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ASX announcement

Requirement to obtain ASX Listing Rule 10.1 approval for Pre IPO Related Party Leases

Autosports Group leases several properties from entities related to its founding directors, Ian Pagent and Nick Pagent. Summaries of the material terms of these leases were disclosed in Autosports Group's prospectus in 2016 and in each annual report since listing (Pre IPO Related Party Leases).

ASX Listing Rule 10.1 requires listed entities to obtain shareholder approval to acquire a substantial asset from a related party unless an exception applies. An asset is substantial if its value exceeds 5% of the company's equity interests based on its last set of financial statements lodged with the ASX.

To determine whether a lease is a substantial asset the ASX combines the rent payable over the term of the lease including any options. The ASX also has discretion to aggregate transactions for the purposes of determining whether an asset is substantial. Whilst none of the Pre IPO Related Party Leases qualify as a substantial asset individually (as they do not exceed the 5% of equity interests threshold), in aggregate they do and ASX exercised its discretion in this regard.

Autosports Group obtained a waiver from the ASX at the time of listing in relation to the application of ASX Listing Rule 10.1 to the Pre IPO Related Party Leases. A condition of the waiver was, if ASX Listing Rule 10.1 applied to the Pre IPO Related Party Leases on exercise of the options the company would be required to obtain shareholder approval.

Autosports Group exercised the options to renew the Pre IPO Related Party Leases that expired in June 2021 for a further 5 years on the basis that ASX Listing Rule 10.1 did not apply because of the exception in ASX Listing Rule 10.3 (introduced in December 2019).

ASX Listing Rule 10.3(e) provides that ASX Listing Rule 10.1 does not apply to an agreement to acquire a substantial asset if the agreement was entered into before the company was listed and the company disclosed the existence and material terms of the agreement in its prospectus. As the Pre IPO Related Party Leases were entered into prior to listing and the material terms were disclosed in the prospectus, Autosports Group relied on the exception.

Following consultation with ASX, ASX has formed the view that the exception set out in ASX Listing Rule 10.3(e) cannot be applied retrospectively because the transactions and the prospectus (2016) pre-dated the introduction of the exception in ASX Listing Rule 10.3 (2019). As a result, Autosports Group breached ASX Listing Rule 10.1 when it renewed the Pre IPO Related Party Leases by not obtaining shareholder approval before their renewal in accordance with the waiver.

Autosports Group will resolve the matter by obtaining shareholder approval either at the 2021 AGM or a later date as agreed with the ASX.

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