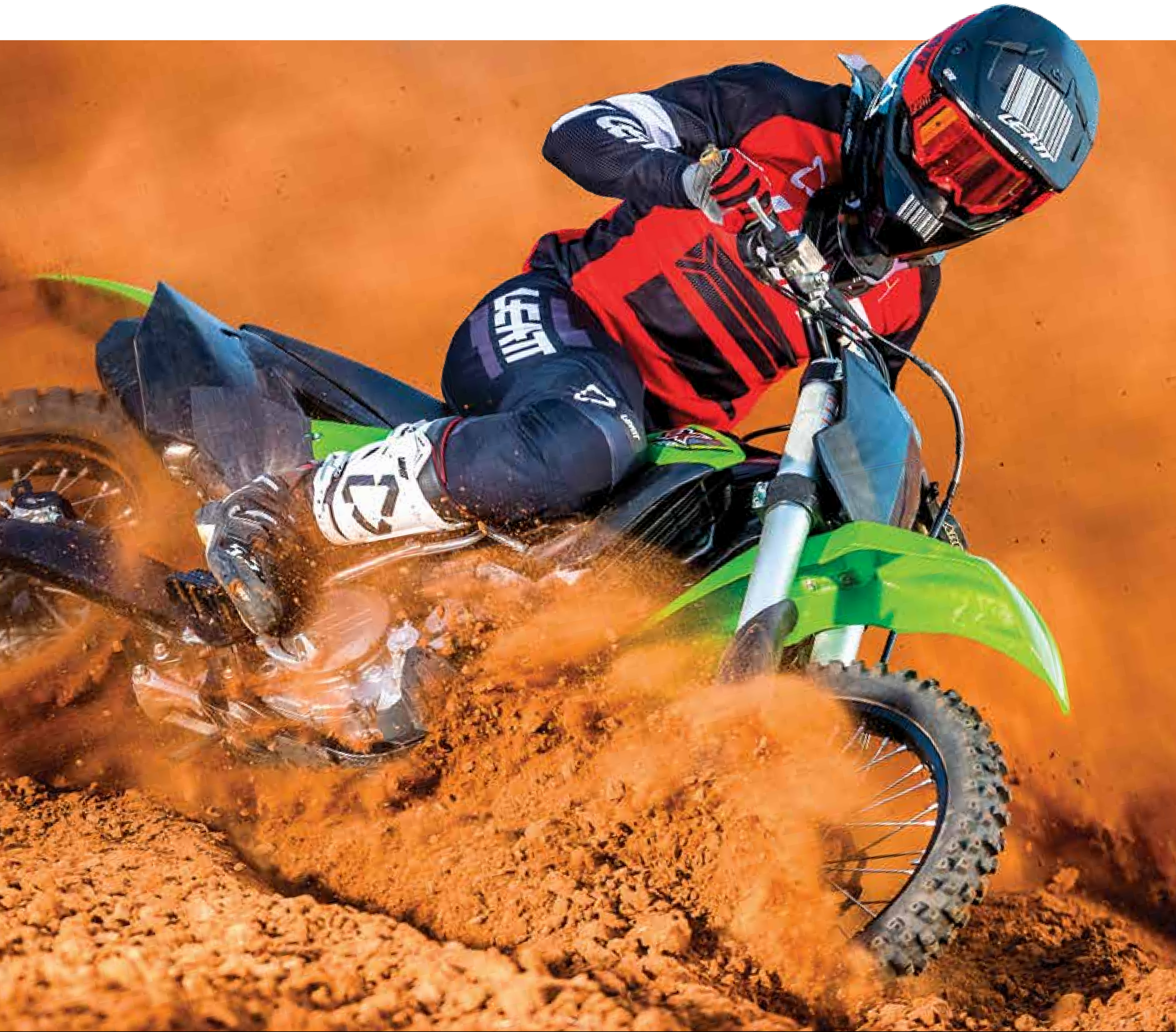
MOTORCYCLE HOLDINGS LIMITED

ANNUAL REPORT

2019



MotorCycle Holdings

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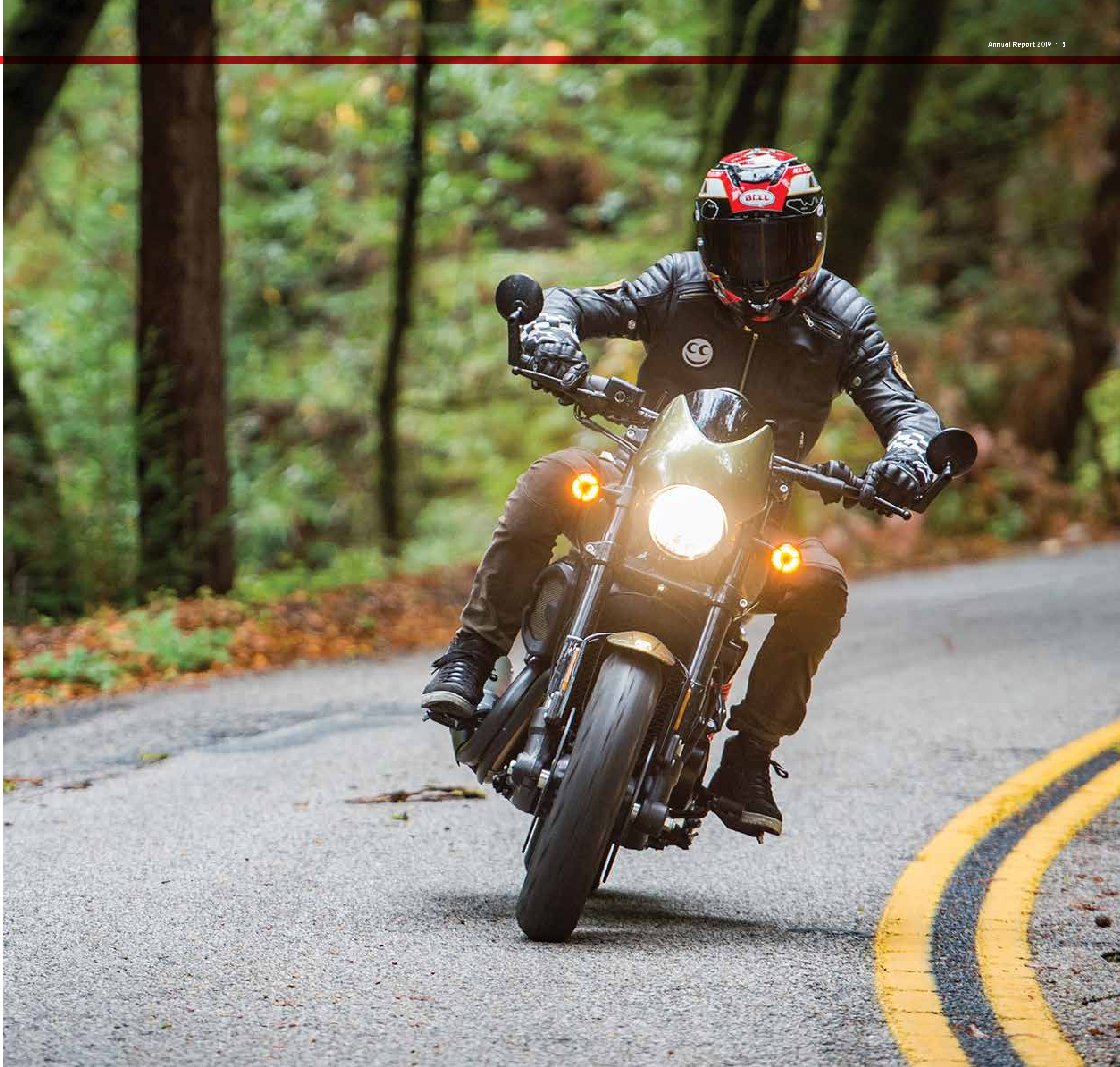


CHAIRMAN'S REPORT

DAVID FOSTER
CHAIRMAN

Dear Shareholder

MotorCycle Holdings has continued to develop its position as the largest motorcycle dealership and accessories group in Australia, with the business delivering a solid performance in what is now widely recognised as very challenging retail and discretionary market conditions.

