest and depreciation expense remained consistent across the periods.

4.5.5 Pro forma historical consolidated statements of cash flow: FY15 compared to FY14

Table 18: Pro forma historical consolidated statements of cash flow: FY15 compared to FY14

<table>
<thead>
<tr>
<th></th>
<th>Pro forma historical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY14</td>
</tr>
<tr>
<td>EBITDA</td>
<td>7.5</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Maintenance capital expenditure</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Operating cashflow before growth capex</td>
<td>6.3</td>
</tr>
<tr>
<td>Growth capital expenditure</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Operating cashflow before interest and tax</td>
<td>4.7</td>
</tr>
<tr>
<td>Operating cashflow before growth capex conversion %</td>
<td>83.3%</td>
</tr>
</tbody>
</table>

Notes:
1. The pro forma historical consolidated statements of cash flow for FY14 and FY15 are reconciled to the respective statutory consolidated statements of cash flow at Table 9.

Net cash flow before interest and tax decreased from $4.7 million to $2.9 million, reflecting a 3.3% increase in EBITDA and the impact of the items below.
Change in working capital

Working capital decreased by $0.2 million in FY15. This was primarily driven by an increased investment in used motorcycle stock, and parts and accessory stock, to support the two dealerships acquired in April and June 2015 offset by comparative increases to the bailment liability and trade and other payables, largely attributable to the timing of bailment facilities settlement and creditor payments.

The bailment liability increased from $16.8 million at 30 June 2014 to $18.0 million at 30 June 2015 primarily due to increased new motorcycle stock at the two dealerships acquired in April and June 2015.

Capital expenditure

The total investment in capital expenditure in FY15 was $5.1 million.

Capital expenditure in FY15 comprised:

- $3.7 million on growth capital expenditure associated with the two dealership acquisitions completed in April and June 2015;
- $1.2 million on refurbishment and showroom upgrades at three dealerships; and
- $0.2 million on the replacement of other operating assets including motor vehicle fleet and IT equipment.

4.5.6 Pro forma historical consolidated statements of profit or loss and comprehensive other income: 1H16 compared to 1H15

Table 19: Pro forma historical consolidated statements of profit or loss and comprehensive other income: 1H16 compared to 1H15

<table>
<thead>
<tr>
<th>$m</th>
<th>1H15</th>
<th>1H16</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>95.0</td>
<td>113.6</td>
<td>19.5%</td>
</tr>
<tr>
<td>Materials purchased and change in inventories</td>
<td>(71.8)</td>
<td>(85.7)</td>
<td>19.3%</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(13.4)</td>
<td>(15.1)</td>
<td>12.0%</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>(2.2)</td>
<td>(2.6)</td>
<td>13.7%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(2.9)</td>
<td>(3.0)</td>
<td>3.6%</td>
</tr>
<tr>
<td>Bailment interest</td>
<td>(0.3)</td>
<td>(0.2)</td>
<td>(5.9%)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(90.7)</td>
<td>(106.6)</td>
<td>17.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>4.4</td>
<td>7.0</td>
<td>59.9%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td>9.8%</td>
</tr>
<tr>
<td>EBIT</td>
<td>4.0</td>
<td>6.6</td>
<td>64.4%</td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>(0.2)</td>
<td>(0.2)</td>
<td>1.4%</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>3.8</td>
<td>6.4</td>
<td>67.8%</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(1.2)</td>
<td>(2.0)</td>
<td>67.8%</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>2.6</td>
<td>4.4</td>
<td>67.8%</td>
</tr>
</tbody>
</table>

Notes:

1. The pro forma historical consolidated statements of profit or loss for 1H15 and 1H16 are reconciled to the respective statutory consolidated statements of profit or loss at Table 7.
Table 20: Key operating and financial metrics: 1H16 compared to 1H15

<table>
<thead>
<tr>
<th></th>
<th>Pro forma historical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H15</td>
</tr>
<tr>
<td>Number of dealership locations at period end</td>
<td>22</td>
</tr>
<tr>
<td>Number of new motorcycles sold</td>
<td>3,529</td>
</tr>
<tr>
<td>Number of used motorcycles sold</td>
<td>3,149</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.6%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Revenue

Revenue increased by $18.6 million to $113.6 million in 1H16, representing 19.5% growth. Key factors driving revenue performance included:

- $15.2 million of incremental revenue from the contribution from the two dealership acquisitions completed in April 2015 and June 2015 respectively;
- 3.6% growth in revenue from the other 22 existing dealership locations. Total volume of motorcycle sales increased by 9.1% compared to 1H15. This comprised a 14.2% and 3.3% increase in new motorcycle and used motorcycle sales respectively

EBITDA and EBIT

Pro forma EBITDA increased by 59.9% from $4.4 million to $7.0 million. As a percentage of sales, pro forma EBITDA increased from 4.6% to 6.2% over the period.

Pro forma EBIT increased by 64.4% from $4.0 million to $6.6 million. As a percentage of sales, pro forma EBIT increased from 4.2% to 5.8% over the period.

The increase in EBITDA and EBIT was due to the impact of:

- The revenue growth outlined above;
- The new dealership acquisitions positively contributed to all business streams; and
- Operating expenses (excluding materials purchased and changes in inventories) increased by 10.7% from $18.9 million in 1H15 to $20.9 million in 1H16. The increase in operating expenses (excluding materials purchased and changes in inventories) was primarily attributable to the impact of the two dealership acquisitions completed in April and June 2015. As a percentage of sales, operating expenses (excluding materials purchased and changes in inventories) decreased from 19.9% in 1H15 to 18.4% in 1H16. There was a relatively small expansion of the support function capability in 1H16 to administer the new dealership acquisitions.

Bailment interest and depreciation expense remained broadly consistent across the periods.
4.5.7 Pro forma historical consolidated statement of cash flow: 1H16 compared to 1H15

Table 21: Pro forma historical consolidated statements of cash flow: 1H16 compared to 1H15

<table>
<thead>
<tr>
<th></th>
<th>Pro forma historical</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H15</td>
<td>1H16</td>
<td>Change %</td>
</tr>
<tr>
<td>EBITDA</td>
<td>4.4</td>
<td>7.0</td>
<td>59.9%</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>(0.9)</td>
<td>(1.3)</td>
<td>41.6%</td>
</tr>
<tr>
<td>Maintenance capital expenditure</td>
<td>(0.1)</td>
<td>(0.4)</td>
<td>291.7%</td>
</tr>
<tr>
<td>Operating cashflow before growth capex</td>
<td>3.4</td>
<td>5.3</td>
<td>58.0%</td>
</tr>
<tr>
<td>Growth capital expenditure</td>
<td>(0.8)</td>
<td>–</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Operating cash flow before interest and tax</td>
<td>2.6</td>
<td>5.3</td>
<td>108.0%</td>
</tr>
<tr>
<td>Operating cash flow before growth capex conversion %</td>
<td>76.7%</td>
<td>75.8%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The pro forma historical consolidated statements of cash flow for FY15 1H and FY16 1H are reconciled to the respective statutory consolidated statements of cash flow at Table 12

Net cash flow before interest and tax increased from $2.6 million to $5.3 million, reflecting a 59.9% increase in EBITDA and the impact of the items below.

Change in working capital

Working capital increased by $1.3 million in 1H16. This was primarily driven by an increased investment in used motorcycle stock, and parts and accessory stock, to support the two dealerships acquired in April and June 2015.

Seasonal factors that influence trading performance have historically led to an increase in working capital investment during the first half of the year, primarily the increased investment in used motorcycle stock in the latter stages of the first half, contributing to second half cash generation relative to earnings being stronger than the first half.

The bailment liability increased from $14.7 million at 31 December 2014 to $15.5 million at 31 December 2015 primarily due to increased new motorcycle stock at the two dealerships acquired in April and June 2015.

Capital expenditure

The total investment in capital expenditure in 1H16 was $0.4 million.

Capital expenditure in 1H16 comprised $0.4 million on the replacement of operating assets including motor vehicle fleet, IT equipment and software licences.

4.6 Pro forma historical consolidated statement of financial position as at 31 December 2015

4.6.1 Pro forma adjustments to the statutory statement of financial position

Table 22 sets out the adjustments that have been made to the reviewed historical statement of financial position of the Company as at 31 December 2015 to present a pro forma historical statement of financial position for the Company as though the Offer had been completed on 31 December 2015. The pro forma historical consolidated statement of financial position is provided for illustrative purposes only and it is not intended to be representative of the Company’s view on its future financial position. Further information on the sources and uses of funds of the Offer is contained in Section 7.1.2.

The reviewed historical statement of financial position as at 31 December 2015 has been adjusted to reflect the estimated impact of the Offer, the change in capital structure that will take place as a result
of the Offer and the New Banking Facilities. The details of the pro forma adjustments are set out in the notes to Table 22 below.

**Table 22: Pro forma historical consolidated statement of financial position as at 31 December 2015**

<table>
<thead>
<tr>
<th>$m</th>
<th>Notes</th>
<th>Statutory</th>
<th>Pro forma adjustments</th>
<th>Pro forma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1</td>
<td>1.4</td>
<td>(1.8)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1.8</td>
<td>–</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>34.0</td>
<td>–</td>
<td>34.0</td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>0.0</td>
<td>–</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>37.2</td>
<td>(1.8)</td>
<td>35.4</td>
<td></td>
</tr>
<tr>
<td><strong>Non–current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>7.2</td>
<td>–</td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2</td>
<td>2.2</td>
<td>0.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Goodwill</td>
<td>25.9</td>
<td>–</td>
<td>25.9</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>0.1</td>
<td>–</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total non–current assets</strong></td>
<td>35.4</td>
<td>0.9</td>
<td>36.3</td>
<td></td>
</tr>
<tr>
<td><strong>Assets – total</strong></td>
<td>72.6</td>
<td>(0.9)</td>
<td>71.7</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>3</td>
<td>(14.7)</td>
<td>8.2</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Bailment finance facilities and corporate borrowings</td>
<td>4</td>
<td>(16.8)</td>
<td>1.4</td>
<td>(15.5)</td>
</tr>
<tr>
<td>Current tax payable</td>
<td>(0.9)</td>
<td>0.4</td>
<td>(0.5)</td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>(4.2)</td>
<td>–</td>
<td>(4.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>(36.6)</td>
<td>10.0</td>
<td>(26.7)</td>
<td></td>
</tr>
<tr>
<td><strong>Non–current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate borrowings</td>
<td>5</td>
<td>(8.7)</td>
<td>(2.3)</td>
<td>(11.0)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(1.2)</td>
<td>–</td>
<td>(1.2)</td>
<td></td>
</tr>
<tr>
<td>Redeemable preference shares</td>
<td>6</td>
<td>(10.5)</td>
<td>10.5</td>
<td>–</td>
</tr>
<tr>
<td>Provisions</td>
<td>(0.6)</td>
<td>–</td>
<td>(0.6)</td>
<td></td>
</tr>
<tr>
<td><strong>Total non–current liabilities</strong></td>
<td>(21.0)</td>
<td>8.3</td>
<td>(12.7)</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities – total</strong></td>
<td>(57.6)</td>
<td>18.2</td>
<td>(39.4)</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>15.0</td>
<td>17.3</td>
<td>32.3</td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>7</td>
<td>11.2</td>
<td>22.5</td>
<td>33.7</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>8</td>
<td>3.8</td>
<td>(5.2)</td>
<td>(1.5)</td>
</tr>
<tr>
<td><strong>Equity – total</strong></td>
<td>15.0</td>
<td>17.3</td>
<td>32.3</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

1. The Cash and cash equivalents adjustment reflects:
   - proceeds from the Offer ($20.1 million);
   - redeemable preference shares held by the Archer Growth Fund redeemed from the proceeds of the Offer ($7.1 million);
   - settlement of loans to related parties in FY14 ($8.1 million);
- the anticipated finance facilities utilisation of $11.0 million (refer to Sections 4.6.3 Indebtedness and 4.6.4 New Banking Facilities); and
- anticipated transaction costs associated with the Offer ($4.2 million)

2. The Deferred tax asset adjustment reflects the recognition of the tax effect of transaction costs associated with the Offer.

3. The trade and other payables adjustment reflects the unpaid dividends settlement and GST recoverable associated with the transaction costs of the Offer.

4. The Bailment finance facilities and corporate borrowings adjustment reflects reclassification of the Company’s borrowings to align with the New Banking Facilities described in Section 4.6.4. On a pro forma basis, at 31 December 2015 the Bailment finance facilities and corporate borrowings line in Current Liabilities represented solely the bailment finance facilities.

5. The Long term borrowings reflects the redeemable preference shared redeemed by David Ahmet and Kenlake Pty Ltd prior to the date of the Offer (refer to Section 6.3.8) and anticipated finance facilities utilisation of $11.0 million.

6. The redeemable preference shares will be redeemed prior to the Offer and from the proceeds of the Offer (refer to Section 6.3.8).

7. The Share Capital adjustment ($22.5 million) reflects:
   - the proceeds from the Offer ($20.1 million);
   - redeemed preference shares held by David Ahmet and Kenlake Pty Ltd ($3.5 million); and
   - transaction costs associated with the Offer ($1.1 million) capitalised to Share Capital.

8. The Retained Earnings adjustment ($5.2 million) reflects:
   - transfer of redeemed preference shares held by David Ahmet and Kenlake Pty Ltd ($3.5 million); and
   - anticipated transaction costs associated with the Offer ($1.7 million) in the FY16 statutory forecast consolidated statement of profit or loss.

4.6.2 Liquidity and capital resources

The Company has historically funded its maintenance capital expenditure and working capital requirements out of operating cash flow and borrowings under its banking facilities, with capital expenditure primarily focused on the acquisition of new dealerships, together with the renovation and refurbishment of existing dealerships. Motorcycle Holdings’ historical and forecast capital expenditure and working capital trends are set out in sections 4.5 and 4.7.

The Company has historically funded its maintenance capital expenditure and working capital requirements out of operating cash flow and borrowings under its banking facilities, with capital expenditure primarily focused on the acquisition of new dealerships, together with the renovation and refurbishment of existing dealerships. Motorcycle Holdings’ historical and forecast capital expenditure and working capital trends are set out in sections 4.5 and 4.7.

The Company expects that it will have sufficient working capital and cash flow from operations to meet its operational requirements and business needs during the forecast period to 30 June 2016.

4.6.3 Indebtedness

Table 23 sets out the indebtedness of the Company as at 31 December 2015 and immediately after Completion of the Offer.

The pro forma indebtedness of the Company has been adjusted for the repayment of the existing banking facilities, anticipated drawings under the New Banking Facilities and receipt of the net proceeds of the Offer, as if they took place as at 31 December 2015.
### Table 23: Indebtedness

<table>
<thead>
<tr>
<th></th>
<th>Statutory</th>
<th>Pro forma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31-Dec-15</td>
<td>31-Dec-15</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1.4</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Corporate borrowings¹</td>
<td>(10.1)</td>
<td>(11.0)</td>
</tr>
<tr>
<td>Net debt</td>
<td>(8.7)</td>
<td>(11.4)</td>
</tr>
</tbody>
</table>

Notes:

1. Corporate borrowings represents borrowings under the existing finance facilities and anticipated under the New Banking Facilities. Bailment finance facilities are considered a component of net working capital by the Company and not included in the definition of Indebtedness.

The actual net total indebtedness at the date of the Offer may differ from that shown in Table 23 as it will reflect cash flows from operations between 31 December 2015 and the date of the Offer.

### 4.6.4 Description of the New Banking Facilities

Refer to section 9.5.2 for further information in relation to the New Banking Facilities.

### 4.6.5 Lease commitments

The Company has a number of lease commitments related to its dealerships, which are shown in Table 24.

### Table 24: Property lease commitments – 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>No longer than one year</td>
<td>3.9</td>
</tr>
<tr>
<td>Longer than one year but not longer than five years</td>
<td>14.9</td>
</tr>
<tr>
<td>Minimum property lease payments</td>
<td>18.8</td>
</tr>
</tbody>
</table>

### 4.7 Management discussion and analysis Forecast Financial Information

The basis of preparation of the FY16 Forecast Financial Information is detailed in Section 4.2. This Section 4.7 details the general assumptions, Directors’ best estimate assumptions and specific assumptions adopted in preparing the Forecast Financial Information.

The Forecast Financial Information for FY16 includes MotorCycle Holdings reviewed results for 1H16, actual results for January 2016 and the forecast results for the remaining five months to 30 June 2016.

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out below in Section 4.7.1. The assumptions below are a summary only and do not represent all factors that will affect the Company’s forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information set out in Section 4.2, the general assumptions set out in this Section and the risk factors set out in Section 5.

#### 4.7.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- There is no material change in the competitive and operating environments in which the Company operates, which would have a material impact on demand for, or prices of, the Company’s products and services;
- No significant change in the global or local economic conditions relevant to the Company;
• There is no loss of key management personnel and the Company will maintain the ongoing ability to recruit and retain required personnel;

• No significant change in legislative regimes (including tax) and regulatory environments in the jurisdictions in which the Company, its customers or suppliers operate, which will have a material effect on the Company’s financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure;

• No material change in applicable Australian Accounting Standards or other mandatory professional reporting requirements or the Corporations Act, which have a material effect on the Company’s financial performance, financial position, accounting policies, financial reporting or disclosure;

• No material business acquisitions or disposals;

• No material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);

• No change in the Company’s capital structure other than as set out in, or contemplated by, this Prospectus;

• No material amendment to any material agreement or arrangement related to the Company’s business, other than as set out in, or contemplated by, this Prospectus;

• None of the risk listed in Section 5 have a material adverse impact on the business and operational performance of the Company; and

• The Offer proceeds to Completion in accordance with the timetable set out in Key Dates on page 6 of this Prospectus.

4.7.2 Pro forma historical and forecast consolidated statements of profit or loss and other comprehensive income: FY16 compared to FY15 and specific assumptions

Table 25: Pro forma historical and forecast consolidated statements of profit or loss and other comprehensive income: FY16 compared to FY15

<table>
<thead>
<tr>
<th>$m</th>
<th>Historical FY15</th>
<th>Forecast FY16</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>185.7</td>
<td>212.8</td>
<td>14.6%</td>
</tr>
<tr>
<td>Materials purchased and change in inventories</td>
<td>(140.8)</td>
<td>(160.8)</td>
<td>14.3%</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(26.0)</td>
<td>(29.0)</td>
<td>11.5%</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>(4.6)</td>
<td>(5.1)</td>
<td>10.7%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(6.0)</td>
<td>(6.0)</td>
<td>0.2%</td>
</tr>
<tr>
<td>Bailment interest</td>
<td>(0.5)</td>
<td>(0.5)</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(177.9)</td>
<td>(201.5)</td>
<td>13.3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>7.8</td>
<td>11.3</td>
<td>45.1%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(0.7)</td>
<td>(0.8)</td>
<td>10.6%</td>
</tr>
<tr>
<td>EBIT</td>
<td>7.1</td>
<td>10.5</td>
<td>48.6%</td>
</tr>
<tr>
<td>Net interest (excluding bailment finance facilities)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td>3.2%</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>6.6</td>
<td>10.1</td>
<td>51.4%</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(2.1)</td>
<td>(3.1)</td>
<td>51.4%</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>4.6</td>
<td>6.9</td>
<td>51.4%</td>
</tr>
</tbody>
</table>

Notes:
1. The pro forma historical and forecast consolidated statements of profit or loss for FY15 and FY16 are reconciled to the respective statutory consolidated statements of profit or loss at Table 3
Table 26: Pro forma key operating and financial metrics: FY16 compared to FY15

<table>
<thead>
<tr>
<th></th>
<th>Pro forma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Historical FY15</td>
</tr>
<tr>
<td>Number of dealership locations at period end</td>
<td>24</td>
</tr>
<tr>
<td>Number of new motorcycles sold</td>
<td>6,413</td>
</tr>
<tr>
<td>Number of used motorcycles sold</td>
<td>5,890</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.2%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

Number of dealership locations

In FY16, the Company has forecast its dealership locations number to remain constant with the number existing at 30 June 2015, with no new openings/acquisitions or closures/disposals during the period. Number of dealership locations are forecast to total 24 as at 30 June 2016.