The company's strategy of growth through acquisitions and organic improvements over the past three years has diversified our revenue streams and strengthened the resilience of the company, which has been a crucial factor in enabling us to withstand the ongoing challenging trading conditions this year.

Today, MotorCycle Holdings operates 30 dealerships and eight retail accessory stores in Queensland, New South Wales, Victoria and the Australian Capital Territory with an Australia wide wholesale accessory distribution business. The company's vertical integration also includes servicing and repairs and finance, insurance and warranty services.

Financial performance for the year was tempered by the challenging market conditions. The company's revenue increased 9% to $329,887,000 (2018: $301,807,000) with solid contributions across each business division although impacted by the market conditions and lower new bike sales.

Net profit after tax (NPAT) decreased 2% to $8,345,000 (2018: $8,539,000). Earnings per share decreased 14% to 13.5 cents per share.

Directors have decided not to declare a final dividend, although the company has $9,175,000 cash at bank, as we believe it is prudent to continue to implement a program of continuing to lower the business' cost structure and reducing debt to enable the company to take advantage of any acquisition opportunities that may arise in the current trading environment.

While there was an overall decline in motorcycle sales across the industry, we increased sales of new and used motorcycles by 4% to 18,536 units for the year ended 30 June 2019 (2018:17,754 units).

We also continued to increase our market share of new motorcycle sales, securing approximately 11% of national new bike sales during the financial year, compared with 10% last year.

During the next 12 months, the company will continue to focus on productivity improvements across the dealer network, and increasing sales and performance across all divisions.

As well, we intend to continue to play a role in restructuring and consolidating the fragmented motorcycle sales industry and take advantage of these weak trading conditions to investigate and pursue potential acquisitions with the goal of further strengthening our operational and geographical footprint.

MotorCycle Holdings' solid performance in this challenging trading environment is an outcome of the management team's agile response to these market conditions and a disciplined focus on improving operational productivity and cost structure and driving sales performance across the network.

We employ more than 700 staff nationally who have been instrumental in delivering this strong performance, while also successfully integrating new dealerships into the business.

I would like to sincerely thank the company's management team and employees for their contribution, as well as our shareholders and customers for their continued support.

David Foster
Chairman

RESULTS AND OPERATIONAL OVERVIEW

1

Sales revenue of $330 million, up 9%

2

Total motorcycles sales 18,536 units, up 4%

Market share increased from 10% to 11%

3

New motorcycles revenue down 4%

Used motorcycles revenue up 16%

4

Retail accessories & parts revenue up 15%

Servicing & repair revenue up 8%

Finance, insurance & warranty income down 9%

5

Australia's largest motorcycle dealership and accessories group – 30 dealerships & 8 MCA accessory stores

Australia wide wholesale distribution of accessories

6

Resilient business model with strong OEM relationships selling 13 top motorcycle brands

Substantial growth opportunities through organic initiatives and acquisitions in fragmented industry

MANAGING DIRECTOR'S REPORT

DAVID AHMET
MANAGING DIRECTOR

It has been another year of milestones for MotorCycle Holdings.

The financial year was characterised by very challenging trading conditions, however the company performed well in the context of the broader ongoing downturn in the retail discretionary market.

We achieved a steady performance in the year to 30 June 2019, with motorcycle sales and revenue growth, primarily due to the acquisition of Cassons and expansion of our dealership network.

FINANCIAL RESULTS

Net profit after tax (NPAT) decreased 2% to $8,345,000 (2018: $8,539,000). These results were achieved on revenue increasing 9% to $329,887,000 (2018: $301,807,000).

While motorcycle sales were down across the industry, the company increased overall motorcycle sales by 4% to 18,536 units for the year ended 30 June 2019 (2018: 17,754 units).

Comparable store sales declined by 9% over the year.

NEW MOTORCYCLES

New motorcycle sales decreased 1% to 9,468 units (2018: 9,575 units), the company's performance compared well compared to the national market which experienced a decline in new motorcycle sales of approximately 11%.

USED MOTORCYCLES

Used motorcycles sales increased 11% to 9,068 units (2018: 8,179 units).

RETAIL ACCESSORIES AND PARTS

In other divisions of the Company, we grew Retail Accessories and Parts revenue by 15%.

SERVICE DEPARTMENTS

Revenue in the Servicing and Repair division increased 8%.

FINANCE AND INSURANCE

Finance, Insurance and Warranty revenue decreased 9% as a consequence of general insurance companies changing their premiums and commission rates after the ASIC review last year and the adoption of new accounting standard AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. We expect this division's performance to improve in this forthcoming financial year.

MEETING THE MARKET'S CHALLENGES

The company's strategy of growth through acquisitions has diversified our revenue streams and strengthened the resilience of the company, which has been a crucial factor in enabling us to withstand the current and ongoing, challenging trading conditions.

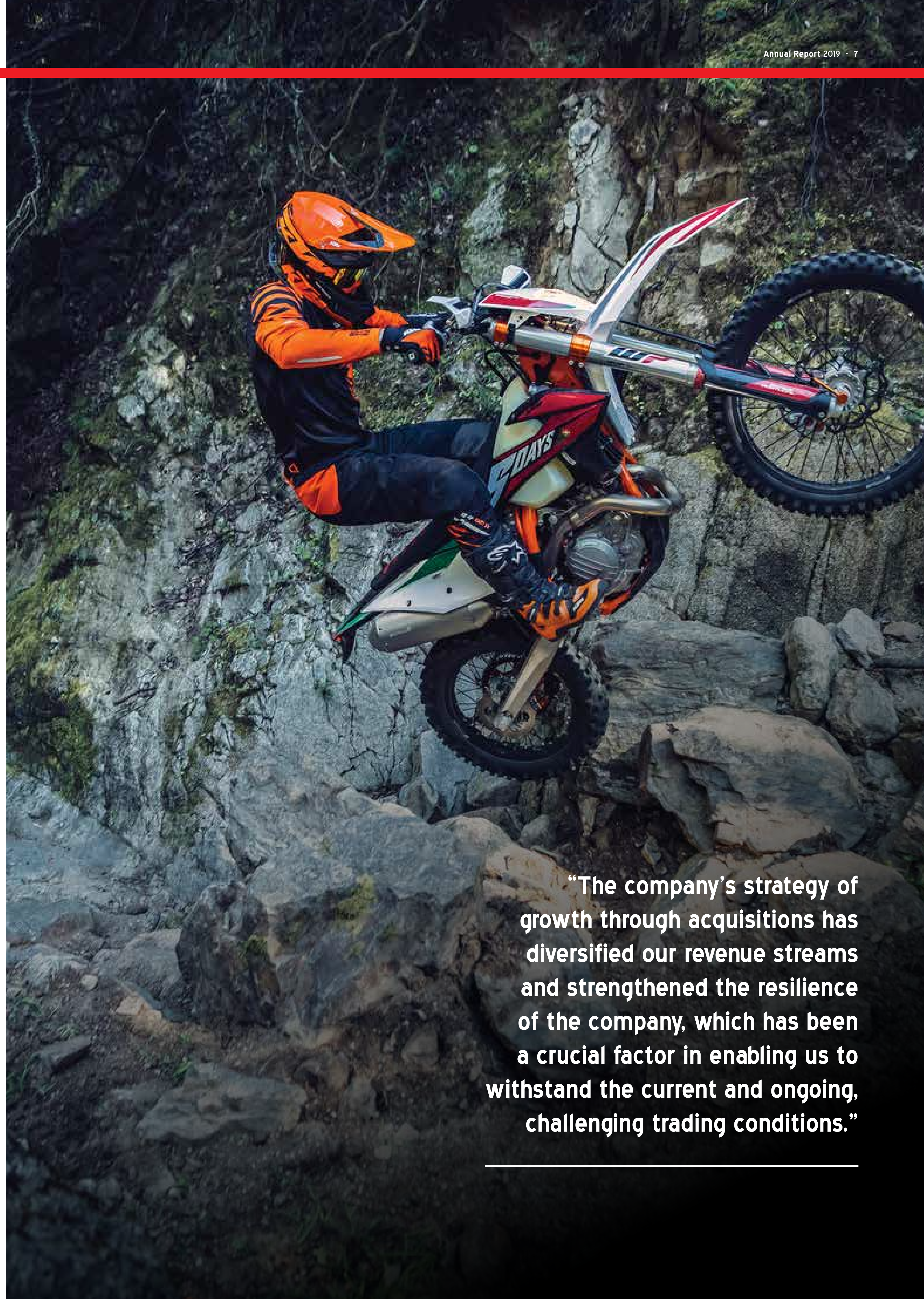
We responded quickly to these market conditions by focusing on lowering our cost base, expanding our offering to drive sales throughout the dealer network and continuing to grow wholesale sales to the dealer network.