Revenue

Revenue has been forecast based on a detailed analysis of:

- Anticipated demand for new and used motorcycle stock in each of the Company’s geographies, taking account of macroeconomic factors, seasonality trends, expected market demand on a dealership-by-dealership basis and the expected sales mix of motorcycles;

- The sale price that the Company expects to achieve from motorcycle and ancillary product sales, taking into account recommended retail prices communicated by manufacturers, distributors and suppliers, the mix and quality of used motorcycle purchases, current price lists and planned promotional activities; and

- Expected levels of volume-based and other incentives received from suppliers, based on anticipated purchase volumes and promotional support provided by suppliers.

Total revenue is forecast to increase by $27.1 million to $212.8 million in FY16, representing 14.6% growth compared to FY15. Key assumptions underpinning revenue growth include:

- $24.0 million from the full year impact of the two most recent acquisitions completed in April 2015 and June 2015 respectively. The forecast contributions of the recently acquired dealership locations takes into account actual sales achieved to January 2016 and the typical trading seasonality experienced at similar dealership locations of the Company for the final five months of the financial year;

- 2.6% increase in new and used motorcycle sales from the remaining 22 dealership locations, with penetration rates of finance, insurance and warranty sales forecast to remain consistent with levels achieved in the period to January 2016. On a comparative basis, revenue from these remaining dealership locations is forecast to increase 1.7% in FY16 compared to FY15; and

- Increase in volume-based and other incentives received from suppliers, due to the combined impact of:
  - the forecast 14.3% increase in new motorcycle sales compared to FY15, which can be primarily attributed to the full year impact of the two dealership acquisitions noted above; and
  - mix of new motorcycle sales by franchise, which has been forecast based on actual sales mix achieved across the dealerships to January 2016.

Expenses

Materials purchased and changes in inventories are forecast to increase by $20.1 million to $160.8 million in FY16, representing 14.3% growth compared to FY15. As a percentage of revenue, materials purchased and changes in inventories are forecast to decrease from 75.8% in FY15 to 75.6% in FY16.
Materials purchases and changes in inventories has been forecast based on a detailed analysis of:

- Costs associated with stock purchases, taking into account the carrying value and mix of stock on hand at the beginning of the forecast period and cost of additional purchases required to deliver the sales forecast across the remainder of FY16. The cost is based on anticipated product mix and price lists from the Company’s supplier base. MotorCycle Holdings has not assumed any changes to underlying price lists compared to current levels being achieved;

- Anticipated levels of stock obsolescence based on stock levels on hand as at 31 January 2016, recent performance and assuming no change to the obsolescence provision policy in the forecast period.

Operating expenses (excluding materials purchased and changes in inventories) are forecast to increase by $3.5 million to $40.7 million in FY16, representing 9.4% growth compared to FY15. As a percentage of revenue, operating expenses are forecast to decrease from 20.0% in FY15 to 19.1% in FY16.

Operating expenses have been forecast based on a detailed analysis of:

- Expected employee costs, taking into account:
  - Full year impact of employees acquired with the two new dealerships in April 2015 and June 2015;
  - Staffing levels required in the dealerships to deliver forecast volume of motorcycle and other ancillary product sales. The Company has not forecast a reduction in headcount relative to levels currently in the business; and
  - Expected wage increases for salaried employees under individual agreements or modern awards and the mix of fixed versus variable remuneration based on individual agreements and achievement of targets;

- Occupancy expenses reflecting the full year impact of the dealership network in place as at 1 July 2015 based on current lease agreement terms accounted for on a straight-line accounting basis;

- Bailment interest expense based on the expected level of new motorcycle stock on hand across the forecast period, prevailing interest rates under the bailment finance contracts and turnover days consistent with current levels; and

- Advertising expenses based on actual and committed expenditure to January 2016 and planned promotional activities for the remainder of the forecast period.

**EBITDA and EBIT**

Pro forma EBITDA is forecast to increase by 45.1% from $7.8 million in FY15 to $11.3 million in FY16. As a percentage of revenue, the pro forma EBITDA margin is forecast to increase from 4.2% to 5.3%.

Pro forma EBIT is forecast to increase by 48.6% from $7.1 million in FY15 to $10.5 million in FY16. As a percentage of revenue, the Pro Forma EBIT margin is forecast to increase by from 3.8% to 4.9%.

Depreciation expense is forecast to increase by 10.6% from $0.7 million in FY15 to $0.8 million in FY16. The expense has been forecast based on the actual depreciation charge to January 2016, the existing asset base as at 31 January 2016, depreciation rates and forecast additional depreciation charges on replacement capital expenditure expected to be incurred in the remainder of the forecast period.

**Interest**

The pro forma interest expense (excluding interest associated with the Company’s bailment facilities) is forecast to total $0.4 million in FY16, based on the following key assumptions:

- There will be a change in capital structure that will take place as a result of the Offer, in particular the redemption of the Redeemable Preference Shares described in Section 6.3.7;

- Pricing in the New Banking Facilities agreed by the Company’s financiers discussed in Section 9.5.2, assuming no interest rate hedge cover during FY16 following Completion of the Offer;
• a base rate of 2.15% per annum has been assumed by reference to current prevailing BBSY rate on group debt, with a margin of 1.85% applied based on the agreed terms under the New Banking Facilities; and
• Assumed debt drawdown of $11 million following Completion of the Offer.

Upfront fees totalling $0.1 million associated with the New Banking Facilities are reflected in the statutory forecast consolidated statement of profit or loss.

Taxation
The Forecast Financial Information has been assumed on the basis that the Australian corporate tax rate will remain at 30% in the forecast period, with MotorCycle Holdings assuming an effective tax rate of 31.0% based on historical performance and the level of permanent differences.

4.7.3 Pro forma historical and forecast consolidated statement of cash flows: FY16 compared to FY15 and specific assumptions

Table 27: Pro forma historical and forecast consolidated statements of cash flow: FY16 compared to FY15

<table>
<thead>
<tr>
<th></th>
<th>Pro forma Historical FY15</th>
<th>Pro forma Forecast FY16</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>7.8</td>
<td>11.3</td>
<td>45.1%</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>0.2</td>
<td>(0.7)</td>
<td>(484.3%)</td>
</tr>
<tr>
<td>Maintenance capital expenditure</td>
<td>(0.2)</td>
<td>(0.6)</td>
<td>218.0%</td>
</tr>
<tr>
<td>Operating cashflow before growth capex</td>
<td>7.8</td>
<td>10.0</td>
<td>28.1%</td>
</tr>
<tr>
<td>Growth capital expenditure</td>
<td>(4.9)</td>
<td>–</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Operating cash flow before interest and tax</td>
<td>2.9</td>
<td>10.0</td>
<td>245.5%</td>
</tr>
<tr>
<td>Operating cash flow before growth capex conversion %</td>
<td>100.0%</td>
<td>88.3%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The pro forma historical consolidated statements of cash flow for FY15 and FY16 are reconciled to the respective statutory consolidated statements of cash flow at Table 9 and Table 10

Forecast Financial Information has been prepared on the basis of the following key assumptions:
• Trading terms with suppliers remain in line with historical trading, including receipt of volume-based and other incentives and management expectations on the timing of orders and payment;
• Investment in inventory assessed on a dealership-by-dealership basis, including assumed product mix between motorcycle stock, accessories and parts and assumed stock turnover days in line with historical trading. The bailment liability is included in the Company’s assessment of working capital investment as it is directly associated with new motorcycle purchases;
• Capital expenditure relating to dealership refurbishments carried out on a cyclical basis plus maintenance associated with the general purchase and replacement of operational assets including IT equipment, motor vehicles and general furniture and fittings. There is no growth capital expenditure assumed for dealership acquisitions in FY16; and
• Cash tax payments in line with an instalment rate determined by reference to the FY15 tax liability.

The Company has forecast the operating cash flow conversion ratio of 88.3% in FY16. The change in working capital primarily reflects anticipated investment in used motorcycle and accessories inventories.

The Company has forecast capital expenditure of $0.6 million in FY16, primarily the replacement of operating assets including motor vehicle fleet, IT equipment and software licences.
4.8 Sensitivity analysis of Forecast Financial Information

The Forecast Financial Information included above is based on a number of estimates and assumptions as described in Section 4.7. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of the Company, the Directors and management. These estimates are also based on assumptions in relation to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions, set out below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis, the effect of the changes in key assumptions on the FY16 pro forma forecast NPAT of $6.9 million is presented, taking into account the actual trading result achieved for the first seven months of FY16.

Table 28: Sensitivity analysis for FY16 pro forma NPAT

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Notes</th>
<th>Increase/decrease</th>
<th>FY16 pro forma NPAT Impact ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New motorcycle sales volume</td>
<td>+/- 5%</td>
<td></td>
<td>0.2/-0.2</td>
</tr>
<tr>
<td>Used motorcycle sales volume</td>
<td>+/- 5%</td>
<td></td>
<td>0.2/-0.2</td>
</tr>
</tbody>
</table>

Notes:
1. The sensitivity analysis has been calculated with reference to the five month forecast period from February 2016 to June 2016 on the basis that FY16 includes the Company’s actual results for the seven months to January 2016.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast.

In practice, changes in variables may offset each other or be additive, and it is likely that Company management would respond to any adverse change in one variable by seeking to minimise the net effect of the Company’s NPAT.

4.9 Dividend policy

The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Board may consider relevant.

It is the Board’s current intention to target a dividend payout ratio of approximately 50 - 70% of statutory NPAT. However the level of payout ratio may vary between periods depending on the factors above. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

It is the current intention of the Board to pay interim dividends in respect of half years ending in December and final dividends in respect of full years ending in June each year. It is anticipated that interim dividends will be paid in March and final dividends will be paid in September following the relevant financial period. It is expected that all future dividends will be franked to the maximum extent possible.
The Directors anticipate that the first dividend to Shareholders will be determined based on the operating results of the Company for the first half of FY17, subject to the factors outlined above. Due to the short period between Completion of the Offer and the end of FY16, the Company will not pay a dividend in respect of FY16.

The Directors do not intend to pay a dividend in respect of the operating results for the period in FY16 following Completion of the Offer. For illustrative purposes only, if the Company had paid a dividend in respect of FY16 and assuming:

- the Company achieves its forecast FY2016 pro forma NPAT (summarised in Table 1A);
- a targeted dividend payout ratio range of 50 – 70% of pro forma NPAT; and
- 38 million shares on issue following Completion of the Offer,

the dividend yield would have been in the range of 4.55% to 6.35% fully franked.

This calculation is illustrative only. No dividend will be paid in respect of FY16 and it should not be taken to indicate or represent the Company’s likely dividend yield in future periods.

4.10 Summary of significant accounting policies

Set out in Appendix A is a summary of the significant accounting policies adopted in preparing the Financial Information.
5 RISKS
5. **RISKS**

The future performance of MotorCycle Holdings and the future investment performance of Shares may be influenced by a range of factors, many of which are outside the control of MotorCycle Holdings. This Section 5 describes what MotorCycle Holdings believes to be the key risks associated with its business, the industry in which it operates and the risks associated with an investment in the Company. It does not purport to list every risk that may be associated with MotorCycle Holdings’ business, the industry in which it operates and the risks associated with an investment in the Company now or in the future. The occurrence or consequence of some of the risks described in this Section 5 are partially or completely outside of the control of MotorCycle Holdings, its Directors and its management.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring the ability to mitigate the risk and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and management as at the date of the Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Any of these risks, and any other risks that may emerge, may have a material adverse effect on the business and financial position and performance. There can be no guarantee that MotorCycle Holdings will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 5 and all of the other information set out in this Prospectus, and consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus, or have any questions about whether to invest in MotorCycle Holdings, you should consult your financial, accounting, legal, tax and/or other professional advisers prior to deciding whether to invest in MotorCycle Holdings.

5.1 **Risks specific to an investment in MotorCycle Holdings**

5.1.1 **Retail environment and general economic conditions in Australia may deteriorate**

The operating and financial performance of MotorCycle Holdings is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to consumer credit, government fiscal, monetary and regulatory policies and oil prices. A prolonged deterioration in general economic and business conditions could be expected to have an adverse impact on the MotorCycle Holdings’ financial performance. As the products sold by MotorCycle Holdings are discretionary items for many customers, the Company is particularly exposed to a deterioration in general economic and business conditions.

If Australian economic conditions worsen, there is a risk that the retail environment will deteriorate as consumers reduce their level of consumption or redirect their spending. A reduction in consumer spending or a change in spending patterns is likely to result in a reduction in MotorCycle Holding’s financial performance and may have a material adverse effect on MotorCycle Holdings’ future financial performance and financial position.

5.1.2 **Contractual relationships with manufacturers and distributors**

MotorCycle Holdings’ right to sell new motorcycles, and therefore the Company’s ability to conduct its business, derives exclusively from the rights granted to it pursuant to the Franchise Agreements with manufacturers and distributors.

As MotorCycle Holdings has staggered the term of the Franchise Agreements, a number of the Franchise Agreements are generally up for renewal each year and generally each of the Franchise Agreements with a particular manufacturer or distributor are up for renewal at the same time. In addition, a small number of Franchise Agreements are on a month-to-month basis. A failure to renew
Franchise Agreements, or renew them on favourable terms, would adversely impact MotorCycle Holdings’ financial performance.

The failure by MotorCycle Holdings to comply with the terms of a Franchise Agreement or the breakdown of a relationship with a manufacturer or distributor, may result in the termination or non-renewal of one or more Franchise Agreements by the manufacturer or distributor.

A small number of Franchise Agreements may be terminated by the manufacturer without cause and certain Franchise Agreements include terms which permit the distributor to terminate the relevant Franchise Agreement where the supply of motorcycles from the manufacturer to the distributor ends. In addition, certain Franchise Agreements permit the manufacturer or distributor to stop the supply of new motorcycles to the MotorCycle Holdings Group at will. Any termination or non-renewal of the Franchise Agreements, or cessation of supply of new motorcycles will reduce the Company’s access to an inventory of new motorcycles and consequently adversely affect the Company’s financial performance.

The breakdown or termination of a manufacturer relationship under a Franchise Agreement could have an adverse effect on MotorCycle Holdings’ financial performance, particularly any relationship or relationships from which MotorCycle Holdings derives a material proportion of its revenue. MotorCycle Holdings’ top five dealership locations contribute 42% of its revenue.

The terms of the relationships with manufacturers and distributors under the Franchise Agreements can be restrictive. For example:

- the Franchise Agreements include terms restricting MotorCycle Holdings’ ability to sell products manufactured by multiple manufacturers in a single dealership; and
- any acquisition of new dealerships will also require new Franchise Agreements with the relevant manufacturers and distributors.

These restrictions may adversely affect MotorCycle Holdings’ financial performance.

Some (but not all) of the Franchise Agreements grant MotorCycle Holdings the right to exclusively sell motorcycles manufactured by the relevant manufacturer in a designated area.

In addition, the Franchise Agreements include a range of terms restricting the ability of MotorCycle Holdings to market products online and controlling the ability of the Company to display products in dealerships. If MotorCycle Holdings does not comply with these terms, the Franchise Agreements may be terminated which may adversely affect the Company’s financial performance. These terms may also restrict MotorCycle Holdings’ ability to undertake marketing which may impact its financial performance.

Certain Franchise Agreements require the involvement of certain key personnel, including David Ahmet and other existing dealer principals, in the relevant dealership’s business.

Certain of the Franchise Agreements contain change of control provisions. If a change of control of Motorcycle Holdings occurs (for example, by way of takeover offer or other acquisition) those provisions require the consent of the relevant manufacturer to the change of control occurring. If the consent is not obtained as required, the manufacturer can terminate the relevant Franchise Agreement. In addition, in providing a consent the relevant manufacturer may seek to renegotiate the Franchise Agreement on terms less favourable to MotorCycle Holdings. Any such termination or renegotiation of a Franchise Agreement may have an adverse effect on the Company’s ability to operate its business model.

### 5.1.3 Reliance on key personnel

MotorCycle Holdings’ success is dependent to a significant degree upon the efforts of key members of management. MotorCycle Holdings relies on a high quality management team with significant experience in the motorcycle industry. The loss of the services key members of management, or the failure to attract additional key individuals to key management roles, could have a material adverse effect on the Company’s operations, including its relationships with manufacturers.
Certain Franchise Agreements include terms that require David Ahmet, MotorCycle Holdings’ Founder, Managing Director and Chief Executive Officer, to be involved in Motorcycle Holdings’ business.

5.1.4 Interruption of the supply of motorcycles
MotorCycle Holdings is reliant on manufacturers and distributors to supply new motorcycles for sale.

In certain circumstances the quantity of inventory of new motorcycles available to MotorCycle Holdings for sale is restricted under the Franchise Agreements or may be limited at the manufacturer’s or distributor’s discretion.

If MotorCycle Holdings is not able to meet demand for its products due to interruption of supply from manufacturers or distributors, the Company’s financial performance may be adversely affected.

5.1.5 Employee recruitment and retention
The successful operation of MotorCycle Holdings relies on its ability to attract and retain experienced and high performing employees in all areas of its business, especially dealer principals and sales staff. If MotorCycle Holdings is unable to attract and retain sales staff, it may be unable to sell its inventory of new and used motorcycles, accessories and parts or finance, insurance and warranty products to customers, and may:

• negatively impact the Company’s sales which are highly dependent on the ability of sales staff to sell inventory through the application of their product knowledge, understanding of the motorcycle industry and ability to take advantage of established customer relationships; and

• adversely affect the Company’s ability to develop and implement its business strategies and result in a material increase in employment costs.

5.1.6 Bailment financing risk
MotorCycle Holdings depends on bailment financing arrangements to fund the supply of new motorcycles from manufacturers. Generally, MotorCycle Holdings is party to a separate bailment financing arrangement in relation to each manufacturer of new motorcycles. Any change in the terms of the bailment financing arrangements may impact MotorCycle Holdings’ business model. In particular, the bailment financing arrangements do not require the ongoing provision of finance by the bailment financier. Certain bailment financing arrangements permit the financier to terminate the bailment financing arrangement without cause or to suspend the provision of bailment finance. If a bailment financier stopped providing finance to MotorCycle Holdings for any reason, the Company’s’ ability to manage its capital would be adversely affected and may require the Company to seek financing from alternative sources.

5.1.7 Occupational health and safety
MotorCycle Holdings employees are at risk of workplace accidents and incidents (particularly in relation to staff in repair centres and staff involved in the movement of motorcycles). In the event that a MotorCycle Holdings employee is injured in the course of their employment, MotorCycle Holdings may be liable for penalties or damages. Such workplace accidents and incidents have the potential to harm both the reputation and financial performance of MotorCycle Holdings.

5.1.8 Operations subject to regulation
Legislative or regulatory changes, in particular changes in relation to the sale of consumer finance and consumer insurance, could have an adverse impact on MotorCycle Holdings. The financial services industry has been, and is likely to continue to be, the subject of significant changes to the regulatory environment in which it operates.

ASIC is considering prohibiting financiers from paying to motor dealers commissions that are funded by the borrower (ie because they form part of the amount of credit provided) or commissions that vary depending on the interest rate payable under the finance contract. The proposed prohibition,
if implemented, would not amount to a complete ban on lenders paying commissions to motorcycle dealers, however it would require MotorCycle Holdings to amend its current commission arrangements to alternative structures acceptable under the new regulatory position. ASIC has undertaken a consultation phase and if ASIC determines to proceed with the proposal, it is expected to be implemented in the short term.

Any changes required to be made to the business model of MotorCycle Holdings as a result of any legislative or regulatory changes, may result in a material loss of revenue for MotorCycle Holdings and to the extent that fixed costs cannot be reduced and/or costs could not be passed on to customers, reduce the profitability of MotorCycle Holdings.

In certain markets in which MotorCycle Holdings operates it is a requirement that sales staff and dealer principals be licenced. If MotorCycle Holdings operates without the required licences it could be subject to penalties.

Currently, riders of off-road motorcycles do not require a license. Any introduction of new regulations in relation off-road may reduce the market of customers seeking to purchase motorcycles for off-road use and may have an adverse effect on MotorCycle Holdings’ financial performance.

5.1.9 Maintenance of reputation
The success of MotorCycle Holdings is reliant on its reputation. Reputational damage could arise due to a number of circumstances, including inadequate service, poor quality products or failure to comply with legislation or regulation applicable to MotorCycle Holdings’ business. As a proportion of the Company’s sales are derived from repeat orders from long term customers and customer groups, reputational damage may impact its ability to maintain relationships with existing customers and result in a fall in sales. If this were to occur, MotorCycle Holdings’ financial performance may be negatively impacted.

5.1.10 Acquisitions and expansion of dealerships
MotorCycle Holdings’ growth strategy relies in part on increasing the size of its dealership network, which it intends to do partly through acquisitions. If suitable acquisition targets are not able to be identified, or acquisitions are not able to be made on acceptable terms, then this may limit MotorCycle Holdings’ ability to realise its growth strategy.

Further, acquisitions that are made may prove not to be as successful as MotorCycle Holdings anticipates, including failure of due diligence to identify issues associated with the acquisition or due to issues arising from integrating the new businesses into MotorCycle Holdings’ operations. If acquisitions made by MotorCycle Holdings are unsuccessful, MotorCycle Holdings’ financial performance, its growth strategy and its capacity to pursue further acquisitions may be adversely affected.

The ability of MotorCycle Holdings to expand its existing dealerships by adding additional manufacturers to those dealerships may be restricted because certain Franchise Agreements restrict the ability of MotorCycle Holdings to sell products manufactured by multiple manufacturers in a single dealership.

5.1.11 Customer preferences may change
A significant proportion of MotorCycle Holdings’ revenues are generated from the sale of motorcycles and motorcycle related products. Any unforeseen changes in customer preferences such that there is a decline in demand for motorcycles may reduce MotorCycle Holdings’ addressable market and may result in lower revenue and margins and could adversely impact MotorCycle Holdings’ future financial performance.

In particular, changes in customer preferences including increased demand for fuel efficient motor vehicles or adoption of motor vehicle sharing schemes may reduce demand for motorcycles and may impact MotorCycle Holdings’ future financial performance.
5.1.12 Impact of competition via the internet

MotorCycle Holdings’ business model may be adversely affected by increased competition via the internet.

MotorCycle Holdings’ ability to sell used motorcycles may be disrupted by the increased occurrence of direct private-to-private sales of used motorcycles, facilitated by the internet. If motorcycle owners sell their motorcycles direct to private purchasers through online forums instead of selling their motorcycles to MotorCycle Holdings, the inventory of used motorcycles available for sale by MotorCycle Holdings would decline. As a result, MotorCycle Holdings’ financial performance may be adversely affected directly by the reduction in the number of used motorcycles sold and indirectly through the loss of potential sales of accessories and parts or finance, insurance and warranty products to the purchasers of used motorcycles.

In addition, MotorCycle Holdings’ ability to sell accessories and parts may be adversely affected by competition from online retailers. If consumers purchase accessories and parts from online retailers instead of from MotorCycle Holdings, the financial performance of MotorCycle Holdings may be adversely affected.

5.1.13 Relationships with landlords may deteriorate

MotorCycle Holdings has 24 locations all of which are leased premises. The leases typically contain a range of restrictions on MotorCycle Holdings’ activities at the relevant premises which may restrict MotorCycle Holdings’ operating flexibility.

The leases have a range of terms and options periods, although they are generally long term leases which cannot be readily terminated by the parties.

Any default under a lease by MotorCycle Holdings, or failure to renew existing leases on acceptable terms or an inability to negotiate alternative arrangements could materially adversely affect MotorCycle Holdings’ ability to operate dealerships in preferred locations, which may result in a reduction in revenue and have an adverse effect on MotorCycle Holdings’ future financial performance.

In addition, there is a risk that MotorCycle Holdings may become subject to lease terms which are relatively unfavourable due to unanticipated changes in the property market.

Certain leases contain change of control provisions which, following Listing of MotorCycle Holdings, may be triggered by the acquisition of a substantial interest in MotorCycle Holdings. If the change of control provisions are triggered, consent of the relevant lessor is required and the lessor may seek to renegotiate the lease on terms less favourable to MotorCycle Holdings’. The termination of a lease may have an adverse effect on the Company’s ability to operate its business model.

Certain MotorCycle Holdings Group entities have entered into leases in respect of properties that are part-owned by David Ahmet or that are part-owned by entities owned and controlled by David Ahmet. A summary of David Ahmet’s interests in the leases to which MotorCycle Holdings’ entities are party is included in Section 6.3.6.

5.1.14 Dealership concentration in South East Queensland

Adverse changes in the economic, business, market, social, demographic or political conditions in South East Queensland may have a disproportionately adverse effect on MotorCycle Holdings’ business as MotorCycle Holdings’ operations are concentrated, with 20 of MotorCycle Holdings’ 24 dealerships located in South East Queensland.

5.1.15 Information technology systems and infrastructure

MotorCycle Holdings relies on third party software products and services for its management information systems and the delivery of point of sale services to customers. Any significant interruptions to these systems could impair the ability of MotorCycle Holdings to sell motorcycles and other products to customers and have an adverse effect on MotorCycle Holdings’ financial performance.
5.1.16 Warranty and extended warranty risk
MotorCycle Holdings sells extended warranties covering new motorcycles as well as warranties covering used motorcycles.

The sale of warranties covering used motorcycles and extended warranties covering new motorcycles exposes MotorCycle Holdings to risks which it would not otherwise be exposed as a retailer. For example, the sale of warranties and extended warranties exposes MotorCycle Holdings to risks associated with the performance of the new and used motorcycles to which the warranties and extended warranties relate. In addition, any increase in the number of claims on the extended warranty and warranty products in comparison to the number of claims for which provision is made by MotorCycle Holdings may have an adverse effect on the Company’s expenses and result in a deterioration in the Company’s financial performance.

5.1.17 Operating costs
MotorCycle Holdings’ ability to consistently operate profitably is dependent on a combination of the scalability of its operations and the costs of its operating structure. MotorCycle Holdings’ ability to maintain its current operating structure is not guaranteed and there is no assurance that its current operating structure can be maintained.

The bailment financing arrangements described in Section 5.1.6 contribute to MotorCycle Holdings’ ability to maintain a relatively low cost operating structure. The termination of the bailment financing contracts or a decision by a financier to stop providing bailment finance to MotorCycle Holdings may adversely affect the Company’s ability to maintain a relatively low cost operating structure.

5.1.18 Exposure to litigation
MotorCycle Holdings may in the ordinary course of business be involved in litigation and disputes (for example, as a result of accidents during test rides). Any litigation or dispute could be costly and damaging to MotorCycle Holdings’ reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

5.1.19 Competing business models
Third parties may seek to establish a business model similar to MotorCycle Holdings’ business model in competition with MotorCycle Holdings. If this occurs in any of the markets in which MotorCycle Holdings operates, such competitive pressures may erode MotorCycle Holdings’ market share and adversely impact MotorCycle Holdings’ revenue, profitability and growth prospects.

5.1.20 Inability to meet forecast financial performance
The Forecast Financial Information is a forward looking statement that is based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. MotorCycle Holdings may not achieve its forecast financial performance as a result of factors, both known and unknown, including one or a combination of the MotorCycle Holdings specific risks outlined above and the general risks outlined below.

5.2 General risks of an investment in MotorCycle Holdings

5.2.1 Economic uncertainty may affect the price and value of shares
Once MotorCycle Holdings becomes a publicly listed company on the ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the fundamental operations and activities of MotorCycle Holdings.

The price of Shares as quoted on the ASX may fluctuate due to a range of factors. These include:
• the number of potential buyers or sellers of Shares on the ASX at any given time;
• fluctuations in the domestic and international market for listed stocks (and motorcycle dealership industry stocks in particular);
• general economic conditions including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation policies;
• recommendations by brokers or analysts;
• the nature of the markets in which MotorCycle Holdings operates; and
• general operational and business risks.

These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if MotorCycle Holdings’ earnings increase.

Deterioration of general economic conditions may also affect MotorCycle Holdings’ business operations, and the consequent returns from an investment in Shares.

5.2.2 Liquidity of Shares

There is currently no public market through which existing Shares may be sold. On Completion of the Offer, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares they acquire under the Offer.

The Escrowed Shareholders will hold approximately 39% of the Shares following Completion of the Offer, which may impact on liquidity. The Escrowed Shareholders have entered into voluntary escrow arrangements in relation to all of the Shares they hold immediately following Completion of the Offer. A summary of the escrow arrangements is set out in Section 7.7. The absence of any sale of Shares by the Escrowed Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

5.2.3 Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of MotorCycle Holdings and the price of the Shares. These events include but are not limited to terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for MotorCycle Holdings' products and services.

5.2.4 There may be changes to tax rates or laws

Changes in tax law (including transfer pricing, GST, stamp duties and employment taxes), or changes in the way tax laws are interpreted may impact the tax liabilities of MotorCycle Holdings, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder’s investment. In particular, both the level and basis of taxation may change. The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. Furthermore, the status of some key tax reforms remains unclear at this stage.

In addition, tax authorities may review the tax treatment of transactions entered into by MotorCycle Holdings. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, may increase MotorCycle Holdings’ tax liabilities or expose it to legal, regulatory or other actions.
5.2.5 There may be changes to Australian Accounting Standards

Australian Accounting Standards are set by the AASB and are outside the control of MotorCycle Holdings and its Directors. The AASB is due to introduce new or refined Australian Accounting Standards during the period from 2016 to 2018, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables and lease obligations.

There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to measurements and recognition of key income statement and balance sheet items may differ. Changes to Australian Accounting Standards issued by AASB or changes to commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in MotorCycle Holdings’ consolidated financial statements.

5.2.6 Shareholder dilution

In the future, MotorCycle Holdings may elect to issue Shares of other securities. While the Company will be subject to the constraints of the Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of such issues of Shares or other securities.

5.2.7 Inability to pay dividends or make other distributions or to frank dividends

The payment of dividends by MotorCycle Holdings is determined by the Board from time-to-time at its discretion, depending on the profitability and cash flow of MotorCycle Holdings’ business and its financial position at the time. Circumstances may arise where MotorCycle Holdings is required to reduce or cease paying dividends for a period of time.

To the extent that MotorCycle Holdings pays dividends, MotorCycle Holdings may not have sufficient franking credits in the future to frank dividends, or the franking system may be subject to review or reform. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder’s particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.
6 KEY PEOPLE, INTERESTS AND BENEFITS
6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1 Board of Directors

Profiles of each of the members of the Board of Directors are set out below.

<table>
<thead>
<tr>
<th>Director, Position</th>
<th>Experience</th>
</tr>
</thead>
</table>
| Bob Thorn                              | Independent Non-Executive Chairman  
Appointed 8 March 2015  
Bob brings considerable board and senior management experience from his 9 years as Managing Director of Super Retail Group. During his time at Super Retail Group, Bob drove Australia and New Zealand expansions and led the creation of the Boating Camping Fishing (BCF) business. Bob led the IPO of Super Retail Group in 2004.  
Prior to Super Retail Group Limited, Bob was General Manager at Lincraft, and prior to that held senior roles at other major retailers including nine years with David Jones.  
Bob is currently chairman of PWR Holdings Limited and non-executive director of Myer Holdings Limited, a position he has held since February 2014. Bob has also been the chairman of Cutting Edge, and a Director at WOW Sight and Sound, Babies Galore and Unity Water.  
Bob is an active motorsports participant.  
Bob is a member of the Australian Institute of Company Directors. |
| David Ahmet                            | Founder, Managing Director and Chief Executive Officer  
Appointed 30 June 2011  
David is the Founder, Managing Director and Chief Executive Office of MotorCycle Holdings.  
David has successfully led the expansion of MotorCycle Holdings since 1989 including its expansion from 1 location to 24 locations operating 34 franchises.  
David has over 27 years’ experience in motorcycle dealerships and is responsible for leading the management team and direction of the business as well as maintaining relationships with the manufacturers. |
<table>
<thead>
<tr>
<th>Director, Position</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scott Greck</strong></td>
<td>Scott has been a managing partner of Archer Growth Funds since 2006 and a director of Motorcycle Holdings since June 2011. Prior to joining Archer Growth Funds, Scott was a Partner with Henderson Global Investors, Singapore. Scott currently also serves on the boards of Laser Clinics Australia, Skinstitut and Homyped. Scott has a Masters of Business (Finance) and a Bachelor of Commerce.</td>
</tr>
<tr>
<td>Non-Independent Non-Executive Director</td>
<td>Appointed 12 April 2011</td>
</tr>
<tr>
<td><strong>Warren Bee</strong></td>
<td>Warren has been a director of Motorcycle Holdings since June 2011 and from 2007 to 2011 chaired the Company’s advisory board. Warren also currently serves on the boards of LEP Colour Printers and the Walz Group. Warren has also held chief executive officer and line management roles across a range of industries. Warren is a Fellow of the Institute of Chartered Accountants Australia and a member of the Australian Institute of Company Directors.</td>
</tr>
<tr>
<td>Independent Non-Executive Director</td>
<td>Appointed 30 June 2011</td>
</tr>
<tr>
<td><strong>David Foster</strong></td>
<td>David has over 25 years’ experience in the financial services industry, with experience spanning across management, distribution, technology and marketing in retail banking. David is currently a non-executive director of Thorn Group Limited, Kina Securities Limited and GB Education. David was previously CEO of Suncorp Bank. David is the chair of the audit and risk committee and the nomination and remuneration committee for MotorCycle Holdings. David has a Masters 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.</td>
</tr>
<tr>
<td>Independent Non-Executive Director</td>
<td>Appointed 8 March 2015</td>
</tr>
</tbody>
</table>
### 6.2 Management

Profiles of the key members of MotorCycle Holdings’ management team (excluding Mr Ahmet) are set out below.

<table>
<thead>
<tr>
<th>Executive, Position</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>David Ahmet</strong></td>
<td>Founder, Managing Director and Chief Executive Officer</td>
</tr>
<tr>
<td></td>
<td>See Section 6.1</td>
</tr>
<tr>
<td><strong>Chris Chenoweth</strong></td>
<td>General Manager and Group Bike Sales</td>
</tr>
<tr>
<td></td>
<td>Chris joined MotorCycle Holdings in 2008 and successfully ran two of the Company’s dealerships before taking responsibility for MotorCycle Holdings’ motorcycle sales and dealership performance.</td>
</tr>
<tr>
<td></td>
<td>Chris is responsible for dealership network performance.</td>
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<td></td>
<td>Prior to joining MotorCycle Holdings, Chris ran a motorcycle dealership in the United Kingdom for 3 years. Preceding that he worked in a senior sales role in a motorcycle dealership in South Australia.</td>
</tr>
<tr>
<td><strong>Bob Donovan</strong></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Bob has been the Chief Financial Officer since 2010. Bob is responsible for all financial and administrative aspects of the business as well as information technology.</td>
</tr>
<tr>
<td></td>
<td>Bob has led the Finance function since 2002 and has been responsible for all financial and administrative aspects of the business (payroll, accounting) as well as information technology.</td>
</tr>
<tr>
<td></td>
<td>Bob joined the business in 2002 as financial controller.</td>
</tr>
<tr>
<td></td>
<td>Bob was formerly financial controller for a south east Queensland motor vehicle dealership group for 15 years.</td>
</tr>
<tr>
<td></td>
<td>Bob holds a Bachelor of Business Accountancy and a Masters of Business Administration.</td>
</tr>
<tr>
<td><strong>Mike Cooksley</strong></td>
<td>Group Finance and Insurance</td>
</tr>
<tr>
<td></td>
<td>Mike has been the head of MotorCycle Holdings’ finance, insurance and warranty function since 2004.</td>
</tr>
<tr>
<td></td>
<td>Mike is responsible for recruitment, training, and management of the MotorCycle Holdings business managers. Mike is also responsible for MotorCycle Holdings’ relationships with the finance and insurance industry.</td>
</tr>
<tr>
<td></td>
<td>Mike joined MotorCycle Holdings in 2003 after several years working in the finance function in the automotive industry.</td>
</tr>
<tr>
<td>Executive, Position</td>
<td>Experience</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Russell Lemon</strong></td>
<td>Russell is responsible for MotorCycle Holdings' service departments and the Advanced MotorCycle Spraypainting and Decal business. Russell previously worked for 9 years as the service manager at multiple MotorCycle Holdings' workshops where his appointment was focused on driving operational improvements at departments operating below benchmark over short term assignments. Russell joined MotorCycle Holdings in 2003 as a motorcycle apprentice and has worked in several roles including motorcycle sales and as a service manager.</td>
</tr>
<tr>
<td><strong>Shane Musgrove</strong></td>
<td>Shane oversees the Group's accessories and parts departments including training and driving performance across the function. Shane also leads MotorCycle Holdings procurement and inventory management across the function. Shane joined MotorCycle Holdings in 2009. Shane previously worked for two leading motorcycle accessory distributors in senior sales roles.</td>
</tr>
</tbody>
</table>

### 6.3 Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed director of MotorCycle Holdings;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of MotorCycle Holdings; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer.

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of MotorCycle Holdings;
- property acquired or proposed to be acquired by MotorCycle Holdings in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of MotorCycle Holdings or the Offer or to any Director or proposed director to induce them to become, or qualify as, a Director.
6.3.1 Interests of advisers

MotorCycle Holdings has engaged the following professional advisers in relation to the Offer:

- Morgans Corporate Limited has acted as Lead Manager to the Offer. MotorCycle Holdings has agreed to pay Morgans Corporate Limited the fees described in Section 9.4.1 for these services;

- King & Wood Mallesons (KWM) has acted as Australian legal adviser (other than in respect of taxation matters) to MotorCycle Holdings in relation to the Offer. MotorCycle Holdings has paid, or agreed to pay, approximately $600,000 (excluding disbursements and GST) for these services up until the Prospectus date. Further amounts may be paid to KWM for other work in accordance with its normal time-based charges;

- Deloitte Corporate Finance Pty Limited (Deloitte) has acted as the Investigating Accountant on, and performed work in relation to, the Financial Information and has performed work in relation to its Investigating Accountant’s Report on Financial Information in Section 8. MotorCycle Holdings has paid, or agreed to pay, approximately $300,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Deloitte for other work in accordance with its normal time-based charges;

- Ernst & Young (EY) acted as tax adviser to MotorCycle Holdings in relation to the Offer. MotorCycle Holdings has paid, or agreed to pay, fees of approximately $305,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to EY in accordance with its normal time-based charges; and

- L.E.K. Consulting has acted as a consultant to MotorCycle Holdings in relation to the Offer. MotorCycle Holdings has paid, or agreed to pay, fees of approximately $175,000 (excluding disbursements and GST) for these services up until the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by MotorCycle Holdings out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Directors’ interests and remuneration

6.3.2.1 Founder, Managing Director and Chief Executive Officer

MotorCycle Holdings has entered into an employment contract with Mr Ahmet to govern his employment with MotorCycle Holdings. Mr Ahmet is employed in the position of Chief Executive Officer of MotorCycle Holdings. Refer to Section 6.3.3.1 for further details.