We expect to see further benefits of our cost reduction program flow through to this current financial year's performance.

It is pleasing to see that Cassons and MCA stores maintained profitability despite the market contraction and the resulting pressure on margins. We made good progress in reducing excess accessories stock in these businesses amounting to $1,939,000 over the past year. We also broadened the division's customer base during the year.

Our acquisition of Cassons Pty Ltd during FY18, a leading wholesaler and retailer of motorcycle accessories and parts, included the wholesale importing and distribution of accessories and parts to retailers, as well as the Motor Cycle Accessories (MCA) Supermarkets, which retail accessories and parts through eight stores in New South Wales and Victoria.

In addition to increasing revenue, the acquisition provided numerous advantages to MotorCycle Holdings including increasing the scale of MTO's existing retail accessory business and expanding our distribution network.



"The company's strategy of growth through acquisitions has diversified our revenue streams and strengthened the resilience of the company, which has been a crucial factor in enabling us to withstand the current and ongoing, challenging trading conditions."

MANAGING DIRECTOR'S REPORT CONTINUED...

OUTLOOK

While we expect the current trading and retail market conditions to continue for the foreseeable future, we intend to leverage our current network by continuing to improve our motorcycle dealerships' performance and productivity and drive increased used bike sales through the MCA stores.

Our focus over the next 12 months will be to continue to improve our cost structure and drive more used bike sales to improve our dealerships' performance as well as refresh the wholesale distribution division through the addition of new brands and suppliers and by leveraging the expanded customer base achieved this past year.

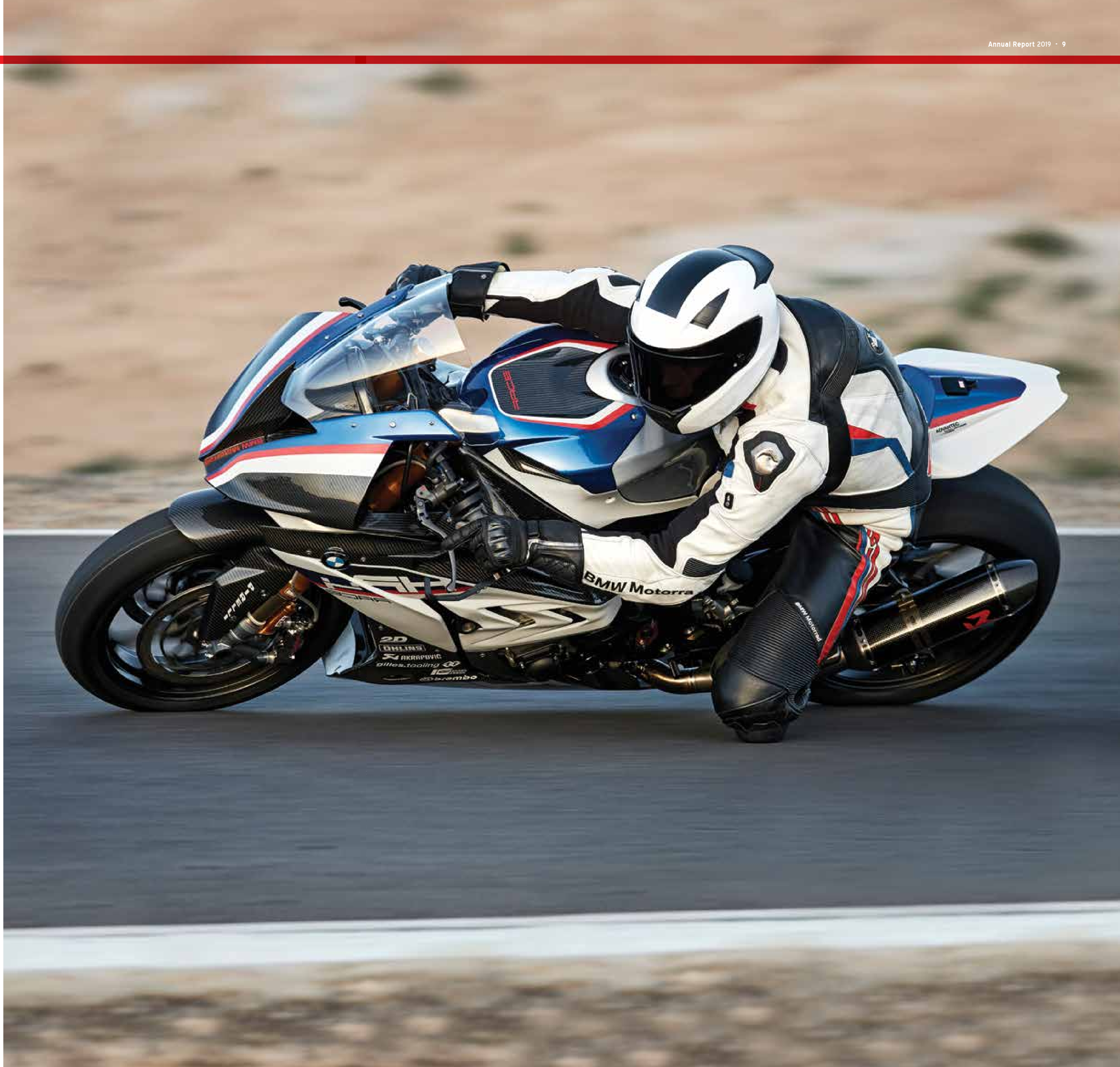
We also plan to improve our online sales offering and digital presence, both on a retail and B2B basis, and have deepened the management team through the addition of e-commerce expertise.

Our in-house brand ranges will also be reviewed and redesigned to help improve sales and profitability.

We also intend to pursue additional acquisition opportunities that are becoming available due to the current challenging market conditions to enable us to strengthen our company's resilience through further geographical and operational diversity.

We have every confidence that the strength of the company's growth strategy and diversified revenue streams provide us with an excellent platform to take advantage of improved trading conditions when they return.

David Ahmet
Managing Director



DIRECTORS' REPORT

The directors present their report together with the consolidated financial statements of MotorCycle Holdings Limited (the "Company") and its controlled entities (the "Group") for the year ended 30 June 2019 and the auditor report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

DAVID FOSTER — Chairman, Independent Non-Executive Director

- Appointed 8 March 2016 (Non-Executive Director)
- Appointed 22 July 2016 (Interim Chairman)
- Appointed 23 August 2016 (Chairman)

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 Genworth Financial Limited, Thorn Group Limited and G8 Education and was previously CEO of Suncorp Bank. 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.

Current Directorships of Other Listed Entities	• G8 Education (appointed January 2016, effective from February 2016) • Genworth Mortgage Insurance Australia Limited (appointed May 2016) • Thorn Group Limited (appointed December 2014)
Directorships of Listed Entities over last 3 years	• Kina Securities Limited (appointed April 2015, ceased April 2018)

DAVID AHMET — Managing Director and Chief Executive Officer

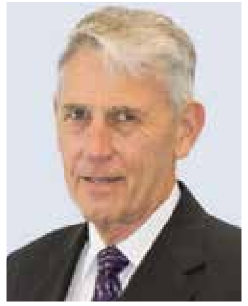
- Appointed 30 June 2011

David is the Founder, Managing Director and Chief Executive Officer of MotorCycle Holdings. David has successfully led the expansion of MotorCycle Holdings since 1989 from 1 location to 30 locations operating 47 franchises. David has over 28 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 Company's suppliers and manufacturers.

David also sits on the Board of MotorCycle Finance Pty Ltd, as the representative of the Company.

Current Directorships of other Listed Entities	• Nil
Directorships of Listed Entities over last 3 years	• Nil

WARREN BEE — Independent Non-Executive Director

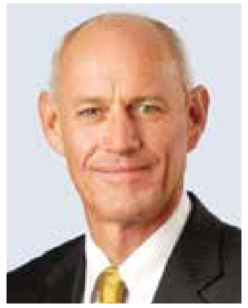


- Appointed 30 June 2011

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 board of LEP Colour Printers. 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.

Committee Membership	• Chairman of the Nomination and Remuneration Committee • Member of the Audit and Risk Committee
Current Directorships of other Listed Entities	• Nil
Directorships of Listed Entities over last 3 years	• Nil

RICK DENNIS — Independent Non-Executive Director



- Appointed 23 August 2016 with effect from 1 September 2016

Rick joined the Board of the Company on 1 September 2016 after a 34 year career with Ernst and Young in Australia and the Asia-Pacific. He was Queensland Managing Partner from 2001-07 and again for 2014. Rick established and led EY Australia's China Business Group in 2005 and was CFO and Deputy COO in the Asia-Pacific from 2010-13. Rick sat on the firm's inaugural Asia-Pacific executive board and a number of EY global boards and committees. Rick is currently non-executive director of listed entity Apiam Animal Health Limited and a member of the Queensland Advisory Board for Australian Super and EWM Group.

Committee Membership	• Chairman of the Audit and Risk Committee • Member of the Nomination and Remuneration Committee
Current Directorships of other Listed Entities	• Apiam Animal Health Limited (appointed November 2016)
Directorships of Listed Entities over last 3 years	• Omni Market Tide Limited (appointed March 2016, ceased August 2017)

DIRECTORS' REPORT CONTINUED...

PETER HENLEY	Independent Non-Executive Director
 • Appointed 1 March 2017	Peter has a long and distinguished career in financial services and in particular consumer and commercial finance. Peter previously held senior management positions at AGC Limited, CEO of Nissan Finance Corp Ltd and CEO of GE Money in Australia and in South East Asia. Since retiring from executive roles in October 2006, Peter has been an Independent Non-Executive Director of Adtrans Group, MTA Insurance Ltd, Thorn Group Ltd and more recently AP Eagers Ltd where he has served on the Audit and Risk committee since 2006. Peter is a Fellow of the Australian Institute of Management and a member of the Australian Institute for Company Directors.
Committee Membership	• Member of the Nomination and Remuneration Committee • Member of the Audit and Risk Committee • Chairman of MotorCycle Finance Joint Venture Committee (appointed 1 April 2018)
Current Directorships of other Listed Entities	• Nil
Directorships of Listed Entities over last 3 years	• AP Eagers Limited (appointed December 2006, ceased February 2017) • Thorn Group Limited (appointed May 2007, ceased August 2016)

ROBERT CASSEN	Non-Independent Non-Executive Director
 • Appointed 31 October 2017 (Executive Director) • Appointed 21 December 2018 (Non-Executive Director)	Rob has 34 years' experience in the motorcycle industry. He joined the Board as part of the Company's acquisition of the Cassons Group, one of Australia's largest motorcycle and bicycle clothing and accessory distribution companies. Rob has developed strong supplier relationships with major international and world leading brands and manufacturers and has created one of the market leading private label brands in Australia.
Committee Membership	• Member Nomination and Remuneration Committee (appointed 21 December 2018) • Member Audit and Risk Committee (appointed 21 December 2018)
Current Directorships of other Listed Entities	• Nil
Directorships of Listed Entities over last 3 years	• Nil

COMPANY SECRETARIES

On 28 May 2018, Eddie MacDonald (B.Comm CPA MBA) and Nicole Spink (BBusMgt FCPA FGIA FCIS) were appointed Joint Company Secretaries.

Eddie MacDonald has a long history in Australian retail businesses in senior management roles. He has recently been CEO of Clark Rubber. Eddie's previous roles have been CEO at Amart Furniture and CFO at Colorado Group. Eddie held the position until 20 May 2019.

Nicole Spink is also the Group's Financial Controller. She has held senior finance roles in the retail and automotive industries for over 17 years. Nicole is a Fellow of CPA Australia and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Audit & Risk Committee (ARC) Meetings		Nomination and Remuneration Committee (NRC) Meetings	
	Attended	*Held*	*Attended*	*Held*	*Attended*	*Held*
David Foster	12	12	-	-	-	-
David Ahmet[1]	10	10	-	-	-	-
Warren Bee	12	12	6	6	2	2
Rick Dennis	12	12	6	6	2	2
Peter Henley	12	12	6	6	2	2
Robert Cassen[2]	12	12	3	3	1	1

[1] Dave Ahmet was granted two leaves of absence during the year.
[2] Rob Cassen was appointed to the ARC and NRC on 21 December 2018.

PRINCIPAL ACTIVITIES

The Company's registered office and principal place of business is 68 Moss Street, Slacks Creek, Queensland, 4127.

The principal activities of the Group during the year were the ownership and operation of motorcycle dealerships engaging in the sale of new motorcycles, used motorcycles, accessories and parts, finance, insurance as well as service and repair and the ownership and operation of motorcycle accessories businesses engaging in the wholesaling and retailing of motorcycle accessories.

OPERATING AND FINANCIAL REVIEW

MotorCycle Holdings Limited (ASX: MTO), maintained its steady performance in the year to 30 June 2019 despite the continuing challenging market conditions.

Net profit after tax (NPAT) decreased 2% to $8,345,000 (2018: $8,539,000. Earnings per share decreased 14% to 13.5 cents per share.

These results were achieved on revenue increasing 9% to $329,887,000 (2018: $301,807,000).

DIRECTORS' REPORT CONTINUED...

It was decided not to declare a final dividend as the company continued to implement a program of lowering the business' cost structure and reducing debt to enable it to take advantage of any acquisition opportunities that may arise in the current trading environment.

Motorcycle sales, including both new and used motorcycles, increased 4% to 18,536 units for the year ended 30 June 2019 (2018: 17,754 units).

New motorcycle sales decreased 1% to 9,468 units (2018: 9,575 units), compared with a national market decline in new motorcycle sales of approximately 11%. Like for like new motorcycle sales were down 9%.

The company grew its market share by securing approximately 11% of national new bike sales during the financial year, compared with 10% in the prior year.

Used motorcycles sales increased 11% to 9,068 units (2018: 8,179 units). Retail Accessories and Parts revenue increased 15% and Servicing and Repair revenue increased 8%. Finance, Insurance and Warranty revenue decreased 9%.