6.3.2.2 Non-Executive Director remuneration

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for their services as a Director of MotorCycle Holdings. However, under the ASX Listing Rules, the total amount paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by MotorCycle Holdings’ general meeting.

This amount has been fixed by MotorCycle Holdings at $600,000 per annum. As at the date of this Prospectus, the annual Non-Executive Directors’ fees agreed to be paid by MotorCycle Holdings to the Non-Executive Chairman is $250,000 and each of the other Independent Non-Executive Directors is $70,000. In addition, the chairman of the Audit and Risk Committee will be paid $10,000 annually and the chairman of the Nomination and Remuneration Committee will be paid $10,000 annually and members of the Audit and Risk Committee and the Nomination and Remuneration Committee, apart from the Non-Executive Chairman, will be paid $5,000 annually. All Non-Executive Directors’ fees are inclusive of superannuation contributions required by law to be made by MotorCycle Holdings. The Board may in its discretion approve that Directors may receive Shares as part of their remuneration.
6.3.2.3 Deeds of access, insurance and indemnity

Pursuant to the Constitution, MotorCycle Holdings has entered into deeds of access, indemnity and insurance, with each Director which contain rights of access to certain books and records of MotorCycle Holdings for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Under the deeds of access, indemnity and insurance, MotorCycle Holdings indemnifies each Director against liabilities to another person that may arise from their position as a Director of MotorCycle Holdings to the maximum extent permitted by law. The deeds of access, indemnity and insurance stipulate that MotorCycle Holdings will reimburse and compensate each Director for any such liabilities, including reasonable legal costs and expenses, except where a director’s act is fraudulent, criminal, dishonest or wilfully deceitful.

Pursuant to the Constitution, MotorCycle Holdings may arrange and maintain directors’ and officers’ insurance for its Directors to the maximum extent permitted by law. Under the deeds of access, indemnity and insurance, MotorCycle Holdings must use reasonable endeavours to obtain such insurance during each Director’s period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.2.4 Other information

Directors may be paid for travel and other expenses incurred in attending to MotorCycle Holdings’ affairs, including attending and returning from Board or committees of the Board or general meetings. Any Director who devotes special attention to the business of MotorCycle Holdings or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of MotorCycle Holdings.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.3.2.5 Directors’ shareholdings

The Directors are not required by the Constitution to hold any Shares.

Other than Shares applied for under the Offer, no Directors other than David Ahmet will hold Shares on Completion. David Ahmet will hold 8,357,000 Shares on Completion of the Offer. Each of Bob Thorn, Warren Bee and David Foster intend to apply for Shares under the Offer. Final Directors’ shareholdings will be notified to the ASX following Listing.

Directors may hold their interests directly, or through entities associated with the Director (for example, through companies or trusts).

6.3.3 Executive remuneration

6.3.3.1 Founder, Managing Director and Chief Executive Officer

The Managing Director and Chief Executive Officer, David Ahmet is employed by MotorCycle Holdings under an employment agreement. David will receive a fixed annual remuneration of $458,716, plus superannuation at a rate in line with legislative requirements.

David may terminate the employment contract by giving 6 months’ notice. In the event of serious misconduct or other specific circumstances warranting termination, MotorCycle Holdings may terminate David’s employment contract without notice and without payment in lieu of notice. Upon the termination of David’s employment contract, he will be subject to a restraint of trade period of 12 months. MotorCycle Holdings may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.
Under his employment agreement, David also has the opportunity to receive a short term incentive (“STI”) payment of up to 20% of his annual fixed remuneration, conditional on achievement of certain financial and non-financial performance measures set by the Board each year. The financial measure to be used for FY2016 will be a comparison of the Company actual EBITDA for FY2016 against its forecast EBITDA for FY2016 as detailed in the Forecast Financial Information. Performance against the financial and non-financial measures is tested annually after the end of the relevant financial year. Any short term incentive payment to David will be determined by the Nomination and Remuneration Committee and the Board, in their absolute discretion, and will be payable in cash after the release of the Company’s full year financial results to the ASX.

6.3.3.2 Other members of senior management

MotorCycle Holdings Group members of senior management are generally employed under employment agreements which provide for an annual fixed remuneration inclusive of superannuation contributions, as well as commission based incentive remuneration.

Generally, the employment agreements are terminable by each party on 4 weeks’ notice and the MotorCycle Holdings Group may terminate by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting termination, MotorCycle Holdings may terminate the employment contracts of senior management immediately without notice and without payment in lieu of notice.

Upon the termination of employment, senior management are generally subject to a restraint of trade period of 12 months. MotorCycle Holdings may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

The Chief Financial Officer, Bob Donovan, also has the opportunity to receive a cash short term incentive payment under his employment agreement of up to 20% of his annual fixed remuneration, conditional on achievement of certain financial and non-financial performance measures set by the Board each year. Any short term incentive payment to Bob will be determined by the Nomination and Remuneration Committee and the Board, in their absolute discretion, and will be payable in cash after the release of the Company’s full year financial results to the ASX.

6.3.4 Long Term Incentive Plan

MotorCycle Holdings proposes to establish a Long Term Incentive Plan that will appropriately motivate, retain and reward employees for achieving growth targets and sustainable performance over the long term by allowing executives to build up an equity ownership aligning their interest with that of the shareholders.

MotorCycle Holdings will finalise the Long Term Incentive Plan during the course of FY2017, around key principles to be approved by the Board. The Long Term Incentive Plan will enable participants to receive a grant of options, performance rights or a combination of the two instruments, subject to the Board’s discretion.

6.3.5 Existing Shareholders’ interests in the Offer

The Existing Shareholders are the current owners of MotorCycle Holdings and its subsidiaries (the MotorCycle Holdings Group), being the Archer Growth Fund, David Ahmet and the Management Shareholders.

The interests of the Existing Shareholders on Completion of the Offer (excluding any Shares applied for under the Offer) are as follows:

- the Archer Growth Fund will hold approximately 3,902,000 Shares which equates to approximately 10% of MotorCycle Holdings’ total issued Share capital;
- David Ahmet will hold approximately 8,357,000 which will equates to approximately 22% of MotorCycle Holdings’ total issued Share capital; and
Management Shareholders will hold approximately 2,561,000 Shares which equates to approximately 7% of MotorCycle Holdings’ total issued Share capital.

Details of the Shares that will be subject to escrow arrangements are set out in Section 7.7.

6.3.6 David Ahmet lessor in respect of certain leases

Certain MotorCycle Holdings Group entities have entered into leases in respect of properties that are part-owned by David Ahmet or that are part-owned by entities owned and controlled by David Ahmet. David Ahmet is a lessor in relation to the leases of Triumph Virginia and Moorooka Service Centre.

Kenlake Pty Ltd (ACN 075 880 867), as trustee for the Ahmet Family Trust, is a lessor in relation to the leases of Triumph Springwood, Honda Springwood, Advanced Spray Painting and Decals, Team Moto Virginia, Team Moto Moorooka, Yamaha Gold Coast, Team Moto North Coast, Team Moto Blacktown.

The terms of these leases were negotiated on commercial arms’ length basis in 2011 and contain customary terms and conditions including an initial lease term of 5 years, with options to renew for a further 15 years (comprising 3 options for 5 year periods).

The annual value of the rent under the leases is $1,602,863.

6.3.7 Redeemable Preference Shares held by the Archer Growth Fund

In addition to Shares, MotorCycle Holdings’ existing capital structure currently includes 6,799,485 Redeemable Preference Shares carrying an annual dividend rate of 15% held by the Archer Growth Fund. These Redeemable Preference Shares will be repaid and redeemed out of the proceeds of the Offer (see Section 7.1.2).

3,349,000 Redeemable Preferences Shares carrying an annual dividend rate of 15% held by David Ahmet and Kenlake Pty Ltd (ACN 075 880 867) were bought back on 23 March 2016.

6.4 Corporate governance

This Section explains how the Board will oversee the management of MotorCycle Holdings. The Board is responsible for the overall corporate governance of MotorCycle Holdings. The Board monitors the operational and financial position and performance of MotorCycle Holdings and oversees its business strategy, including approving the strategic goals of MotorCycle Holdings and considering and approving the Company’s strategic plan.

MotorCycle Holdings is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its 3rd edition of the ASX Principles for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Principles are not prescriptive, but guidelines. However, under the ASX Listing Rules, MotorCycle Holdings will be required to provide a corporate governance statement in its annual report disclosing the extent to which it has followed the ASX Principles in the reporting period. Where MotorCycle Holdings does not follow an ASX Principle, it must identify the relevant recommendation or principle that has not been followed and give reasons for not following it.

Copies of MotorCycle Holdings’ key policies and the charters for the Board and each of its committees are available at www.mcholdings.com.au.

6.4.1 The Board of Directors

6.4.1.1 Board appointment and composition

Detailed biographies of the Board members, including their date of appointment, are provided in Section 6.1.

Scott Greck intends to retire from the Board on the first anniversary of Listing. The Board intends to appoint an additional Independent Non-Executive Director to replace Scott at that time.
6.4.1.2 Roles and responsibilities

The Board has responsibility for providing overall strategic guidance for MotorCycle Holdings and effective oversight of management. The Board ensures that the activities of MotorCycle Holdings comply with its Constitution, from which the Board derives its authority to act, and with the relevant legal and regulatory requirements.

The Board has delegated day-to-day management of the business and affairs of MotorCycle Holdings to executive management.

However, there are certain matters which are reserved for the collective decision of the Board, to ensure good corporate governance by retaining Board control over significant decisions while allowing appropriate matters to be dealt with effectively under authority delegated to executive management. Most significantly, these matters include:

- providing leadership and setting the strategic objectives of MotorCycle Holdings;
- appointing the Chairman and potentially any deputy Chairman;
- appointing, and when necessary replacing, the Chief Executive Officer;
- approving the appointment and when necessary replacing other senior executives;
- approving the appointment and if necessary the replacement of the company secretary;
- overseeing management’s implementation of MotorCycle Holdings’ strategic objectives and its performance generally;
- overseeing the integrity of MotorCycle Holdings’ accounting and corporate reporting systems including the external auditor;
- overseeing MotorCycle Holdings’ process for making timely and balanced disclosure of all material information concerning it that a reasonable person would expect to have a material effect on the price or value of MotorCycle Holdings’ securities;
- reviewing MotorCycle Holdings’ risk management framework and setting the risk appetite within which the Board expects management to operate;
- approving MotorCycle Holdings’ remuneration framework;
- managing and reviewing MotorCycle Holdings’ compliance with its disclosure obligations and the Disclosure and Communication Policy, and considering whether any revisions to the Disclosure and Communication Policy are required;
- reviewing MotorCycle Holdings’ compliance with the Trading Policy and considering whether any revisions to the Trading Policy are required; and
- monitoring the effectiveness of MotorCycle Holdings’ governance practices.

The Board has delegated some of its functions to committees, although ultimate responsibility for those functions remains with the Board.

6.4.1.3 Independence

The board charter adopted by the Board sets out guidelines and thresholds of materiality for the purpose of determining independence of Directors in accordance with the ASX Principles, and has adopted a definition of independence that is based on that set out in the ASX Principles.

The Board considers a Director to be independent if he or she is not a member of management and is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgment to bear on issues before the Board, and to act in the best interests of MotorCycle Holdings and Shareholders generally. The Board will assess the independence of each Non-Executive Director in light of the interests disclosed by them at least annually or around the time the Board considers candidates for election to the Board.
The Board considers that each of Warren Bee, Bob Thorn and David Foster are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director’s judgment and are able to fulfil the role of an independent Director for the purposes of the ASX Principles.

Scott Greck is currently considered by the Board not to be independent because of his affiliation with Archer Growth Funds. David Ahmet is currently considered by the Board not to be independent because he is the Founder of MotorCycle Holdings and its Managing Director and Chief Executive Officer (see Section 6.3.3.1).

6.4.2 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

• the roles and responsibilities of the Board (see Section 6.4.1.2);
• the role and responsibilities of the Chairman and company secretary;
• the delegations of authority of the Board to both committees of the Board, the Chief Executive Officer and other management of MotorCycle Holdings;
• the membership of the Board, including in relation to the Board’s composition and size and the process of appointment and re-election of Directors, independence of Directors and conduct of individual Directors;
• Board process, including how the Board meets; and
• the Board’s performance evaluation processes, including in respect of its own performance, and the performance of the Board committees, individual Directors and senior executives.

The management function is conducted by, or under the supervision of the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer).

Directors are entitled to request additional information at any time they consider it appropriate. The Board collectively, and each Director individually, may seek independent professional advice, subject to the approval of the Chairman, or the Board as a whole.

6.4.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. To assist in carrying out its responsibilities, the Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee.

6.4.3.1 Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including oversight of:

• the integrity of MotorCycle Holdings’ corporate reporting processes;
• the appointment, remuneration, independence and competence of MotorCycle Holdings’ external auditors;
• the performance of the external audit function and review of their audits;
• the effectiveness of MotorCycle Holdings’ system of risk management and internal controls; and
• MotorCycle Holdings’ systems and procedures for compliance with applicable legal regulatory requirements.

MotorCycle Holdings will comply with the recommendations set by the ASX Principles in relation to the composition and operation of the Audit and Risk Committee and the Audit and Risk Committee.
will comprise at least three Non-Executive Directors (a majority of whom are independent), and an independent chairman who is not the Chairman of the Board, being David Foster.

### 6.4.3.2 Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to assist and advise the Board on the following nomination related matters:

- induction and continuing professional development programs for Directors;
- development and implementation of processes for evaluating the performance of the Board, its committees and Directors;
- processes for recruiting new Directors (evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment);
- the appointment and re-election of Directors; and
- succession planning for the Board, the Chief Executive Officer and other senior executives, with the objective of having a Board of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of MotorCycle Holdings as a whole.

The Nomination and Remuneration Committee will be comprised of a majority of Independent Non-Executive Directors. It is proposed that David Foster will be the chairman of the Nomination and Remuneration Committee.

### 6.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Principles. MotorCycle Holdings’ corporate governance polices will continue to be reviewed regularly and will continue to be developed and refined to meet the needs of MotorCycle Holdings.

#### 6.5.1 Disclosure and Communication Policy

Once listed, MotorCycle Holdings will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, MotorCycle Holdings will be required to immediately disclose to the ASX any information concerning MotorCycle Holdings which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

MotorCycle Holdings has adopted the Disclosure and Communication Policy to take effect from Listing, which establishes procedures which informs the Board as well as officers, employees and consultants of MotorCycle Holdings of their obligations in relation to timely disclosure of material price-sensitive information. Under the Disclosure and Communication Policy, the Disclosure Committee will be responsible for managing MotorCycle Holdings’ compliance with its continuous disclosure obligations.

#### 6.5.1.1 Communications with Shareholders

The Board aims to provide Shareholders with sufficient information to assess the performance of MotorCycle Holdings and so that they are informed of all major developments affecting the state of affairs of MotorCycle Holdings relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and
other information with the ASX and publishing information on MotorCycle Holdings’ website, at www.mcholdings.com.au.

In particular, MotorCycle Holdings’ website will contain information about MotorCycle Holdings, including media releases, key policies and the terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on or linked to MotorCycle Holdings’ website as soon as they have been released to the ASX.

6.5.2 Trading Policy
MotorCycle Holdings has adopted the Trading Policy which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and establish a procedure for the buying and selling of securities that protects MotorCycle Holdings and Directors and employees against the misuse of unpublished information which could materially affect the value of securities.

The Trading Policy sets out restrictions and processes on buying and selling MotorCycle Holdings’ securities including Shares, options, derivatives, managed investment products, superannuation products and any other financial products of MotorCycle Holdings that are able to be traded on the financial market.

The Trading Policy permits Directors, officers and key management personnel of MotorCycle Holdings to deal in the Shares, only during specified “trading windows”, unless an exceptional circumstance applies. These trading windows are currently defined as any of the following periods:

- for a 4 week period commencing on the first trading day after the Company’s half-yearly results are announced to ASX;
- for a 4 week period commencing on the first trading day after the Company’s annual results are announced to ASX;
- for a 4 week period commencing after the Company’s Annual General Meeting; and
- at any other times as the Board of Directors permit.

The Trading Policy also sets out the restrictions imposed on any employees of MotorCycle Holdings (including their family members or associates), in dealing in the Shares, when in possession of “inside information”, being information relating to MotorCycle Holdings which is not generally available but, if the information were generally available, would be likely to have a material effect on the price or value of the Shares.

The Trading Policy requires Directors, officers and key management personnel who acquire Shares to hold their Shares for a minimum 6 months.

6.5.3 Code of Conduct
MotorCycle Holdings is committed to providing an ethical and legal framework within which its employees conduct MotorCycle Holdings’ business. Accordingly, MotorCycle Holdings has adopted a Code of Conduct which sets out the values, commitments, ethical standards and policies of MotorCycle Holdings and outlines the standards of conduct expected of the business and MotorCycle Holdings’ employees, taking into account MotorCycle Holdings’ legal and other obligations to its stakeholders.

6.5.4 Diversity Policy
The Board has adopted a Diversity Policy which sets out MotorCycle Holdings’ commitment to diversity and inclusion in the workplace at all levels. The diversity policy provides a framework to achieve
MotorCycle Holdings’ diversity goals and commitment to creating a diverse work environment where everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of MotorCycle Holdings.

The Nomination and Remuneration Committee will oversee the implementation of the diversity policy and assess progress in achieving its objectives.
DETAILS OF THE OFFER
7. DETAILS OF THE OFFER

7.1 The Offer

This Prospectus relates to the Offer of Shares in MotorCycle Holdings. The Offer comprises the issue of New Shares by MotorCycle Holdings and the transfer of Existing Shares by SaleCo. A description of the role of SaleCo in the Offer is set out in Section 7.1.3.

In total, 23.1 million Shares are being offered under the Offer. All Shares will be issued or transferred at the Offer Price of $2.00 per Share, raising proceeds of up to a maximum of $46.3 million at the Offer Price of $2.00 per Share.

On Completion, 14.8 million Shares (representing approximately 39% of the issued Shares) will be subject to certain voluntary escrow arrangements described in Section 7.7.

The total number of Shares on issue at Completion will be approximately 38 million and all Shares on issue will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 9.14.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer - which is open to eligible Australian resident retail clients of participating Brokers who receive an invitation to apply for Shares from their Broker and are not in the United States or a US person; and
- the Institutional Offer - which consists of an invitation to Institutional Investors in Australia, New Zealand, Hong Kong and Singapore to bid for Shares, made under this Prospectus.

No general public offer of Shares will be made under the Offer.

For further details of the:

- Broker Firm Offer, see Section 7.3.4.
- Institutional Offer, see Section 7.4.2.

The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by MotorCycle Holdings, SaleCo and the Lead Manager, having regard to the allocation policies outlined in Sections 7.3.4 and 7.4.2.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the offer is to provide:

- the Archer Growth Fund an opportunity to realise part of its investment in MotorCycle Holdings;
- MotorCycle Holdings the ability to refinance existing debt facilities and repay shareholder loans;
- MotorCycle Holdings access to capital markets to improve financial flexibility for growth; and
- a liquid market for the Shares.