Finance, Insurance and Warranty revenue decreased 9% as a consequence of general insurance companies changing their premiums and commission rates after the ASIC review and the adoption of new accounting standard AASB 15 *Revenue from Contracts with Customers* from 1 July 2018.

Cassons and MCA stores maintained profitability despite the market contraction and pressure on margins.

The new joint venture with motorcycle industry finance company Allied Credit is performing to expectations. We expect this business to contribute to profit results in this forthcoming financial year.

Despite trading conditions continuing to be challenging during the year the company has been able to achieve steady revenue and increased EBITDA results, and continues to grow its market share.

The company's strategy of growth through acquisitions has diversified our revenue streams and strengthened the resilience of the company, which has been a crucial factor enabling it to withstand these ongoing challenging trading conditions.

The company has responded quickly to these market conditions by focusing on lowering its cost base, expanding its offering to drive sales throughout the dealer network and continuing to grow wholesale sales to the dealer network.

Further benefits of this cost reduction program are expected to flow through to this current financial year's performance.

The company will continue to focus on improving its dealerships' performance and productivity and drive used bike sales; add further brands and suppliers to the wholesale distribution business; improve its online sales presence and enhance its in-house brands through product range renewal and redesign.

The company will also investigate additional acquisition opportunities that may become available due to the current challenging market conditions and which will strengthen the business further.

DIVIDENDS

Dividends paid or declared by the Company during the Financial Year were:

Declared and Paid during the Financial Year

The following dividends were declared by the Directors and paid during the Financial Year:

	Cents per share	Total Amount $	Date of Payment
Final 2018	6.5	4,010,940	3 October 2018
Interim 2019	-	-	-
Total Amount	**6.5**	**4,010,940**	

Declared after the end of the Financial Year

Although the Company has $9,175,000 cash at bank, the directors have decided not to declare a final dividend and have embarked on a program of lowering the Group's cost structure, reducing debt and improving operational performance to enable the Group to take advantage of any acquisition opportunities that may arise in the current difficult trading environment.

There is no dividend re-investment plan in operation.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

LIKELY DEVELOPMENTS

The Group will continue to pursue its policy of increasing profitability and market share in the markets within which it operates during the next financial year.

ENVIRONMENTAL REGULATION

The Group is subject to various environmental regulations under both Commonwealth and State legislation.

The Directors believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the Group during the period covered by this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has indemnified the Directors and Officers for costs incurred in their capacity as a Director or Officer, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid insurance premiums in respect of a contract to insure the Directors and Officers of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The insurance contract prohibits disclosure of the nature of liability and the amount of the premium.

During or since the end of the financial year the Company has not indemnified or made a relevant agreement to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an officer of auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

DIRECTORS' REPORT CONTINUED...

NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. The total remuneration of the auditor is disclosed in Note 29 of the Financial Report.

For those activities, the board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by the Audit and Risk Committee, is satisfied that the provision of those non-audit services by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor, and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risk and reward.

Details of the amounts paid to KPMG for non-audit services provided during the year are set out below:

	2019 $
Services other than audit and review of financial statements:	
Tax compliance services	97,000
Indirect tax compliance services	10,000
Total non-audit services	**107,000**

LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is attached on page 28 and forms part of this report.

ROUNDING OFF

The Company is of a kind referred to in ASIC Corporation Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and the consolidated financial statements which have been rounded off to the nearest thousand dollars, unless otherwise stated, in accordance with that Instrument.

DEEDS OF CROSS GUARANTEE

At the date of this report and during the Financial Year, the Company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and rights or options over such shares issued by the Company, and other related bodies corporate, as notified by the Directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001* at the date of this report is as follows:

Name	Ordinary Shares	Options Over Ordinary Shares	Rights Over Ordinary Shares
David Foster	44,949	-	-
Warren Bee	38,958	-	-
Rick Dennis	-	-	-
Peter Henley	14,034	-	-
Rob Cassen	3,181,819	-	-
Dave Ahmet	11,183,907	-	183,523

Remuneration Report - Audited

The information provided in this Remuneration Report has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Key Management Personnel

The Remuneration Report outlines remuneration for those people considered to be Key Management Personnel (KMP) of the Group during the Reporting Period. KMP are persons having authority and responsibility for planning, directing and controlling the activities of MotorCycle Holdings Limited.

KMP consist of:

- non-executive directors; and
- executive directors and senior executives.

The table below summarises details of KMP of the Group for the financial year ended 30 June 2019, their roles and appointment/cessation dates.

Key Management Personnel during the Reporting Period

Name	Role	Appointment Date (Cessation Date)
Current Non-Executive Directors		
David Foster	Chairman, Independent Non-Executive Director	8 March 2016
Warren Bee	Independent Non-Executive Director	30 June 2011
Rick Dennis	Independent Non-Executive Director	23 August 2016
Peter Henley	Independent Non-Executive Director	1 March 2017
Rob Cassen	Non-Independent Non-Executive Director	21 December 2018

DIRECTORS' REPORT CONTINUED...

Key Management Personnel during the Reporting Period

Name	Role	Appointment Date (Cessation Date)
Executive Directors and Senior Executives		
Dave Ahmet	Managing Director	30 June 2011
Rob Cassen	Executive Director	31 October 2017 (21 December 2018)
Bob Donovan	GM Business Development & Integration Chief Financial Officer	28 May 2018 (20 May 2019) 20 May 2019
Chris Chenoweth	General Manager	15 September 2008 (31 December 2018)
Eddie MacDonald	Chief Financial Officer	28 May 2018 (20 May 2019)
Adrian Murphy	Chief Operating Officer	6 August 2018 (14 February 2019)

Remuneration Governance

The following diagrammatic representation shows the framework the Board has in place to establish and review remuneration for KMP and employees of the Group:

MANAGEMENT

Management provides information relevant to remuneration decisions and makes recommendations to the NRC.

NOMINATION AND REMUNERATION COMMITTEE

NRC is delegated to review and make recommendations to the Board on remuneration policies for non-executive directors, senior executives and all employees including incentive arrangements and awards. The NRC can appoint remuneration consultants and other external advisors to provide independent advice.

BOARD

Approves the overall remuneration framework and policy, ensuring it is fair, transparent and aligned with long term outcomes. Approves incentive arrangements and awards for Executive Directors and Senior Executives.

Approves remuneration of non-executive directors within the shareholder approved fee cap.

Non-Executive Director Remuneration

POLICY

A copy of the remuneration policy for non-executive Directors is available on the Company's website. The Board's Non-Executive Director remuneration policy is to:

- Provide a clear fee arrangement that avoids potential conflicts of interest associated with performance incentives;
- Remunerate Directors at market rates for their commitment and responsibilities; and
- Obtain independent external remuneration advice when required.

Non-Executive directors receive remuneration for undertaking their role. They do not participate in the Company's incentive plans or receive any variable remuneration. Non-Executive Directors are not entitled to retirement payments.

The aggregate Non-Executive Director remuneration cap approved by shareholders prior to listing is $600,000 per annum (inclusive of superannuation contributions). The Board determines the distribution of Non-Executive Director fees within the approved remuneration cap.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The following table sets out the Annual Board and Committee fees (inclusive of superannuation) as at the date of this Report:

Non-Executive Directors	Board Member	Board Chairman	Audit & Risk Committee	Nomination & Remuneration Committee	MotorCycle Finance JV Committee	Total Fees $
David Foster	80,000	95,000	-	-	-	175,000
Warren Bee	70,000	-	5,000	10,000	-	85,000
Rick Dennis	70,000	-	10,000	5,000	-	85,000
Peter Henley	70,000	-	5,000	5,000	10,000	90,000
Rob Cassen	70,000	-	5,000	5,000	-	80,000
Total	**360,000**	**95,000**	**25,000**	**25,000**	**10,000**	**515,000**

Executive Director and Senior Executive Remuneration

POLICY

The Board's policy for determining the nature and amount of remuneration for the Executive Director and Senior Executives is:

- Provide for both fixed and performance-based remuneration;
- Provide a remuneration package based on an annual review of employment market conditions, the Group's performance and individual performance; and
- Obtain independent external remuneration advice when required.

Remuneration and other terms of employment for Senior Executives are formalised in agreements which have a provision for bonuses and other benefits which may be granted from time to time by the Board of Directors. Contracts with Executives may be terminated by either party with three or six months' notice.

DIRECTORS' REPORT CONTINUED...

Fixed Remuneration

Fixed remuneration is a function of size and complexity of the role, individual responsibilities, experiences, skills and market pay levels. This consists of cash salary, salary sacrifice items and employer superannuation at the statutory contribution rate.

The Board determines an appropriate level of fixed remuneration for the Senior Executives with recommendations from the Nomination and Remuneration Committee.

Fixed remuneration is reviewed annually following performance reviews at the end of the financial year and takes into account role and accountabilities, relevant market benchmarks and attraction, retention and motivation of executives in the context of the talent market.

Performance Linked Remuneration

Short Term Annual Cash Bonus

The Managing Director and Senior Executives were eligible to participate in the Group's short-term incentive plan during the Reporting Period.

Under the plan, participants have an opportunity to receive an annual cash bonus calculated as a percentage of their salary (base pay not including superannuation) and conditional on the achievement of short-term financial and non-financial performance measures at a corporate and individual level. The short-term financial measures represent 70% of the maximum bonus payable. The measure is based on the profitability of the Group compared to the annual budget as approved by the Board. If actual profitability for the year is less than 85% of the approved budget, no short-term incentive is paid. The bonus is adjusted pro-rata where profitability is between 85% - 100% of the approved budget. The non-financial measures represent the remaining 30% of the cash bonus payable. The Board considers the executives' contribution towards the achievement of strategic initiatives of the Group, which include acquisitions and their integration into the business, when determining whether such bonuses will be awarded.

Payments made under the short-term incentive plan are assessed by the Nomination and Remuneration Committee and approved by the Board. The Board retains an overall discretion on whether to pay all, a portion of, or no annual cash bonus.

Under the short-term incentive plan, participants have an opportunity to receive Cash Bonuses included in Remuneration. The short-term financial and non-financial performance measures established by the Board at the commencement of the financial year were not achieved and the Board did not award a short-term incentive payment to participants in the short-term incentive plan.

COMMISSION INCENTIVE

The General Manager's short-term incentive was based on a commission-based structure. The commission was a set percentage of net profit before tax of relevant business units, the achievement of which generates returns for shareholders.

Key Management Personnel Performance-Linked Remuneration Payments

Employed during FY19	Position	Max Potential Bonus % of Salary	Actual Amount of Bonuses Included in FY19 Remuneration $	% Max Bonus
Dave Ahmet	Managing Director	50%	$nil	0
Bob Donovan	Chief Financial Officer	50%	$nil	0
Chris Chenoweth	General Manager	Commision	$40,718	N/A

LONG TERM INCENTIVE PLAN ("LTIP")

The LTIP was approved by shareholders at the Company's annual general meeting in 2017. The purpose of the LTIP is to:

- Align employee incentives with Shareholders' interests;
- Encourage broad based share ownership by employees; and
- Assist employee attraction and retention.

Through the LTIP, senior executives are incentivised to improve the Company's financial performance and generate shareholder returns through the granting of performance rights. Performance rights constitute a right to receive ordinary shares in the capital of the Company upon the achievement of certain performance hurdles.

PERFORMANCE CRITERIA

The performance rights are subject to certain performance hurdles being met over the relevant monitoring period. These performance hurdles include:

(1) RELATIVE TOTAL SHAREHOLDER RETURN ("TSR"):

50% of the Performance Rights are subject to relative TSR assessed over a 3-year performance period commencing 1 July 2018 and ending 30 June 2021, compared to a peer group of 12 ASX listed companies. Vesting will occur based on the company's positioning in the peer group. This is designed to focus executives on delivering sustainable long-term shareholder returns.

Peer Companies

AP Eagers Limited	Autosports Group Limited
Bapcor Limited	Apollo Tourism & Leisure Ltd.
Super Retail Group Limited	Fleetwood Corporation Limited
Thorn Group Limited	PWR Holdings Limited
ARB Corporation Limited	Schaffer Corporation Limited
AMA Group Limited	Sprintex Limited

TSR ranking	Proportion to vest
Less than 50th percentile	0%
50th to 75th percentile	Between 50% and 100% (as determined on a straight line basis)
At or above 75th percentile	100%

(2) Earnings per share ("EPS"):

50% of the Performance Rights are subject to growth in the Company's EPS assessed over a 3-year performance period commencing 1 July 2018 and ending 30 June 2021, on a compound annual growth rate ("CAGR") basis. Vesting will occur based on the following performance:

The Company's EPS CAGR over the Performance Period	Proportion of the Tranche 2 Awards that satisfy the EPS Vesting Condition
EPS CAGR is less than or equal to 10%	0%
EPS CAGR is greater than 10% and less than or equal to 12%	Between 50% and 100% (as determined on a straight line basis)
EPS CAGR is equal to or greater than 12%	100%

DIRECTORS' REPORT CONTINUED...

The Managing Director and Chief Financial Officer were eligible to participate in the Group's long-term incentive plan during the year, comprising grants of performance rights over the Company's ordinary shares. The LTIP scheme was approved by shareholders at the 2017 AGM and the notice of meeting lodged with ASX contains further details on the performance rights. Actual performance rights granted, forfeited and outstanding in the reporting period are set out below.

Description of Rights	Opening Balance of Rights	Numbers of Rights Granted in FY19	Fair Value per Right at Grant Date		Grant date	Performance period	Number of Rights Forfeited in FY19	Value of Rights Forfeited	% of Remuneration Granted as Rights During the Reporting Period	Closing Balance of Rights
			TSR Component	EPS Component						
Dave Ahmet, Managing Director										
FY18 LTIP	86,905	-	$1.60	$3.01	24 April 2018	1 July 2017 to 30 June 2020	-	-	9%	86,905
FY19 LTIP	-	96,618	$0.20	$1.24	31 May 2019	1 July 2018 to 30 June 2021	-	-	11%	96,618
Bob Donovan, Chief Financial Officer										
FY18 LTIP	13,758	-	$1.60	$3.01	24 April 2018	1 July 2017 to 30 June 2020	-	-	4%	13,758
FY19 LTIP	-	15,294	$0.20	$1.24	31 May 2019	1 July 2018 to 30 June 2021	-	-	5%	15,294
Chris Chenoweth, General Manager										
FY18 LTIP	17,729	-	$1.60	$3.01	24 April 2018	1 July 2017 to 30 June 2020	17,729	33,685	4%	-

Company performance and remuneration outcomes

The various components of the way the Group remunerates key management personnel have been structured to support the Group's strategy and business objectives which in turn are designed to generate shareholder wealth.

When setting targets and determining the quantum of the remuneration increases and the proportion of fixed and performance linked remuneration components, the Board refers to remuneration benchmarking reports provided by independent sources and remuneration consultants from time to time.

The at-risk component of the remuneration structure intends to reward achievement against Company and individual performance measures over a one-year timeframe. An overview of the measures is set out above.

The Board retains an overarching discretion to award an annual bonus. In exercising that discretion, they have regard to the remuneration policy, market conditions, Group financial performance and affordability.