The total gross proceeds of the Offer will be equal to the number of Shares issued by MotorCycle Holdings and transferred by SaleCo under the Offer multiplied by the Offer Price.
Figure 7.1: Sources and uses of Offer proceeds

<table>
<thead>
<tr>
<th>Sources</th>
<th>(m)</th>
<th>Uses</th>
<th>(m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash proceeds received from transfer of</td>
<td>26.1</td>
<td>Payment of proceeds by SaleCo to Selling Shareholders</td>
<td>26.1</td>
</tr>
<tr>
<td>Shares by SaleCo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash proceeds received from issue of New</td>
<td>20.1</td>
<td>Redemption of Redeemable Preference Shares held by the</td>
<td>13.0</td>
</tr>
<tr>
<td>Shares by MotorCycle Holdings</td>
<td></td>
<td>Archer Growth Fund and repayment of shareholder loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>owed to the Archer Growth Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Repayment of debt</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payment of Offer costs</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total sources</strong></td>
<td><strong>46.3</strong></td>
<td><strong>Total uses</strong></td>
<td><strong>46.3</strong></td>
</tr>
</tbody>
</table>

* Numbers may not add due to rounding

7.1.3 Exit by Selling Shareholders

SaleCo, a special purpose vehicle, was incorporated on 9 March 2016 to facilitate the selling of some of the Shares held by the Selling Shareholders. The Selling Shareholders have executed a deed poll in favour of, and for the benefit of, SaleCo and MotorCycle Holdings under which they irrevocably offer to sell Shares to SaleCo free from encumbrances and third party rights and conditional on Listing.

The Shares that SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo to the Selling Shareholders for these Sale Shares is the Offer Price. MotorCycle Holdings will also issue Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement, and the deed poll described above.

The directors of SaleCo are Bob Thorn, Warren Bee and David Foster. The sole shareholder of SaleCo is Warren Bee.

MotorCycle Holdings and SaleCo have entered into a deed of indemnity, under which MotorCycle Holdings indemnifies SaleCo and each of its directors for, and hold them harmless against, any losses incurred by them (whether directly or indirectly) in respect of the Offer, as a result of:

- any misleading or deceptive statement (including by omission) in the Prospectus or any other public information and advertising (including any roadshow materials) in connection with the Offer;
- a breach by MotorCycle Holdings of its obligations under the deed of indemnity or any other binding obligation on MotorCycle Holdings in respect of the Prospectus or the Offer;
- the distribution of the Prospectus and the making of the Offer;
- the allotment and issue of the New Shares and the transfer of the Shares under the Offer;
- any claims that SaleCo or any of its directors has any liability under the relevant provisions of the Corporations Act or other applicable law; and
- any review, inquiry or investigation undertaken by ASIC, the ASX, the ATO or any other regulatory or government agency in relation to the Offer or the Prospectus.
7.1.4 Shareholding structure

The details of the ownership of Shares immediately prior to and on Completion are set out below.

<table>
<thead>
<tr>
<th>Shares held pre-completion</th>
<th>Shares issued/acquired</th>
<th>Shares held on completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(m)</td>
<td>(%)</td>
<td>(m)</td>
</tr>
<tr>
<td>The Archer Growth Fund</td>
<td>17.0</td>
<td>61%</td>
</tr>
<tr>
<td>David Ahmet</td>
<td>8.4</td>
<td>30%</td>
</tr>
<tr>
<td>Management Shareholders</td>
<td>2.6</td>
<td>9%</td>
</tr>
<tr>
<td>New Shareholders</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>27.9</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shares on issue</th>
<th>(m)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares on issue on Completion of the Offer</td>
<td>38.0</td>
<td>100%</td>
</tr>
</tbody>
</table>

Made up of:

| Shares transferred by SaleCo | 13.1 | 34% |
| Shares issued under the Offer | 10.1 | 27% |
| Shares held by Existing Shareholders | 14.8 | 39% |

7.1.5 Control implications of the offer

The Directors do not expect any Shareholder will control (as defined by section 50AA of the Corporations Act) MotorCycle Holdings on Completion. However, by virtue of his direct holding and indirect holding through Kenlake Pty Ltd (ACN 075 880 867), David Ahmet will hold an aggregate 22% Shareholding on Completion of the Offer and will be in a position to exercise significant influence over all matters that require approval by Shareholders, including the election and removal of Directors and approval of significant corporate transactions (unless prevented from voting under the Corporations Act or Listing Rules).

7.2 Terms and conditions of the Offer

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the type of security being offered?</td>
<td>Shares (being fully paid ordinary shares in MotorCycle Holdings).</td>
</tr>
<tr>
<td>What are the rights and liabilities attached to the security being offered?</td>
<td>A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.14 below.</td>
</tr>
<tr>
<td>What is the consideration payable for each security being offered?</td>
<td>The Offer Price is $2.00 per Share.</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>What is the Offer Period?</td>
<td>The key dates, including details of the Offer Period, are set out on page 6. No Shares will be issued or transferred on the basis of this Prospectus later than the Expiry Date of 13 months after the Prospectus Date.</td>
</tr>
<tr>
<td>What are the cash proceeds to be raised?</td>
<td>Approximately $46.3 million is expected to be raised under the Offer. $20.1 million is expected to be raised by MotorCycle Holdings through the Offer. $26.1 million is expected to be raised by SaleCo through the Offer. The proceeds received by SaleCo will be paid to the Selling Shareholders.</td>
</tr>
<tr>
<td>Is the Offer underwritten?</td>
<td>Yes. The Offer is fully underwritten by the Lead Manager. More detail on the underwriting arrangements is set out in Sections 7.6 and 9.4.1 below.</td>
</tr>
<tr>
<td>What is the minimum application size under the Offer?</td>
<td>The minimum Application under the Broker Firm Offer is $2000 worth of Shares in aggregate (equivalent to 1000 Shares) and in multiples of $500 (equivalent to 250 Shares) thereafter. There is no maximum Application under the Broker Firm Offer. MotorCycle Holdings, SaleCo and the Lead Manager reserve the right to not accept Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, to reject any Application, or to scale back any Application. There was no minimum application or maximum application under the Institutional Offer. MotorCycle Holdings, SaleCo and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</td>
</tr>
<tr>
<td>What is the allocation policy?</td>
<td>The allocation of shares between the Broker Firm Offer and the Institutional Offer was determined by MotorCycle Holdings, SaleCo and the Lead Manager, having regard to the allocation policies outlined in Sections 7.3.4 and 7.4.2. With respect to the Broker Firm Offer, the relevant Broker will decide how it allocates Shares among its eligible retail clients, and they (and not MotorCycle Holdings, SaleCo or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation from it receive the relevant Shares. The allocation of Shares under the Institutional Offer was determined by MotorCycle Holdings, SaleCo and the Lead Manager. MotorCycle Holdings, SaleCo and the Lead Manager have absolute discretion regarding the allocation of Shares to applicants under the Offer and may reject any Application, or scale back any Application, in their absolute discretion.</td>
</tr>
<tr>
<td>When will I receive confirmation that my Application has been successful?</td>
<td>It is expected that initial holding statements will be dispatched by standard post on or about Tuesday, 26 April 2016.</td>
</tr>
<tr>
<td><strong>Topic</strong></td>
<td><strong>Summary</strong></td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
</tr>
<tr>
<td>Will the Shares be quoted on ASX?</td>
<td>MotorCycle Holdings has applied to ASX for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code ‘MTO’). Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act. MotorCycle Holdings will be required to comply with the ASX Listing Rules, subject to any waivers obtained by MotorCycle Holdings from time to time.</td>
</tr>
<tr>
<td>When are the Shares expected to commence trading?</td>
<td>It is expected that trading of the Shares on ASX will commence on or about Friday, 29 April 2016. Following the issue and transfer of Shares, successful Applicants will receive a holding statement setting out the number of Shares issued or transferred to them under the Offer. It is expected that holding statements will be dispatched by standard post on or about Tuesday, 26 April 2016. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. After the basis for allocations has been determined, Applicants will be able to call the MotorCycle Holdings IPO Information Line, open from 9.00am to 5.00pm (Sydney Time) Monday to Friday until Completion, or their Broker, to confirm their allocations.</td>
</tr>
<tr>
<td>Are there any escrow arrangements?</td>
<td>Yes. Details are provided in Section 7.7.</td>
</tr>
<tr>
<td>Has any ASIC relief or ASX waivers been sought, obtained or relied on?</td>
<td>Yes. Details are provided in Section 9.13.</td>
</tr>
<tr>
<td>What are the Australian tax considerations?</td>
<td>Yes. Details are provided in Section 9.9.</td>
</tr>
<tr>
<td>Is there any brokerage, commission or stamp duty considerations?</td>
<td>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 6.3.1 for details of various fees payable by MotorCycle Holdings to the Lead Manager.</td>
</tr>
</tbody>
</table>
What should you do with any enquiries?

All enquiries in relation to this Prospectus should be directed to the MotorCycle Holdings IPO Offer Information Line on 1300 393 458 (within Australia) or +61 3 9415 4040 (outside Australia) between 9:00 am and 5:00 pm (AEST), Monday to Friday.

All enquiries in relation to the Broker Firm Offer should be directed to your Broker.

If you are unclear in relation to any matter or are uncertain as to whether MotorCycle Holdings is a suitable investment for you, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.

7.3 Broker Firm offer

7.3.1 Who Can Apply

The Broker Firm Offer is open to eligible Australian resident retail clients of participating Brokers who receive an invitation to apply for Shares from their Broker and who are not in the United States or a US person. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.3.2 How to apply?

If you receive an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Application Form, or download a copy at www.motorcycleholdingsoffer.com.au. Your Broker will act as your agent and it is your Broker’s responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Sydney Time) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form and Application Monies with the Broker from whom you received your invitation to acquire Shares under this Prospectus. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the back of the Broker Firm Application Form. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

By making an application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application size under the Broker Firm Offer is $2000 worth of Shares in aggregate. There is no maximum Application under the Broker Firm Offer. MotorCycle Holdings, SaleCo and the Lead Manager reserve the right to not accept Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, to reject any Application, or to scale back any Application.

MotorCycle Holdings, SaleCo, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your application.
The Broker Firm Offer opens at 9:00am (Sydney time) on Thursday, 7 April 2016 and is expected to close at 5:00pm (Sydney time) on Wednesday, 20 April 2016. MotorCycle Holdings and the Lead Manager may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 How to pay?
Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Allocation policy under the Broker Firm Offer
The allocation of Shares to Brokers has been determined by MotorCycle Holdings, SaleCo and the Lead Manager. Shares that have been allocated to Brokers for allocation to their eligible retail clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of MotorCycle Holdings, SaleCo and the Lead Manager to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their eligible retail clients, and they (and not MotorCycle Holdings or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.

Applicants in the Broker Firm Offer will be able to call the MotorCycle Holdings IPO Offer Information Line on 1300 393 458 (within Australia) or +61 3 9415 4040 (outside Australia) from 9:00 am to 5:00 pm (Sydney time) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation of Shares through the Broker from whom they received their allocation.

7.3.5 Acceptance of Applications under the Broker Firm Offer
An Application in the Broker Firm Offer is an offer by the Applicant to MotorCycle Holdings and SaleCo to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted in respect of the full number of Shares specified in the Application Form without further notice to the Applicant. MotorCycle Holdings and SaleCo reserve the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

MotorCycle Holdings, SaleCo and the Lead Manager reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

The final allocation of Shares to eligible Australian resident clients of participating Brokers in the Broker Firm Offer is at the absolute discretion of the relevant Broker.

Successful Applicants in the Broker Firm Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of Shares on ASX on an unconditional basis.

7.3.6 Application Monies
MotorCycle Holdings and SaleCo reserve the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.
Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by MotorCycle Holdings and SaleCo.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY® payment. If the amount of your BPAY® payment for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

7.4 Institutional Offer

7.4.1 Invitations to bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand, Hong Kong and Singapore were invited to bid for an allocation of Shares under this Prospectus. The Lead Manager has separately advised the Institutional Investors of the Application procedures for the Institutional Offer.

7.4.2 Allocation policy under the Institutional Offer

The allocation of Shares among applicants in the Institutional Offer was determined by the MotorCycle Holdings, SaleCo and the Lead Manager. MotorCycle Holdings, SaleCo and the Lead Manager had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

• number of Shares bid for by particular Applicants;
• the timeliness of the bid by particular Applicants;
• MotorCycle Holdings’ desire for an informed and active trading market following Completion;
• MotorCycle Holdings’ desire to establish a wide spread of institutional Shareholders;
• overall level of demand under the Broker Firm Offer and the Institutional Offer;
• the size and type of funds under management of particular Applicants;
• the likelihood that particular Applicants will be long-term Shareholders; and
• any other factors that MotorCycle Holdings, SaleCo and Lead Manager considered appropriate.

7.5 Acknowledgements

Each Applicant under the Offer will be deemed to have:

• agreed to become a member of MotorCycle Holdings and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
• acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
• declared that all details and statements in their Application Form are complete and accurate;
• declared that the Applicant(s), if a natural person, is/are over 18 years of age;
• acknowledged that, once MotorCycle Holdings or a Broker receives an Application Form, it may not be withdrawn;
• applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
• agreed to being allocated the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
• authorised MotorCycle Holdings, SaleCo, the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
• acknowledged that MotorCycle Holdings may not pay dividends, or that any dividends paid may not be franked;
• acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
• acknowledged and agreed that the Offer may be withdrawn by MotorCycle Holdings or may otherwise not proceed in the circumstances described in this Prospectus; and
• acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:
• it understands that the Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States, except in accordance with Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the Securities Act and any other applicable state securities laws;
• it is not in the United States or a US person;
• it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
• it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
• it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

7.6 Underwriting arrangements
The Offer is fully underwritten. The Lead Manager, MotorCycle Holdings and SaleCo have entered into an Underwriting Agreement under which the Lead Manager has been appointed as manager and underwriter of the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the Underwriting Agreement and its underwriting obligations.

A summary of certain terms of the Underwriting Agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.4.1.

7.7 Voluntary escrow arrangements
All of the Shares held immediately prior to Completion by the Escrowed Shareholders will be subject to voluntary escrow arrangements.
7.7.1 The Archer Growth Fund

Under the terms of the voluntary escrow arrangements, subject to certain customary exceptions described below and ASX notification requirements being satisfied, Escrowed Shares held by the Archer Growth Fund may not be sold in the period prior to the first anniversary of the date of this Prospectus. After the first anniversary of the date of this Prospectus, any remaining Escrowed Shares held by the Archer Growth Fund will cease to be subject to escrow restrictions.

In addition to the common exceptions to escrow described below, the Archer Growth Fund may encumber any or all of their Escrowed Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that the Archer Growth Fund has in any of its Escrowed Shares and no Escrowed Shares may be transferred to the financial institution or any other person in connection with the encumbrance (with the documentation for such encumbrance making it clear that the Escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the term of those arrangements).

7.7.2 Escrowed Management Shareholders

Shares held by David Ahmet, Chris Chenoweth and affiliates of David Ahmet, Bob Donovan, Mike Cooksley and Shane Musgrove ("Escrowed Management Shareholders") immediately prior to Completion of the Offer will also be subject to voluntary escrow arrangements.

Under the terms of the voluntary escrow arrangements, subject to customary exceptions described below and ASX notification requirements being satisfied, Escrowed Shares held by Escrowed Management Shareholders, may not be sold in the period prior to the second anniversary of the date of this Prospectus. After the second anniversary of the date of this Prospectus, any remaining Escrowed Shares held by Escrowed Management Shareholders will cease to be subject to escrow restrictions.

In addition to the common exceptions to escrow described below, the Escrowed Management Shareholders may also be released early from these escrow obligations where:

- the manager dies or becomes incapacitated, provided that the transferee of those shares has agreed to be bound by substantially the same escrow arrangements; or
- to the extent necessary to allow the ultimate controller of those Escrowed Shares to undertake a reorganisation of its affairs, subject to the prior consent of MotorCycle Holdings, any new holder agreeing to be bound by substantially the same escrow arrangements, and if there is an ultimate controller, the controller retaining ultimate control of those Escrowed Shares.

In addition to the common exceptions to escrow described below, David Ahmet and Kenlake Pty Limited may encumber any or all of their Escrowed Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that they have in any of their Escrowed Shares and no Escrowed Shares may be transferred to the financial institution or any other person in connection with the encumbrance (with the documentation for such encumbrance making it clear that the Escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the term of those arrangements).

7.7.3 Terms common to all escrow arrangements

Each Escrowed Shareholder has agreed to enter into an escrow deed in respect of their Shareholding held on Completion of the Offer, which prevents them from disposing of their respective Escrowed Shares for the applicable escrow period as described above.

The restriction on ‘disposing’ is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Shares, encumbering or granting a security interest over the Shares (except to the extent permitted by the deed as outlined in this Section 7.7), doing, or omitting to do, any act if the act or omission would have
the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable in summary:

- the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;
- the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act; or
- the Escrowed Shareholders to participate in an equal access buyback or equal return of capital or other similar pro rata reorganisation.

During the escrow period, Escrowed Shareholders whose Escrowed Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent the disposal is required by applicable law (including an order of a court of competent jurisdiction) to the extent the disposal is to an affiliate or affiliated fund entity or to a trust or entity which the Escrowed Shareholder controls where the transforee also enters into an escrow arrangement with the MotorCycle Holdings on substantially the same terms.

### 7.8 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.
INVESTIGATING ACCOUNTANT’S REPORT
Dear Directors

INVESTIGATING ACCOUNTANT’S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of Motorcycle Holdings Pty Limited (the Company) and Motorcycle SaleCo Limited (SaleCo) for inclusion in a prospectus dated 23 March 2016 (Prospectus) to be issued by the Company and SaleCo in connection with the initial public offering of fully paid ordinary shares in the Company and subsequent listing on the Australian Securities Exchange (the Offer).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review:

- the Company’s consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flow for the three years ended 30 June 2015 and half years ended 31 December 2014 and 31 December 2015; and

- the Company’s consolidated statement of financial position as at 31 December 2015

as set out in Table 1B, Table 5, Table 9, Table 12 and Table 22 of the Prospectus (together the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial

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23 March 2016
reports of Company for the three years ended 30 June 2015 which were audited by Deloitte Touche Tohmatsu and from the financial report for the half year period ended 31 December 2015 which was reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on these financial reports for the three years ended 30 June 2015 and an unmodified review opinion for the half year periods ended 31 December 2014 and 31 December 2015. The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

**Pro forma Historical Financial Information**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review:

- the Company’s pro forma historical consolidated statements of profit or loss and other comprehensive income for the three years ended 30 June 2015 and half years ended 31 December 2014 and 31 December 2015;
- the Company’s pro forma historical consolidated statements of cash flow for the three years ended 30 June 2015 and half years ended 31 December 2014 and 31 December 2015; and
- the Company’s pro forma consolidated statement of financial position as at 31 December 2015 shown with pro forma adjustments to show the effect of events and transactions related to the Offer as if they had occurred at 1 July 2012 as set out in Table 1A, Table 4, Table 8, Table 11 and Table 22 of the Prospectus (the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Section 4.3 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4.3 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the company’s actual or prospective financial position, financial performance, and cash flows.

**The Forecasts**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review:

- The forecast consolidated statement of profit or loss and other comprehensive income and the forecast consolidated statement of cash flows of the Company for the year ending 30 June 2016 as set out in Table 1B and Table 8 of the Prospectus (the Statutory Forecast). The Director’s best-estimate assumptions underlying the Statutory Forecast are described in Section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast is the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies;
- the pro forma forecast consolidated statement of profit or loss and other comprehensive income and the pro forma forecast consolidated statement of cash flows of the Company for the year ending 30 June 2016 as set out in Table 1A and Table 8 of the Prospectus (the Pro forma Forecast). The Pro forma Forecast has been derived from the Statutory Forecast, after adjusting for the effects of the pro forma adjustments described in Section 4.3 of the Prospectus (the Pro forma Adjustments). An audit or review has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards and
the Company’s adopted accounting policies applied to the Statutory Forecast and the event(s) or transaction(s) to which the Pro forma Adjustments relate, as if those event(s) or transaction(s) had occurred as at 1 July 2015. Due to its nature the Pro forma Forecast does not represent the Company’s actual prospective financial performance and cash flows for the year ending 30 June 2016 (together the Forecasts).

The Forecasts have been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2016. 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 Forecasts since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The Directors’ best estimate assumptions on which the Forecasts are 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 the Company. Evidence may be available to support the assumptions on which the Forecasts are based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors’ best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 5 of the Prospectus. The sensitivity analysis set out in Section 4.8 of the Prospectus demonstrates the impacts on the Pro forma Forecast of changes in key assumptions. The Statutory Forecast and the Pro forma Forecast are therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecasts will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has 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.

Directors’ Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecasts, including the best estimate assumptions underlying the Forecasts and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro forma Forecast; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecasts that are free from material misstatement, whether due to fraud or error.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro forma Historical Information, the Statutory Forecast, the Pro Forma Forecast and the Directors’ best estimate assumptions underlying the Forecasts based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

**Statutory Historical Financial Information**

- a review of the extraction of Statutory Historical Financial Information from the audited financial statements of the Company for the three years ended 30 June 2015 and reviewed half year financial statements ended 31 December 2015;
- analytical procedures on the Statutory Historical Financial Information,
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company; and
- enquiry of the Company’s Directors, management and others in relation to the Statutory Historical Financial Information.

**Pro forma Historical Financial Information**

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information;
- consideration of the appropriateness of Pro forma Adjustments described in Section 4.3 of the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of Company and its auditors; and
- a review of the accounting policies for consistency of application.

**The Forecasts**

- enquiries, including discussions with management and Directors of the Company of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecasts;
• review of the accounting policies adopted and used in the preparation of the Forecasts; and
• consideration of the Pro forma Adjustments applied to the Statutory Forecast in preparing the Pro forma Forecast.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 4.2 of the Prospectus, and comprising:
• the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the three years ended June 2015 and half-years ended 31 December 2014 and 31 December 2015; and
• the consolidated statement of financial position as at 31 December 2015
are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

The Statutory Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors’ best estimate assumptions used in the preparation of the Statutory Forecast do not provide reasonable grounds for the Statutory Forecast
(ii) in all material respects, the Statutory Forecast:
   a. is not prepared on the basis of the Directors’ best estimate assumptions as described in Section 4.7 of the Prospectus;
   b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards;
(iii) the Statutory Forecast itself is unreasonable.

The Pro forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors’ best estimate assumptions used in the preparation of the Pro forma Forecast do not provide reasonable grounds for the Pro forma Forecast
(ii) in all material respects, the Pro forma Forecast:
   a. is not prepared on the basis of the Directors’ best estimate assumptions as described in Section 4.7 of the Prospectus;
   b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast and the Pro forma Adjustments as if those adjustments had occurred as at 1 July 2015;
(iii) the Pro forma Forecast itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to the Important Notices of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant’s Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

Steve Clark
Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457)
Authorised Representative number 463221
Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS’ contact details are also set out below.

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

July 2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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Member of Deloitte Touche Tohmatsu Limited
9. ADDITIONAL INFORMATION

9.1 Registration
MotorCycle Holdings was registered in Victoria on 12 April 2011, and was converted from a proprietary company into a public company limited by shares on March 2016.

9.2 MotorCycle Holdings’ tax status
MotorCycle Holdings is and will be subject to a tax consolidated group at the Australian corporate tax rate on its taxable income.

9.3 Corporate structure
The following diagram shows the entities in the corporate structure of the Group at the date of Listing:

![Corporate Structure Diagram]

**KEY**
- As Trustee of
- Shareholder or Unitholder of
- Trust
- Company
9.4 Material contracts

9.4.1 Underwriting agreement
The Offer is managed and underwritten by the Lead Manager pursuant to the Underwriting Agreement. Under the Underwriting Agreement, the Lead Manager has agreed to underwrite, arrange and manage the Offer.

For the purpose of this section 9.4.1 “Offer Documents” includes any of the documents issued or published by or on behalf of the MotorCycle Holdings in respect of or relating to the Offer including:

(a) the draft version of this Prospectus dated 14 March 2016 that was provided to Institutional Investors and Brokers prior to the lodgment of this Prospectus with ASIC;
(b) the Prospectus;
(c) the Application Form; and
(d) the roadshow or other investor presentations provided to prospective investors approved by MotorCycle Holdings, including any amendments, supplements, replacements or updates to any of the above, but for avoidance of doubt excluding any analyst reports.

9.4.1.1 Fees and expenses
Subject to Settlement occurring as contemplated under the Underwriting Agreement, MotorCycle Holdings and SaleCo have agreed to pay the Lead Manager a management and underwriting fee equal to 3.00% (excluding GST) of the gross amount raised under the Offer. The management and underwriting fee will become payable by MotorCycle Holdings and SaleCo on the date of Settlement.

MotorCycle Holdings may also pay an incentive and performance fee of up to 0.50% (excluding GST) of the gross amount raised under the Offer, to the Lead Manager. Payment of the incentive and performance fee is at the sole discretion of the Company.

In addition to the fees described above, MotorCycle Holdings and SaleCo have agreed to pay, or reimburse the Lead Manager where the Lead Manager has incurred certain agreed costs, including legal expenses, in relation to the Offer.

9.4.1.2 Termination events
The Underwriting Agreement is subject to customary termination events. The Lead Manager may, at any time after the date of the Underwriting Agreement and before 5:00pm on the Settlement Date, terminate the Underwriting Agreement without cost or liability by notice to MotorCycle Holdings and SaleCo if, without limitation, any of the following events occur:

- MotorCycle Holdings and SaleCo fail to lodge the Prospectus with ASIC in a form approved by the Lead Manager;
- a statement contained in the Prospectus or other Offer Document is, is likely to, or becomes, misleading or deceptive or a material matter required by the Corporations Act to be included is omitted from the Offer Documents;
- the Offer Documents do not comply with the Corporations Act (including section 710, 711 and 716), the Listing Rules or any other applicable law;
- any forecast or forward looking statement in the Prospectus or other Offer Document becomes incapable of being met in the projected time;
- unconditional approval is refused or not granted by ASX to MotorCycle Holdings’ admission to the Official List of ASX or Official Quotation of all of the Shares on ASX in accordance with the timetable for the Offer on or before 29 April 2016, or if granted, such approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or the ASX indicates to MotorCycle
Holdings or the Lead Manager that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld;

• MotorCycle Holdings or SaleCo withdraws the Prospectus or the Offer;

• the Lead Manager reasonably forms the view that a supplementary Prospectus must be lodged with ASIC under section 719 of the Corporations Act and MotorCycle Holdings or SaleCo do not lodge a supplementary Prospectus with ASIC in a form, with the consent and within the time, reasonably required by the Lead Manager;

• a new circumstance occurs in relation to MotorCycle Holdings or SaleCo after the Prospectus was lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before it was lodged with ASIC and which in the reasonable opinion of the Lead Manager is materially adverse from the point of view of an investor within the meaning of section 719 of the Corporations Act;

• ASIC or any other government agency commences or threatens to commence any leaving, inquiry, investigation, proceedings or prosecution, or takes any regulatory action or seeks any remedy, in connection with MotorCycle Holdings, SaleCo, the Offer or the Offer Documents.

• any of the following occurs: ASIC applies for an order under section 1324B or 1325 of the Corporations Act in relation to the Offer, the Prospectus or other Offer Documents and the application is not dismissed or withdrawn before the allotment of the Shares; ASIC gives notice of intention to hold a hearing in relation to the Offer or the Prospectus or other Offer Documents under section 739(2) of the Corporations Act or makes an order under section 739(1A) of the Corporations Act or an interim order under section 739(3) of the Corporations Act; or, an application is made by ASIC for an order under Part 9.5 in relation to the Offer, the Prospectus or other Offer Documents;

• any person (other than the Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person (other than the Lead Manager) who has previously consented to the inclusion of its name in the Prospectus (or any replacement or supplementary Prospectus) withdraws that consent;

• any person (other than the Lead Manager) gives notice under section 730 of the Corporations Act in relation to the Prospectus;

• if the S&P/ASX 200 Index closes at a level that is 10.0% or more below the level of that index as at 5.00pm on the trading day immediately prior to the date of the Underwriting Agreement: for 3 consecutive trading days at any time before Settlement; or, on the Business Day immediately prior to Settlement;

• any event specified in the timetable for the Offer is delayed by more than 3 Business Days unless the Lead Manager consents to a variation (which consent must not be unreasonably withheld or delayed);

• any circumstance arises after lodgment of the Prospectus that results in MotorCycle Holdings or SaleCo (as the case may be) either repaying the Application Money received from applicants or offering applicants an opportunity to withdraw their applications for Shares and be repaid their Application Monies;

• in relation to the deed poll in favour of SaleCo entered into by the Selling Shareholder under which the Selling Shareholder irrevocably offers to sell a number of its Shares to SaleCo conditional on Listing any of the following occurs:

(a) the deed poll is terminated;

(b) an event occurs which entitles a party to terminate the deed poll and that party has not irrevocably waived that right by 10.00am on 21 April 2016;
(c) there is a breach of the deed poll;
(d) SaleCo waives any rights it may have under the deed poll without the prior written consent of the Lead Manager; or
(e) the deed poll is amended without the Lead Manager’s prior written consent.

- MotorCycle Holdings and SaleCo do not provide a certificate required under the Underwriting Agreement;
- MotorCycle Holdings or SaleCo, and any other MotorCycle Holdings Group member is or becomes insolvent;
- MotorCycle Holdings or SaleCo is or becomes unable, for any reason, to issue or transfer (as applicable) Shares on Completion;
- any of the voluntary escrow arrangements are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with, without the consent of the Lead Manager, such consent not to be unreasonably withheld; and
- any of the following occur: a director or the Chief Financial Officer of MotorCycle Holdings or SaleCo is charged with an indictable offence relating to a financial or corporate matter or is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or a director or the Chief Financial Officer of MotorCycle Holdings or SaleCo engages in any fraudulent conduct or activity; or any governmental agency or regulatory body commences any public action against a director or the Chief Financial Officer of MotorCycle Holdings or SaleCo in their capacity as a director or Chief Financial Officer of MotorCycle Holdings or SaleCo, or announces that it intends to take such action.

9.4.1.3 Termination events subject to materiality

In addition to the termination events noted above, the Lead Manager may, any time after the date of the Underwriting Agreement, until on or before 5:00pm on the Settlement Date, terminate the Underwriting Agreement without cost or liability by notice to MotorCycle Holdings and SaleCo if, without limitation, any of the following events occur and the Lead Manager believes that the event: (i) has or is likely to have a material adverse effect on the marketing, outcome or settlement of the Offer or, the willingness of investors to subscribe for Shares or the subsequent market for Shares; or (ii) has or is likely to give rise to a contravention by the Lead Manager, or the Lead Manager being involved in a contravention, of the Corporations Act or any other applicable law;

- the report of the due diligence committee formed by MotorCycle Holdings and SaleCo in connection with the Offer or any other information supplied by or on behalf of MotorCycle Holdings and SaleCo to the Lead Manager in relation to the due diligence process, Shares, the MotorCycle Holdings Group, SaleCo, the Offer, or the Offer Documents is or becomes untrue, incorrect, misleading or deceptive (including by omission);
- any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the MotorCycle Holdings Group, including any change in the assets, liabilities, financial position or performance, profits, losses or prospects of MotorCycle Holdings from those respectively disclosed in the Prospectus;
- the New Banking Facilities are without the prior written consent of the Lead Manager amended or varied by MotorCycle Holdings, breached by MotorCycle Holdings, terminated (whether by breach or otherwise), ceases to have effect, otherwise than in accordance with its terms, or is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
- any of the following occurs which is reasonably likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for Offer Shares: the introduction of legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia, New Zealand, Hong Kong or Singapore (other than any legislation which had been publicly before the
date of the Underwriting Agreement); the public announcement of prospective legislation or policy by the Australian Federal Government or the Government of any Australian State or Territory; or the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy;

- MotorCycle Holdings, SaleCo or any member of the MotorCycle Holdings Group contravenes the Corporations Act, its Constitution, any of the Listing Rules or any other applicable law;

- any warranties or representations by the MotorCycle Holdings or SaleCo in the Underwriting Agreement are or become materially untrue or incorrect;

- MotorCycle Holdings or SaleCo is in default of any of the material terms and conditions of the Underwriting Agreement or breaches any undertaking or covenant given or made by it under the Underwriting Agreement;

- without the prior written consent of the Lead Manager, MotorCycle Holdings, SaleCo or the MotorCycle Holdings Group, disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in this Prospectus, ceases or threatens to cease to carry on business, alters its capital structure (debt or equity), other than as contemplated in this Prospectus, amends the Constitution; or, amends the terms of issue or transfer of the Offer Shares;

- any of the following occurs: a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; trading in all securities quoted or listed on ASX, London Stock Exchange, or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading; or any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions;

- after the date of the Underwriting Agreement, a change or development (which was not publicly known prior to the date of the Underwriting Agreement) involving a prospective adverse change in taxation affecting the Group or the Offer;

- hostilities not presently existing commence (whether or not war or a national emergency has been declared) or a major escalation in existing hostilities occurs or a major act of terrorism occurs in or involving any one or more of Australia, New Zealand, the European Union, the United Kingdom, the United States of America, Japan, Singapore or the People's Republic of China or any diplomatic, military, commercial or political establishment of any of these countries;

- a change to the board of directors or the managing director or chief financial officer of MotorCycle Holdings occurs;

- a person other than ASIC or any other government agency commences any inquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with MotorCycle Holdings, the Offer or the Offer Documents; and

- a statement in any certificate given in accordance with the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect.

9.4.1.4 Representations, warranties, undertakings and other items

The Underwriting Agreement contains representations, warranties and undertakings provided by MotorCycle Holdings and SaleCo to the Lead Manager. The representations and warranties relate to matters such as their powers, their conduct (including in respect of due diligence, disclosure and compliance with applicable laws and the ASX Listing Rules), information provided, insolvency, litigation, the Offer Documents and the conduct of the Offer.

MotorCycle Holdings and SaleCo's undertakings include that it will not during the within a period of 6 months from Completion, issue any Shares or any other securities convertible into Share without the prior written consent of the Lead Manager, such consent not to be unreasonably withheld or delayed
except that MotorCycle Holdings may issue securities (i) to executive directors and employees under an employee performance rights plan, share plan or option plan, (ii) under a non-underwritten dividend reinvestment or bonus plan; or (iii) as consideration for a bona fide acquisition made by the Group provided the recipient enters into a voluntary escrow agreement on the same terms as the Escrowed Management Shareholders disclosed in this Prospectus.

9.4.1.5 Indemnity

Subject to certain customary exclusions (including fraud, negligence, wilful misconduct or wilful default of an indemnified party), MotorCycle Holdings and SaleCo agree to keep the Lead Manager and certain affiliated parties indemnified from certain losses suffered in connection with the Offer.

9.4.2 New Banking Facilities and bailment financing

9.4.2.1 Description of New Banking Facilities

Motorcycle Holdings and Commonwealth Bank of Australia (Lender or CBA) have entered into a loan facility agreement for the provision of post-Offer debt finance facilities comprising a three-year revolving cash advance facility, a three-year revolving multi-option facility, and a three-year uncommitted revolving cash advance facility (New Banking Facilities) to Motorcycle Holdings Operations Pty Ltd (Borrower) and its wholly-owned subsidiaries (together, the Borrower Group).

The New Banking Facilities will be available subject to the satisfaction of certain conditions precedent customary for an initial public offering-related refinancing, including the successful Completion of the Offer and the Listing of MotorCycle Holdings on the ASX.

The New Banking Facilities will comprise:

- a $16.1 million three-year revolving cash advance facility (Facility A);
- a $5.8 million three-year revolving multi-option facility (Facility B); and
- a three-year uncommitted revolving cash advance facility (Facility C) in an amount which, in aggregate with the commitments under Facility A and Facility B, must not exceed A$28 million (or such other amount agreed between CBA and the Borrower from time to time).

Purpose

The New Banking Facilities will be available to the Borrower for the following purposes:

(a) refinancing Motorcycle Holdings' existing debt and paying any associated finance costs;
(b) funding capital expenditure and permitted acquisitions; and
(c) funding general corporate and working capital purposes.

Facility B may also be utilised by the Borrower to obtain letters of credit and bank guarantees. The Lender may also provide all or part of its Facility B commitment by way of certain ancillary banking facilities.

Repayment

No interim scheduled principal repayments are required during the term of the New Banking Facilities. The New Banking Facilities are repayable in full at maturity, being 1 July 2019.

The Borrower will be able to make voluntary prepayments under the facilities (subject to certain minimum payment amounts and notice requirements). To the extent that voluntary prepayments are made, the Borrower may re-draw any part of a facility up to the applicable facility limit.

The New Banking Facilities contain mandatory prepayment provisions in respect of certain proceeds received by the Borrower Group from insurance claims and the disposal of certain assets. To the extent that mandatory prepayments are made, such amounts prepaid may not be re-drawn.
**Interest rates and pricing**

The New Banking Facilities incur a variable interest rate, calculated as an aggregate of the applicable screen rate (being the average Bank Bill Swap Bid Rate (BBSY) bid rate displayed at or about 10:30am (Sydney time)) plus a margin. The margin is determined by reference to a pricing grid which sets the margin by reference to the most recent Leverage Ratio (as defined in the agreement for the Facilities).

**Facility Fees**

Fees payable in connection with the New Banking Facilities are consistent with similar facilities made available to other corporate borrowers and include the following:

- a one-off upfront fee payable by the Borrower on the date of the Borrower’s initial drawdown of the New Banking Facilities; and
- a commitment fee on the undrawn portion of the Lender’s commitment under the New Banking Facilities, set at a percentage of the applicable margin, payable quarterly in arrears.

**Representations and warranties**

The New Banking Facilities will contain representations and warranties usual for facilities of this nature, the breach of which may lead to the funds borrowed becoming due on an accelerated basis and the New Banking Facilities being cancelled.

**Undertakings**

The New Banking Facilities contain financial, information and reporting undertakings customary for facilities of this nature.

The following financial covenants apply:

- Gross Leverage Ratio, being the ratio of gross debt to EBITDA, not to exceed 2.50x; and
- Interest Cover Ratio, being the ratio of EBITDA to net interest expense, must be at least 3.50x.

The New Banking Facilities are required to be guaranteed by the Borrower, Motorcycle Holdings and certain of the Borrower’s wholly-owned subsidiaries (together, the **Obligors**) necessary to ensure that the total assets and EBITDA of the Obligors comprises at least 90% of the aggregate total assets and EBITDA of the Borrower Group.

Each Obligor (other than Motorcycle Holdings) also undertakes to maintain all existing key intellectual property and licences, maintain its core business and not enter into any acquisition or disposal transaction which is not permitted by the New Banking Facilities. The Borrower further undertakes to provide annual consolidated accounts and unaudited semi-annual accounts to the Lender and the Obligors (other than Motorcycle Holdings) must inform the Lender of any default, review event or matter reasonably likely to have a material adverse effect, among other things discussed below.

Any breach by the Obligors of the undertakings given or made by it may lead to the funds borrowed becoming due on an accelerated basis and the New Banking Facilities being cancelled. Motorcycle Holdings expects to remain in compliance with these undertakings.

**Events of default**

The New Banking Facilities prescribe events of default which are usual for facilities of this nature, including failure to pay, breach of financial undertaking, a default by an Obligor (other than Motorcycle Holdings) of amounts owing under its other permitted finance debt arrangements in excess of certain prescribed thresholds, insolvency and related events and material adverse effect. The occurrence of an event of default, if not cured in a timely fashion, may lead to the funds borrowed becoming due on an accelerated basis and the New Banking Facilities being cancelled.
**Events of review**

If a review event occurs, including Motorcycle Holdings’ delisting from ASX or its suspension from trading on ASX for more than 10 consecutive business days, the Borrower and the Lender will be required to renegotiate revised terms for the New Banking Facilities. If agreement cannot be reached within a certain period, then it may lead to some or all of the funds borrowed becoming due and the New Banking Facilities being cancelled.