The table below summarises the Group's financial performance for FY2019 compared to FY2018 and correlates it to the total KMP remuneration for the respective financial year.

Metric	2019	Restated[1] 2018
Statutory Net Profit After Tax ($'000)	**8,345**	8,539
Change in Share Price	**(65.5%)**	(10.3%)
Earnings per Share	**13.5 cents**	15.6 cents
Total Dividends Paid ($)	**4,010,940**	6,240,124
KMP Remuneration ($)	**2,371,480**	1,984,461

[1] The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Group has applied the full retrospective transition method and as such comparative information has been restated. Refer to note 3 for further details.

DIRECTORS' REPORT CONTINUED...

Key Management Personnel Remuneration

Details of the nature and amount of each major element of remuneration of each Director and Senior Executive of the Group for the Reporting Period are:

		Short Term Employee Benefits				Post-Employment Benefits	Long Term Benefits				
Name & Role	Year	Cash Salary & Fees $	Cash Bonus $	Non-Cash Benefit $	Total $	Superannuation Benefits $	Termination Benefits $	Long Service Leave $	Share Based Benefits $	Total $	Proportion of remuneration performance related %
Current Non-Executive Directors											
David Foster, Chairman, Non-Executive Director	2019	159,817	-	-	159,817	15,183	-	-	-	175,000	-
	2018	159,817	-	-	159,817	15,183	-	-	-	175,000	-
Warren Bee, Non-Executive Director	2019	77,625	-	-	77,625	7,375	-	-	-	85,000	-
	2018	77,625	-	-	77,625	7,375	-	-	-	85,000	-
Rick Dennis, Non-Executive Director	2019	77,625	-	-	77,625	7,375	-	-	-	85,000	-
	2018	77,625	-	-	77,625	7,375	-	-	-	85,000	-
Peter Henley, Non-Executive Director	2019	69,240	-	-	69,240	21,710	-	-	-	90,000	-
	2018	57,312	-	-	57,312	25,213	-	-	-	82,525	-
Rob Cassen[1], Non-Executive Director	2019	36,530	-	-	36,530	3,470	-	-	-	40,000	-
	2018	-	-	-	-	-	-	-	-	-	-
Total Non-Executive Director Remuneration	2019	420,837	-	-	420,837	55,113	-	-	-	475,950	-
	2018	372,379	-	-	372,379	55,146	-	-	-	427,525	-
Former Executive Directors and Senior Executives											
Rob Cassen[1], Non-Executive Director	2019	109,028	-	-	109,028	14,112	-	-	-	123,140	-
	2018	147,521	-	-	147,521	10,260	-	2,459	-	160,240	-
Chris Chenoweth[2], General Manager	2019	92,391	40,718	-	133,109	11,870	-	-	-	144,979	22%
	2018	165,530	114,232	764	280,526	29,845	-	4,394	13,130	327,895	39%
Eddie Macdonald[3], Chief Financial Officer	2019	325,181	-	-	325,181	23,077	89,563	-	-	437,821	-
	2018	34,447	-	-	34,447	2,884	-	574	-	37,905	-
Adrian Murphy[4], Chief Operating Officer	2019	196,847	-	-	196,847	13,462	-	-	-	210,309	-
	2018	-	-	-	-	-	-	-	-	-	-
Total Non-Executive Directors Remuneration	2019	723,447	40,718	-	764,165	62,521	89,563	-	-	916,249	-
	2018	347,498	114,232	764	462,494	42,989	-	7,427	13,130	526,040	-
Current Executive Directors and Senior Executives											
David Ahmet, Managing Director	2019	636,951	-	-	636,951	20,048	-	10,616	41,188	708,803	11%
	2018	627,002	-	1,797	628,799	43,846	-	10,450	64,357	747,452	9%
Bob Donovan[5], Chief Financial Officer	2019	237,443	-	-	237,443	22,557	-	3,957	6,521	270,478	5%
	2018	237,442	-	-	237,442	32,057	-	3,757	10,188	283,444	4%
Total Current Executive Director and Senior Executive Remuneration	2019	874,394	-	-	874,394	42,605	-	14,573	47,709	979,281	-
	2018	864,444	-	1,797	866,241	75,903	-	14,207	74,545	1,030,896	-
Total KMP Remuneration	2019	2,018,678	40,718	-	2,059,396	160,239	89,563	14,573	47,709	2,371,480	-
	2018	1,584,321	114,232	2,561	1,701,114	174,038	-	21,634	87,675	1,984,461	-

[1] Appointed as Executive Director 31 October 2017. Appointed as Non-Executive Director 21 December 2018.

[2] Appointed 15 September 2008. Resigned 31 December 2018.

[3] Appointed 28 May 2018. Resigned 20 May 2019.

[4] Appointed 6 August 2018. Resigned 14 February 2019.

[5] Appointed General Manager – Business Development and Integration 28 May 2018. Appointed Chief Financial Officer 20 May 2019.

DIRECTORS' REPORT CONTINUED...

Other Information

CONTRACT DURATION AND TERMINATION REQUIREMENTS

The Company has contracts of employment with no fixed tenure requirements with the Managing Director and Senior Executives. The notice period for each is outlined in the table below. Termination with notice may be initiated by either party. The contracts contain customary clauses dealing with immediate termination for gross misconduct, confidentiality and post-employment restraint of trade provisions.

Name	Position	Notice Period
Non-Executive Directors		
David Ahmet	Managing Director	6 months
Senior Executives		
Bob Donovan	Chief Financial Officer	3 months

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Subsidiaries of the Group have entered into property leases for business premises with Dave Ahmet and Rob Cassen, including associated entities. The leases have been entered into on an arm's length basis and have terms and conditions consistent with leases in the respective areas. A summary of the leases is set out in Note 30 to the financial statements.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The movement in the number of ordinary shares held in the Company, either directly or indirectly or beneficially, by each member of the Key Management Personnel, including their related parties, is as follows:

	Shareholdings of KMP					
Name	Opening Balance 1 July 2018	Shares acquired during the year	Shares disposed of during the year	Received on vesting of rights to deferred shares	Other changes	Closing Balance 30 June 2019
Non-Executive Directors						
David Foster	44,949	-	-	-	-	**44,949**
Warren Bee	38,958	-	-	-	-	**38,958**
Rick Dennis	-	-	-	-	-	**-**
Peter Henley	14,034	-	-	-	-	**14,034**
Rob Cassen	3,181,819	-	-	-	-	**3,181,819**
Executive Directors and Senior Executives						
David Ahmet	11,133,907	50,000	-	-	-	**11,133,907**
Bob Donovan	598,052	-	-	-	-	**598,052**

Remuneration Consultants

To ensure the Nomination and Remuneration Committee is fully informed on remuneration matters it engages with external remuneration advisors. The terms of engagements outline the advisors' access to, and independence from, the Group and management. Any advice sought is used as a guide and does not serve as a substitute for the committee's consideration of remuneration matters. The following external advisors provided information and assistance during 2019:

- PricewaterhouseCoopers – Development of Long-Term Incentive Plan Rules and Valuation of Performance Rights under Long Term Incentive Plan.

These advisors did not provide any remuneration recommendations and they were not "remuneration consultants" to the Group as defined in the *Corporation Act 2001*.