**Security**

The New Banking Facilities are being provided by the Lender on a secured basis. Limited recourse security has been provided by Motorcycle Holdings in respect of its shareholding in the Borrower.

**9.4.2.2 Bailment financing**

Motorcycle Holdings’ dealerships have entered into Bailment Agreements with their financiers which allow them to finance their stock of new and certain use motorcycles. These financiers are either third party financial institutions (such as commercial banks) or captive financiers that support a single manufacturer (such as Yamaha Motor Finance).

Under the Bailment Agreements, stock ordered by a dealership is purchased by the financier, but delivered to the dealership. The dealership will then have a customary interest free period to sell the motorcycle, after which time interest starts to accrue. The Bailment Agreements are central to the funding of Motorcycle Holdings’ operations.

The typical terms and conditions of Motorcycle Holdings’ Bailment Agreements include:

- **Uncommitted facility**: The financiers are not obliged to provide financing when requested by a dealership. Bailment Agreements often can be cancelled at will by either party with limited notice periods.

- **Title and Risk**: Title to the stock is held by the financier, however all risk relating to ownership of the stock resides with the dealership.

- **Undertakings**: The dealerships give various undertakings to the financiers including to maintain possession of the stock, keep the stock in good working order, protect the stock from theft, loss or damage, and not to do anything that reduces the value of the stock.

- **Insurance**: The dealership must maintain various insurance policies to protect the stock.

- **Events of default**: Events such as non-payment by the dealership or the insolvency, and in some cases change of control, of a dealership will allow the financier to repossess the stock and terminate the agreement.

**9.4.3 Franchise Agreements**

Under the Franchise Agreements, various Motorcycle Holdings Group entities obtain the rights to sell motorcycles manufactured by various motorcycle manufacturers. This is a summary only of the typical characteristics of the Franchise Agreements and the terms of the Franchise Agreements can differ on a number of grounds.

The Franchise Agreements are collectively material to Motorcycle Holdings because they provide access to the stock of new and certain used motorcycles the Company sells. The typical terms and conditions of the Franchise Agreements are:

- **Term**: The Franchise Agreements have a range of terms and options periods, although they are generally for a term of 3 years to 6 years (including option periods). A small number of Franchise Agreements are on a month-to-month basis. As Motorcycle Holdings has staggered the terms of its Franchise Agreements, a number of Franchise Agreements are generally up for renewal each year and generally each of the Franchise Agreements with a particular manufacturer or distributor are up for renewal at the same time.
• **Termination**: The Franchise Agreements can generally be terminated by either party for breach of a material term (subject to certain cure rights). In addition, a small number of Franchise Agreements also permit termination by the manufacturer or distributor without cause, or in relation to a distributor, where that distributors’ agreement with the manufacturer is terminated. The manufacturer or distributor party to the Franchise Agreement typically has the right to stop the supply of new motorcycles to the MotorCycle Holdings Group at will. Some (but not all) of the Franchise Agreements grant MotorCycle Holdings the right to exclusively sell motorcycle manufactured by the relevant manufacturer in a designated area.

• **Restrictions**: The Franchise Agreements typically include restrictions on the ability of the MotorCycle Holdings Group to do certain things associated with the retailing of motorcycles. Certain Franchise Agreements:
  - require the involvement of key personnel in MotorCycle Holdings’ business while certain other Franchise Agreements restrict changes to the directors of the MotorCycle Holdings Group member party to the relevant Franchise Agreement.
  - typically restrict the ability to sell new motorcycles manufactured by multiple manufacturers at the same premises, although the MotorCycle Holdings Group seeks to manage its dealership and franchisee entities so that it can sell a range of new motorcycles manufactured by multiple manufacturers whilst complying with the Franchise Agreements.
  - also typically restrict the sale of motorcycles manufactured from unauthorised premises without consent. These restrictions may restrict MotorCycle Holdings’ ability to expand its dealership network to new locations.
  - may restrict the ability of the franchisee to advertise new motorcycles online or may restrict the way in which the franchisee displays new motorcycles in dealerships.

• **Parties**: MotorCycle Holdings generally enters into Franchise Agreements on a dealership by dealership basis. Consequently, a number of MotorCycle Holdings Group members are party to a single Franchise Agreement and a number of MotorCycle Holdings Group members are party to multiple Franchise Agreements.

Each of the manufacturers and distributors which are party to a Franchisee Agreement have consented to the Listing.

### 9.5 Description of the syndicate

Morgans Corporate Limited, is Lead Manager to the Offer.

### 9.6 Foreign and other ownership restrictions

#### 9.6.1 Foreign ownership restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful.

#### 9.6.2 New Zealand Selling Restriction

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.6.3 Hong Kong selling restriction

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.6.4 Singapore selling restriction

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.6.5 Other ownership restrictions

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in contribution with others). This Section 9.6.5 contains a general description of these laws.

9.6.5.1 Foreign Acquisitions and Takeovers Act 1975 (Cth) and Australian Government Foreign Investment Policy

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (Substantial
Interest), or 40% or more by two or more unassociated foreign persons and their associates (Aggregate Substantial Interest).

Where an acquisition of a Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government’s Foreign Investment Policy (Policy) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, acquisitions of a direct investment in a company by foreign government investors and their associates must be notified to the Foreign Investment Review Board for prior approval, irrespective of the value of the investment. A direct investment will typically include any investment of 10% or more of the shares (or other securities or equivalent interest or voting power) in a company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target.

9.6.5.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer’s (or another party’s) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in MotorCycle Holdings either themselves or through an associate.

9.7 ASX listing, registries and holding statements

9.7.1 Application to ASX for listing and quotation of shares

MotorCycle Holdings has applied to the ASX for admission to the Official List of the ASX and quotation of Shares (under the code ‘MTO’).

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit MotorCycle Holdings to the Official List of the ASX is not to be taken as an indication of the merits of MotorCycle Holdings or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by MotorCycle Holdings will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

MotorCycle Holdings will be required to comply with the ASX Listing Rules, subject to any waivers obtained by MotorCycle Holdings from time to time.

9.7.2 CHESS and issuer sponsored holdings

MotorCycle Holdings has applied to participate in the ASX’s Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.
Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been issued or transferred to them. This statement will also provide details of a Shareholder’s Holder Identification Number (HIN) for CHESS holders or, where applicable, the Shareholder Reference Number (SRN) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder’s sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. MotorCycle Holdings and the Share Registry may charge a fee for these additional issuer sponsored statements.

9.8 Legal proceedings

So far as the Directors are aware, other than as described elsewhere in this Prospectus, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which MotorCycle Holdings is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of MotorCycle Holdings.

9.9 Taxation considerations

This section does not constitute financial product advice as defined in the Corporations Act 2001 and is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments. The partnership of Ernst & Young is not required to hold an Australian Financial Services Licence under the Corporations Act 2001 to provide you with this taxation advice. We have not caused and take no responsibility for the publication of any part of the Prospectus in which this section appears, other than this section itself.

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor’s specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors. These comments do not apply to non-resident investors, investors that hold Shares on revenue account or as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 which have made certain elections (i.e. to apply the fair value or reliance on financial reports methodologies.)

9.9.1 Dividends paid on Shares

9.9.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation
entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor’s taxable income. Where the tax offset exceeds the tax payable on the investor’s taxable income, the investor should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received (with no tax offset).

9.9.2 Corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income.

Corporate investors are then entitled to a tax offset up to the amount of the franking credit attached to the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credits attached to the distribution received. This will allow the corporate investor to pass on the franking credits to its investor(s) on the subsequent payment of franked dividends.

Excess franking credits received by corporate investors will not give rise to a refund entitlement for a company, but can be converted into carry forward tax losses instead.

9.9.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the net income of the trust or partnership.

9.9.4 Shares held at risk

The benefit of franking credits can be denied where an investor is not a ‘qualified person’, in which case the investor will not need to include the amount of the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a ‘qualified person’, two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold Shares ‘at risk’ for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

There are specific integrity rules that prevent taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of ‘dividend washing’ arrangements. Shareholders should consider the impact of these rules given their own personal circumstances.
9.9.5 Disposal of Shares

Most Australian resident investors will be subject to Australian CGT on the disposal of their Shares. Some investors may hold their Shares on revenue account as trading stock, or be subject to the Taxation of Financial Arrangements regime. These investors should seek their own professional advice in respect of the consequences of a disposal of shares.

An investor will derive a capital gain on the disposal of Shares where the capital proceeds received on disposal exceed the CGT cost base of the Shares. The CGT cost base of the Shares is broadly the amount paid to acquire the Shares plus any transaction/incidental costs.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33⅓%. In relation to trusts, the CGT discount rules are complex, but the discount may flow through to presently entitled beneficiaries of the trust.

An investor will incur a capital loss on the disposal of their particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, subject to the comments below, included in the investor’s assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

9.9.6 Tax file numbers

An investor is not required to quote their tax file number (‘TFN’) to the Company. However, if TFN (or certain exemption details) are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor who holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

9.9.7 Stamp duty

No stamp duty should be payable by investors on the acquisition of Shares.

Investors should seek their own tax advice as to the impact of stamp duty in their own particular circumstances.

9.9.8 Australian goods and services tax (‘GST’)

The acquisition, redemption or disposal of the Shares by an Australian resident (registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses incurred relating to the acquisition, redemption or disposal of the Shares (e.g. lawyers’ and accountants’ fees).

Investors should seek their own tax advice on the impact of GST in their own particular circumstances.

9.10 Consent to be named and statement of disclaimers of responsibility

Each of the parties listed in this Section (each a consenting party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no
responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Morgans Corporate Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Lead Manager to the Offer in the form and context in which it is named;

- King & Wood Mallesons has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal advisor (other than in relation to taxation matters) to MotorCycle Holdings in relation to the Offer in the form and context in which it is named;

- Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to MotorCycle Holdings in relation to the Financial Information in the form and context in which it is named and to the inclusion in this Prospectus of its Investigating Accountants Report on set out in Section 8;

- Deloitte Touche Tohmatsu has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as auditor to MotorCycle Holdings in the form and context in which it is named;

- Ernst & Young has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as tax advisor to MotorCycle Holdings in relation to the Offer in the form and context in which it is named;

- L.E.K. Consulting has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named; and

- Computershare Investor Services Pty Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to MotorCycle Holdings.

No entity or person referred to above in this Section 9.10 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 9.10 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 9.10.

9.11 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

9.12 Statement of directors

This Prospectus has been authorised by each Director of MotorCycle Holdings who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent.
9.13 ASX and ASIC waivers, relief and confirmations

9.13.1 ASIC exemptions and relief
MotorCycle Holdings has applied for relief from ASIC in relation to the Offer so that the takeovers provisions of the Corporations Act will not apply to certain relevant interests that MotorCycle Holdings would otherwise acquire in those Shares held by Escrowed Shareholders by reason of the escrow arrangements in relation to those Shares.

9.13.2 ASX confirmations
MotorCycle Holdings has applied for standard confirmations in connection with its application to the ASX for admission to the Official List. MotorCycle Holding has also applied for a waiver of Listing Rule 10.1 to the extent necessary to permit the MotorCycle Holdings Group not to seek Shareholder approval in relation to the excercise of any option to renew a lease for which David Ahmet or Kenlake Pty Ltd is the landlord.

9.14 Description of Shares

9.14.1 Introduction
The rights and liabilities attaching to ownership of Shares are detailed in the Constitution and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive and is qualified by the full terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that MotorCycle Holdings is admitted to the Official List of the ASX.

9.14.2 Voting at a general meeting
At a general meeting of MotorCycle Holdings, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid shares). The chairman of the meeting is not entitled to a casting vote.

9.14.3 Meetings of Shareholders
Each Shareholder is entitled to receive notice of, attend and vote at general meetings of MotorCycle Holdings and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

MotorCycle Holdings must give at least 28 days’ written notice of a general meeting.

9.14.4 Dividends
Subject to the Corporations Act, the Constitution and the terms of issue or rights of any Shares with special rights to dividends, the Board may from time to time determine that a dividend is payable, fix the amount of the dividend, the timing of payment of the dividend and method of payment of the dividend. A dividend may only be paid in accordance with the Corporations Act.

For further information in respect of MotorCycle Holdings’ proposed dividend policy, see Section 4.9.

9.14.5 Transfer of Shares
Subject to the Constitution and the ASX Listing Rules, Shares may be transferred by:

• a proper transfer effected in accordance with the ASX Settlement Operating Rules; or
The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

**9.14.6 Issue of further Shares**

Subject to the Corporations Act, ASX Listing Rules and any rights and restrictions attached to Shares, the Board has full discretion to issue, allot and cancel or otherwise dispose of Shares, grant options over unissued Shares and settle the manner in which fractions of a Share are to be dealt with.

**9.14.7 Winding up**

If MotorCycle Holdings is wound up, the liquidator may, with the sanction of a special resolution of Shareholders, divide among Shareholders in kind the whole or any part of MotorCycle Holdings’ property, set the value of that property that the liquidator considers fair and determine how the division is to be carried out between Shareholders or different classes of Shareholders.

**9.14.8 Unmarketable parcels**

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

**9.14.9 Share buy-backs**

Subject to the Corporations Act and ASX Listing Rules MotorCycle Holdings may buy back Shares in itself on terms and at times determined by the Board.

**9.14.10 Variation of class rights**

Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of MotorCycle Holdings is divided into different class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

**9.14.11 Conversion or reduction of share capital**

Subject to the Corporations Act, MotorCycle Holdings may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting or with the written consent of all members entitled to vote on the matter.

MotorCycle Holdings may reduce its share capital in any way permissible by the Corporations Act.

**9.14.12 Preference shares**

MotorCycle Holdings may issue preference shares including preference shares which are, or at the option of MotorCycle Holdings or holder are, liable to be redeemed or convertible to Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of MotorCycle Holdings.
9.14.13 Dividend reinvestment plans
Subject to the ASX Listing Rules, the Constitution authorises the Directors, on any terms and conditions they think fit, to establish a dividend reinvestment plan (under which any Shareholder or any class of Shareholders may elect that the dividends payable by MotorCycle Holdings be reinvested by a subscription for shares in MotorCycle Holdings).

Under the Constitution, MotorCycle Holdings will have at least three Directors, unless otherwise provided by the Corporations Act and the maximum is fixed by the Directors but may not be more than 10 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of MotorCycle Holdings. Retirement will occur on a rotational basis so that any Director who has held office for more than three years or past the third annual general meeting following their appointment or last election (excluding any chief executive officer) faces re-election. The Directors may also appoint a Director to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the next annual general meeting of MotorCycle Holdings and is then eligible for election at that meeting.

9.14.15 Directors – voting
Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter.

9.14.16 Indemnities
MotorCycle Holdings, to the maximum extent permitted by the Corporations Act, may indemnify any current or former Director, or officer, of MotorCycle Holdings or its subsidiaries against any liability incurred by that person in that capacity, including certain legal costs.

MotorCycle Holdings, to the fullest extent permitted by the Corporations Act, may enter into and pay premiums on a contract insuring any current or former Director, or officer, of MotorCycle Holdings or its subsidiaries against any liability incurred by that person in that capacity, including legal costs.

Under the Constitution, MotorCycle Holdings may provide indemnification and may obtain insurance for each Director, or officer, of MotorCycle Holdings or its subsidiaries during their period of office and for a certain period after the person ceases to be a Director, or officer, of MotorCycle Holdings or its subsidiaries.

MotorCycle Holdings has entered into deeds of access and indemnity with each. These are summarised above in Section 6.3.2.3.

9.14.17 Powers and duties of Directors
The Board is responsible for overseeing the proper management of the business of MotorCycle Holdings, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within MotorCycle Holdings' power (that are not required by law or by the Constitution to be exercised by MotorCycle Holdings in general meeting).

9.14.18 Amendments
The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of MotorCycle Holdings.
9.15 Other additional information

9.15.1 Potential effect of the fundraising on the future of MotorCycle Holdings

The Directors believe that on Completion, MotorCycle Holdings will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the MotorCycle Holdings’ stated business objectives.

9.15.2 Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to MotorCycle Holdings and SaleCo through the Share Registry, which is contracted by MotorCycle Holdings and SaleCo to manage Applications. MotorCycle Holdings, SaleCo and the Share Registry on behalf of MotorCycle Holdings and SaleCo, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, MotorCycle Holdings, SaleCo and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by MotorCycle Holdings, which it considers may be of interest to you.

Your personal information may also be provided to MotorCycle Holdings’ members, agents and service providers on the basis that they deal with such information in accordance with MotorCycle Holdings’ privacy policy and applicable laws. The members, agents and service providers of MotorCycle Holdings may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisors for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires MotorCycle Holdings to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in MotorCycle Holdings’ Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in MotorCycle Holdings’ Shareholder register is also used to facilitate dividend payments and corporate communications (including MotorCycle Holdings’ financial results and annual reports and other information that MotorCycle Holdings may wish to communicate to its Shareholders) and compliance by MotorCycle Holdings with legal and regulatory requirements. An Applicant has a right to gain access to the information that MotorCycle Holdings and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to MotorCycle Holdings’ registered office or the Share Registry’s office, details of which are disclosed in the Corporate Directory on the inside back cover of this Prospectus. Applicants can obtain a copy of MotorCycle Holdings’ privacy policy by visiting MotorCycle Holdings’ website at www.mcholdings.com.au.
You may request access to your personal information held by or on behalf of MotorCycle Holdings and you may correct the personal information held by or on behalf of MotorCycle Holdings about you. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

9.15.3 Photographs and diagrams
Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by MotorCycle Holdings. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

9.15.4 MotorCycle Holdings’ website
Any references to documents included on MotorCycle Holdings’ website at www.mcholdings.com.au are for convenience only, and none of the documents or other information available on MotorCycle Holdings’ website is incorporated into this Prospectus by reference.
SIGNIFICANT ACCOUNTING POLICIES
APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation of the Financial Information in Section 4.

Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated at the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquitted and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 ‘Income Taxes’ and AASB 119 ‘Employee Benefits’ respectively.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Principles of consolidation
The consolidated financial information incorporates the financial information of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
is exposed, or has rights, to variable returns from its involvement with the investee; and
• has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

A list of these controlled entities is contained in Section 9.3 of this Prospectus.

Operating segments
Operating segments have been identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Management have deemed that there is only one operating segment in the Company that being the sale of motorcycles and related parts, accessories, service, finance and insurance. Information reported to the Company’s Chief Executive Officer for the purposes of resource allocation is based on one operating segment.

Inventories
New motorcycles are stated at the lower of cost and net realisable value. Demonstrator motorcycles are stated at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification.

Used motorcycles are stated at the lower of cost and net realisable value on a unit by unit basis. Net realisable value has been determined by reference to the likely net realisable value given the age of the motorcycle at year end. Costs are assigned on the basis of specific identification.

Spare parts and accessories are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost.

Work in progress is stated at cost. Cost includes labour incurred to date and consumables utilised during the service. Costs are assigned to individual customers on the basis of specific identification.

Plant and equipment

i. Plant and equipment

Plant and equipment is measured initially at cost. Costs include all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset’s useful life, including restoration, rehabilitation and decommissioning costs (make good costs).

The following useful lives are used in the calculation of depreciation:

- Plant and equipment: 3-15 Years
- Furniture and fittings: 3 -15 years
- Motor vehicles: 4 - 8 years

The carrying amount of plant and equipment is reviewed annually by directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.
ii. Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

The make good provision is capitalised as leasehold improvements and amortised over the term of the lease.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company’s cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for the goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Financial instruments

Financial assets and financial liabilities are recognised on the company’s statement of financial position when the company becomes a party to the contractual provisions of the instrument.

i. Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

ii. Financial liabilities and equity

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in
the assets of the company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

iii. Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

iv. Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

v. Motorcycle stock and related bailment

Motorcycles secured under bailment plans are provided to the company under a bailment agreement between the floorplan loan provider and the company. The company obtains title to the motorcycles immediately prior to sale.

Motorcycles financed under bailment plan held by the company are treated as trading stock with the corresponding liability shown as owing to the floorplan provider.

vi. Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is determined based on market expectations of future interest rates.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

**Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

i. **Provision for warranties**

Provision is made in respect of the Company’s estimated liability on all products and services under warranty at balance sheet date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Company’s history of warranty claims.

**Taxes**

i. **Income tax**

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the notional income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted in Australia for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.
Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

ii. Goods and services tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or is part of the expense item as applicable; and

- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Revenue

i. Sales revenue

Revenue from sale of goods is recognised when the buyer has accepted the risks and rewards of ownership by taking delivery of the goods.

ii. Service revenue

Service work on customers’ motorcycles is carried out under instruction from the customer. Service revenue is recognised upon completion of the work requested. The percentage completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for the service to be performed. Revenue arising from the sale of parts fitted to customers’ motorcycles during service is recognised upon delivery of the fitted parts to the customer upon completion of the service.

iii. Interest revenue

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable to the financial asset.

iv. Finance and Insurance revenue

Finance and insurance revenue is recognised when the right to receive finance and insurance revenue has been established. Other revenue is recognised when the right to receive the revenue has been established.

v. Unearned Income

Unearned income represents amounts received or receivable from suppliers in respect of motorcycles in stock at the year-end or contracted exclusivity bonuses. These amounts are progressively brought to income as the motorcycles are sold or as per the terms of the contract.

Finance costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:
• interest on bank overdrafts, short and long-term borrowings
• interest on motorcycle bailment arrangements
• amortisation of ancillary costs incurred in connection with the arrangement of borrowings

**Leased assets**
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**Dividends**
Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

**Critical accounting estimates and judgements**
The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

i. **Estimated impairment of goodwill and other intangibles with indefinite useful lives**
Goodwill and other intangibles with indefinite useful lives are tested annually for impairment, based on estimates made by directors. The recoverable amount of the intangibles is based on the greater of ‘Value in use’ or ‘Fair value less costs to dispose’. Value in use is assessed by the directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and cost of capital. Fair value less costs to dispose is assessed by the directors based on their knowledge of the industry and recent market transactions.

ii. **Provisions for warranties**
A provision for warranties has been recognised for extended warranties provided for the Company’s retail new and used vehicle sales. This provision has been estimated based on past experience and confirmation of future costs by the administrators of the warranty programmes.

iii. **Discount rate used to determine the carrying amount of the Company’s employee benefits obligation**
The Company’s employee benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.
## APPENDIX B: GLOSSARY

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H</td>
<td>first half of the relevant financial year</td>
</tr>
<tr>
<td>1H15</td>
<td>the financial half year ended 31 December 2015</td>
</tr>
<tr>
<td>1H16</td>
<td>the financial half year ended 31 December 2016</td>
</tr>
<tr>
<td>2H</td>
<td>second half of the relevant financial year</td>
</tr>
<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
</tr>
<tr>
<td>Allotment Date</td>
<td>the date MotorCycle Holdings anticipates the Shares will be allotted and issued to applicants</td>
</tr>
<tr>
<td>Applicant</td>
<td>a person who submits an Application</td>
</tr>
<tr>
<td>Application</td>
<td>an application made to subscribe for Shares offered under this Prospectus</td>
</tr>
<tr>
<td>Application Form</td>
<td>the application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)</td>
</tr>
<tr>
<td>Application Monies</td>
<td>the amount of money accompanying an Application Form submitted by an Applicant</td>
</tr>
<tr>
<td>Archer Growth Fund</td>
<td>means the constituent entity of the fund known as Archer Capital Growth Fund 1 which is a shareholder in MotorCycle Holdings, being Archer Capital VCLP GF 1, LP (ILP000000015)</td>
</tr>
<tr>
<td>Archer Growth Funds</td>
<td>Archer Growth Funds, acting through the Archer Growth Fund</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
</tr>
<tr>
<td>ASX</td>
<td>Australian Securities Exchange</td>
</tr>
<tr>
<td>ASX Listing Rules or Listing Rules</td>
<td>the rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list as amended, varied or waived from time to time</td>
</tr>
<tr>
<td>ASX Principles</td>
<td>the 3rd edition of the ASX Corporate Governance Principles and Recommendations developed and released by the ASX Corporate Governance Council</td>
</tr>
<tr>
<td>ASX Settlement Operating Rules</td>
<td>the settlement rules of the ASX as amended, varied or waived from time to time</td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
</tr>
<tr>
<td>AUD, A$ or $</td>
<td>Australian dollar</td>
</tr>
<tr>
<td>Australian Accounting Standards</td>
<td>Accounting Standards as defined in the Corporations Act 2001</td>
</tr>
</tbody>
</table>
**Bailment Agreements**
the bailment agreements between MotorCycle Holdings Group entities and certain financiers which allow MotorCycle Holdings dealerships to finance their stock of new and certain used motorcycles

**Board**
the board of directors

**Broker**
any ASX participating organisation selected by the Lead Manager and MotorCycle Holdings to act as a broker to the Offer

**Broker Firm Offer**
the offer of Shares under this Prospectus to eligible Australian resident retail clients of participating Brokers who receive an invitation to apply for Shares from their Broker and are not in the United States or a US person

**Business Day**
has the meaning given in the Listing Rules

**CAGR**
compound annual growth rate

**CGT**
capital gains tax

**CHESS**
Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules

**Chief Executive Officer**
the chief executive officer of MotorCycle Holdings, David Ahmet

**Chief Financial Officer**
the chief financial officer of MotorCycle Holdings, Bob Donovan

**Closing Date**
the date on which the Broker Firm Offer is expected to close, being Wednesday, 20 April 2016. This dates may be varied without prior notice

**Company**
MotorCycle Holdings Ltd (ABN 29 150 386 995)

**Completion**
the completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer

**Constitution**
the constitution of MotorCycle Holdings

**Corporations Act**
Corporations Act 2001 (Cth)

**Directors**
each of the directors of MotorCycle Holdings from time to time

**Deloitte Corporate Finance**
Deloitte Corporate Finance Pty Limited (ACN 003 833 127)

**EBIT**
EBITDA less depreciation and amortisation expenses

**EBITDA**
earnings before interest accrued on corporate debt, tax, depreciation and amortisation expenses (accrued interest cost associated with bailment finance facilities is reported within EBITDA)

**Escrowed Management Shareholders**
means David Ahmet, Chris Chenoweth and affiliates of David Ahmet, Bob Donovan, Mike Cooksley and Shane Musgrove

**Escrowed Shareholders**
means the Archer Growth Fund and the Escrowed Management Shareholders
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrowed Shares</td>
<td>means the Shares held by Escrowed Shareholders subject to the voluntary escrow arrangements, as described in Section 7.7</td>
</tr>
<tr>
<td>Existing Shareholders</td>
<td>those persons holding Shares immediately prior to Completion, which includes:</td>
</tr>
<tr>
<td></td>
<td>• Kenlake Pty Limited (ACN 075 880 867);</td>
</tr>
<tr>
<td></td>
<td>• David Hedley Ahmet;</td>
</tr>
<tr>
<td></td>
<td>• the Archer Growth Fund;</td>
</tr>
<tr>
<td></td>
<td>• Matthew Duane Foxwell and Suzanne Margaret Foxwell;</td>
</tr>
<tr>
<td></td>
<td>• Robert John Donovan and Corina Lee Troy;</td>
</tr>
<tr>
<td></td>
<td>• Robert Bruce Tinlin;</td>
</tr>
<tr>
<td></td>
<td>• Shane Raymond Musgrove;</td>
</tr>
<tr>
<td></td>
<td>• Karen Ann Cooksley;</td>
</tr>
<tr>
<td></td>
<td>• Christopher Andrew Chenoweth; and</td>
</tr>
<tr>
<td></td>
<td>• Martin John Pocock and Michelle June Hackett.</td>
</tr>
<tr>
<td>Expiry Date</td>
<td>has the meaning given in the Important Notices</td>
</tr>
<tr>
<td>Exposure Period</td>
<td>the seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted</td>
</tr>
<tr>
<td>Financial Information</td>
<td>has the meaning given in Section 4</td>
</tr>
<tr>
<td>Financial Services Guide</td>
<td>has the meaning given in the Important Notices</td>
</tr>
<tr>
<td>Fiscal Year or FY</td>
<td>year to 30 June</td>
</tr>
<tr>
<td>Forecast Financial Information</td>
<td>has the meaning given in Section 4</td>
</tr>
<tr>
<td>Franchise Agreements</td>
<td>the franchise agreements between MotorCycle Holdings Group entities and the manufacturers and distributors of motorcycles</td>
</tr>
<tr>
<td>FY13</td>
<td>the financial year ended 30 June 2013</td>
</tr>
<tr>
<td>FY14</td>
<td>the financial year ended 30 June 2014</td>
</tr>
<tr>
<td>FY15</td>
<td>the financial year ended 30 June 2015</td>
</tr>
<tr>
<td>FY16 Forecast</td>
<td>the Forecast Financial Information for FY16</td>
</tr>
<tr>
<td>GST</td>
<td>has the meaning given in A New Tax System (Goods and Services Tax) Act 1999 (Cth)</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>Historical Financial Information</td>
<td>has the meaning given in Section 4</td>
</tr>
</tbody>
</table>
Institutional Investor

an investor:

- in Australia who is a “wholesale client” for the purposes of section 761G of the Corporations Act and who is either a “professional investor” or “sophisticated investor” under sections 708(11) and 708(8) of the Corporations Act;
- in New Zealand who is a wholesale investor within the meaning of clause 3(2) or 3(3)(a) of Schedule 1 of the FMC Act; or
- in certain other jurisdictions, as agreed between MotorCycle Holdings and the Lead Manager, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which MotorCycle Holdings and SaleCo are willing, in their absolute discretion, to comply),

provided that in either case such investors are not in the United States or a US person.

Institutional Offer

the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.4

Investigating Accountant

Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127)

Lead Manager

Morgans Corporate Limited (ABN 32 010 539 607)

Listing

the admission of MotorCycle Holdings to the official list of the ASX and quotation of the Shares on the ASX and commencement of unconditional trading of Shares on ASX

Management Shareholders

means:

- Matthew Duane Foxwell and Suzanne Margaret Foxwell;
- Robert John Donovan and Corina Lee Troy;
- Robert Bruce Tinlin;
- Shane Raymond Musgrove;
- Karen Ann Cooksley;
- Christopher Andrew Chenoweth; and
- Martin John Pocock and Michelle June Hackett.

MotorCycle Holdings Group

MotorCycle Holdings and its subsidiaries

MotorCycle Holdings

MotorCycle Holdings Ltd (ABN 29 150 386 995)

MTO

expected ASX code for MotorCycle Holdings

New Banking Facilities

the new facilities available to MotorCycle Holdings, as described in section 9.5.2
<table>
<thead>
<tr>
<th><strong>New Shareholders</strong></th>
<th>persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Shares</strong></td>
<td>the new Shares to be issued by MotorCycle Holdings under the Offer</td>
</tr>
<tr>
<td><strong>NPAT</strong></td>
<td>net profit after tax</td>
</tr>
<tr>
<td><strong>Offer</strong></td>
<td>the offer under this Prospectus of New Shares for issue by MotorCycle Holdings and of the transfer of Shares by SaleCo</td>
</tr>
<tr>
<td><strong>Offer Period</strong></td>
<td>the period from the Opening Date and ending on the Closing Date</td>
</tr>
<tr>
<td><strong>Offer Price</strong></td>
<td>$2.00 per Share</td>
</tr>
<tr>
<td><strong>Official List</strong></td>
<td>the official list of the ASX</td>
</tr>
<tr>
<td><strong>Official Quotation</strong></td>
<td>official quotation of securities by ASX</td>
</tr>
<tr>
<td><strong>Opening Date</strong></td>
<td>the date on which the Broker Firm Offer opens</td>
</tr>
<tr>
<td><strong>Pro Forma Forecast Financial Information</strong></td>
<td>has the meaning given in section 4.1(d)</td>
</tr>
<tr>
<td><strong>Prospectus</strong></td>
<td>this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document</td>
</tr>
<tr>
<td><strong>Prospectus Date</strong></td>
<td>the date on which a copy of this Prospectus was lodged with ASIC, being Wednesday, 23 March 2016</td>
</tr>
<tr>
<td><strong>Regulation S</strong></td>
<td>Regulation S under the US Securities Act</td>
</tr>
<tr>
<td><strong>Redeemable Preference Shares</strong></td>
<td>a fully paid redeemable preference share in the capital of MotorCycle Holdings</td>
</tr>
<tr>
<td><strong>SaleCo</strong></td>
<td>Motorcycles SaleCo Ltd ACN 611 224 090</td>
</tr>
<tr>
<td><strong>Selling Shareholder</strong></td>
<td>the Archer Growth Fund who has agreed to sell some or all of its Shares to SaleCo</td>
</tr>
<tr>
<td><strong>Settlement</strong></td>
<td>means settlement in respect of the Shares the subject of the Offer, occurring under the Underwriting Agreement</td>
</tr>
<tr>
<td><strong>Share</strong></td>
<td>a fully paid ordinary share in the capital of MotorCycle Holdings</td>
</tr>
<tr>
<td><strong>Share Registry</strong></td>
<td>Computershare Investor Services Pty Limited (ACN 078 279 277)</td>
</tr>
<tr>
<td><strong>Shareholder</strong></td>
<td>a holder of a Share</td>
</tr>
<tr>
<td><strong>Statutory Forecast Financial Information</strong></td>
<td>has the meaning given in section 4.1(c)</td>
</tr>
<tr>
<td><strong>Statutory Historical Financial Information</strong></td>
<td>has the meaning given in section 4.1(a)</td>
</tr>
<tr>
<td><strong>Successful Applicant</strong></td>
<td>an Applicant who is issued or transferred Shares under the Offer</td>
</tr>
<tr>
<td><strong>Sydney Time</strong></td>
<td>Australian Eastern Daylight Time (AEST)</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td><strong>Underwriting Agreement</strong></td>
<td>means the underwriting agreement dated on or around the date of the Prospectus between the Lead Manager, MotorCycle Holdings and SaleCo (and as described in section 9.5.1)</td>
</tr>
<tr>
<td><strong>US Securities Act</strong></td>
<td>US Securities Act of 1933, as amended</td>
</tr>
</tbody>
</table>
This Application Form is important. If you are in doubt as to how to deal with it, you should consult your financial, accounting, legal, tax and/or other professional advisers. You should read the entire Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

A I/we apply for

B I/we lodge full Application Money

Number of Shares at $2.00 per Share. Applications must be a minimum of 1,000 Shares ($2,000) or a greater number in multiples of 250 Shares ($500).

C Individual/Joint Applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name

Given Name(s)

Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit

Street Number

Street Name or PO Box/Other information

City/Suburb/Town

State

Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours

F CHESS Participant

Holder Identification Number (HIN)

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

Make your cheque, money order or bank draft payable to Morgans Financial Limited

By submitting this Application Form:

• I/we declare that this Application is complete and lodged according to the Prospectus dated 23 March 2016, and confirm the declarations/statements on the reverse of this Application Form,

• I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and

• I/we make the acknowledgements, declarations, representations and warranties set out in section 7.5 of the Prospectus.

See overleaf for completion guidelines
How to complete this Application Form

A Shares applied for
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 1,000 Shares ($2,000) or a greater number in multiples of 250 Shares ($500). The Offer Price of the Shares is payable in full on Application.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the Offer Price of $2.00 per Share. The minimum amount of Application Monies is $2,000 and Applications for less than this amount may be rejected.

C Applicant Name(s)
Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. CHESS participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
The Company participates in CHESS. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment
Make your cheque, money order or bank draft payable to "Morgans Financial Limited" in Australian currency and cross it "Not Negotiable". Your cheque, money order or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Before completing the Application Form the Applicant(s) should read this Prospectus to which this Application relates. By the Application Form, the Applicant agrees that this Application for Shares in the Company is upon and subject to the terms of the Prospectus and the Constitution of the Company, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application
Application Forms must be received by Morgans Corporate Limited by no later than 5:00pm AEST on the closing date of the offer. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:
Morgans Corporate Limited
GPO Box 202, Brisbane QLD 4001

Neither the Share Registry, Morgans Corporate Limited or the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your Application, please contact your Broker.

Privacy Statement
Personal information is collected on this form by the Share Registry for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Company may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting the Share Registry using the details provided on the front of this form or emailing privacy@computershare.com.au. The Share Registry may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. The Share Registry may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by the Company where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com.au.

Correct forms of registrable title(s)
Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Correct Form of Registration</th>
<th>Incorrect Form of Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual: Use given names in full, not initials</td>
<td>Mr John Alfred Smith</td>
<td>JA Smith</td>
</tr>
<tr>
<td>Company: use the company's full title, not abbreviations</td>
<td>ABC Pty Ltd</td>
<td>ABC P/L or ABC Co</td>
</tr>
<tr>
<td>Joint Holdings: use full and complete names</td>
<td>Mr Peter Robert Williams &amp; Ms Louise Susan Williams</td>
<td>Peter Robert &amp; Louise S Williams</td>
</tr>
<tr>
<td>Trusts: use the trustee(s) personal name(s)</td>
<td>Mrs Susan Jane Smith &lt;Sue Smith Family A/C&gt;</td>
<td>Sue Smith Family Trust</td>
</tr>
<tr>
<td>Deceased Estates: use the executor(s) personal name(s)</td>
<td>Ms Jane Mary Smith &amp; Mr Frank William Smith &lt;Est John Smith A/C&gt;</td>
<td>Estate of late John Smith or John Smith Deceased</td>
</tr>
<tr>
<td>Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation</td>
<td>Mr John Alfred Smith &lt;Peter Smith A/C&gt;</td>
<td>Master Peter Smith</td>
</tr>
<tr>
<td>Partnerships: use the partners personal names</td>
<td>Mr John Robert Smith &amp; Mr Michael John Smith &lt;John Smith and Son A/C&gt;</td>
<td>John Smith and Son</td>
</tr>
<tr>
<td>Long Names</td>
<td>Mr John William Alexander Robertson-Smith</td>
<td>Mr John W A Robertson-Smith</td>
</tr>
<tr>
<td>Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)</td>
<td>Mr Michael Peter Smith &lt;ABC Tennis Association A/C&gt;</td>
<td>ABC Tennis Association</td>
</tr>
<tr>
<td>Superannuation Funds: use the name of the trustee of the fund</td>
<td>Jane Smith Pty Ltd &lt;Super Fund A/C&gt;</td>
<td>Jane Smith Pty Ltd Superannuation Fund</td>
</tr>
</tbody>
</table>
CORPORATE DIRECTORY

Motorcycle Holdings
MotorCycle Holdings Ltd
68 Moss Street
Slacks Creek QLD 4127
www.mcholdings.com.au

Offer Website
www.motorcycleholdingsoffer.com.au

Share Registry
Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
www.computershare.com.au

Lead Manager and Underwriter
Morgans Corporate Limited
Level 21, Aurora Place
88 Phillip Street
Sydney NSW 2000
www.morgans.com.au

Legal Adviser
King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
www.kwm.com

Auditor
Deloitte Touche Tohmatsu
Level 25, Riverside Centre
123 Eagle Street
Brisbane QLD 4000
www.kpmg.com.au

Tax Advisors
Ernst & Young
680 George Street
Sydney NSW 2000
www.ey.com/au

Investigating Accountant
Deloitte Corporate Finance Pty Limited
Level 25, Riverside Centre
123 Eagle Street
Brisbane QLD 4000
www.deloitte.com.au