Signed in accordance with a resolution of the directors:

David Foster
Chairperson
27 August 2019

David Ahmet
Managing Director
27 August 2019

KPMG

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the Directors of MotorCycle Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of MotorCycle Holdings Limited for the financial year ended 30 June 2019 there have been:

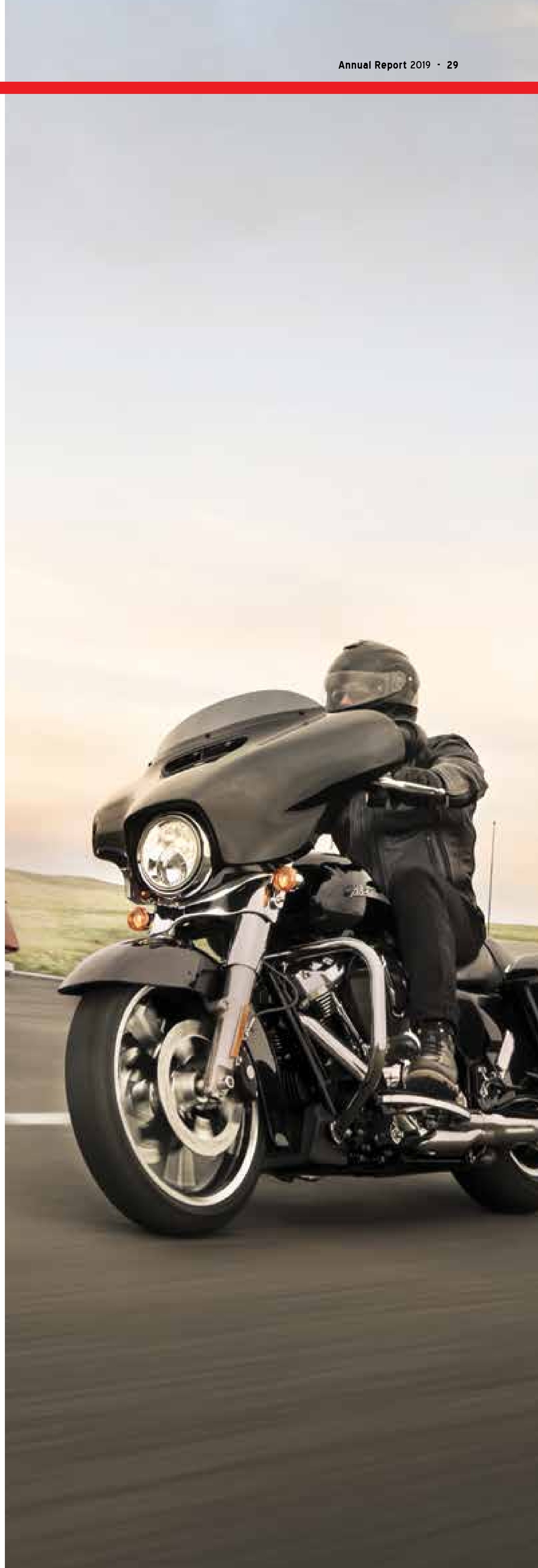
i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Simon Crane
Partner
Brisbane
27 August 2019

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Note	30 Jun 2019 $'000	Restated* 30 Jun 2018 $'000
Sales revenue	6	**315,054**	285,079
Other income	6	**14,833**	16,728
Changes in inventories of finished goods and work in progress		**(3,026)**	14,851
Raw materials and consumables used		**236,511**	199,979
Employee benefits expense	7	**51,661**	46,394
Finance costs	8	**2,890**	2,216
Depreciation and amortisation expense		**3,790**	2,734
Occupancy costs		**12,339**	10,132
Other expenses	7	**13,675**	12,930
Profit before tax		**12,047**	12,571
Income tax expense	9	**3,702**	4,032
Profit for the period		**8,345**	8,539
Share of other comprehensive income from equity accounted investees		**(290)**	-
Total comprehensive income for the year attributable to owners of the company		**8,055**	8,539

		Cents	Cents
Earnings per share	10		
Basic earnings per share		**13.5**	15.6
Diluted earnings per share		**13.5**	15.6

* The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Group has applied the full retrospective transition method and as such comparative information has been restated. Refer to note 3 for further details.

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	30 Jun 2019 $'000	Restated* 30 Jun 2018 $'000
Current assets			
Cash and cash equivalents	11	**9,175**	2,469
Trade and other receivables	12	**8,179**	6,783
Inventories	13	**84,396**	87,421
Current tax assets		**2,095**	-
Other assets		**12**	39
Total current assets		**103,857**	96,712
Non-current assets			
Property, plant and equipment	14	**11,546**	11,211
Deferred tax assets	9	**653**	-
Goodwill and other intangible assets	15	**119,684**	124,496
Interest in equity accounted investees	16	**3,539**	1,156
Other assets		**117**	100
Total non-current assets		**135,539**	136,963
Total assets		**239,396**	233,675
Current liabilities			
Trade and other payables	17	**12,457**	11,889
Short term borrowings	18	**30,550**	26,044
Current tax liabilities		**-**	367
Provisions	19	**5,692**	5,658
Contract liabilities		**2,988**	2,564
Total current liabilities		**51,687**	46,522
Non-current liabilities			
Borrowings	20	**46,815**	50,290
Deferred tax liabilities	9	**-**	816
Provisions	19	**1,448**	999
Contract liabilities		**4,209**	3,944
Total non-current liabilities		**52,472**	56,049
Total liabilities		**104,159**	102,571
Net assets		**135,237**	131,104
Equity			
Contributed equity	21	**120,081**	120,081
Share-based payment reserve		**177**	88
Retained earnings		**14,979**	10,935
Total equity		**135,237**	131,104

* The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Group has applied the full retrospective transition method and as such comparative information has been restated. Refer to note 3 for further details.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Issued Capital $'000	Restated* Retained Earnings $'000	Share-Based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2017	**30,141**	**8,636**	**-**	**38,777**
Comprehensive income for the period				
Profit for the period	-	8,539	-	8,539
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**8,539**	**-**	**8,539**
Transactions with owners in their capacity as owners				
Dividends paid	-	(6,240)	-	(6,240)
Equity settled share-based payment	-	-	88	88
Issue of shares	66,963	-	-	66,963
Issue of shares related to business combinations	24,500	-	-	24,500
Transaction costs (net of tax)	(1,523)	-	-	(1,523)
Total transactions with owners in their capacity as owners	89,940	(6,240)	88	83,788
Balance at 30 June 2018	**120,081**	**10,935**	**88**	**131,104**
Comprehensive income for the period				
Profit for the period	-	8,345	-	8,345
Other comprehensive income	-	(290)	-	(290)
Total comprehensive income for the period	**-**	**8,055**	**-**	**8,055**
Transactions with owners in their capacity as owners				
Dividends paid	-	(4,011)	-	(4,011)
Equity settled share-based payment	-	-	89	89
Total transactions with owners in their capacity as owners	-	(4,011)	89	(3,922)
Balance at 30 June 2019	**120,081**	**14,979**	**177**	**135,237**

* The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Group has applied the full retrospective transition method and as such comparative information has been restated. Refer to note 3 for further details.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**362,228**	336,071
Payments to suppliers and employees (inclusive of GST)		**(335,460)**	(325,376)
Interest and other costs of finance paid		**(2,890)**	(2,847)
Income taxes paid		**(4,888)**	(6,322)
Interest received		**11**	56
Net cash (used)/provided by operating activities	31	**19,001**	1,582
Cash flows from investing activities			
Payment for acquisition of businesses (net of cash acquired)		**-**	(100,594)
Payments for investments in equity accounted investees	16	**(2,750)**	(1,150)
Payments for property, plant and equipment		**(2,185)**	(2,039)
Proceeds from sale of property, plant and equipment		**126**	48
Net cash (used)/provided by investing activities		**(4,809)**	(103,735)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	21	**-**	66,963
Costs of issue of ordinary shares		**-**	(2,205)
Proceeds from/(repayment of) borrowings		**(3,475)**	41,588
Dividend paid	21	**(4,011)**	(6,240)
Net cash (used)/provided by financing activities		**(7,486)**	100,106
Net increase/(decrease) in cash and cash equivalents		**6,706**	(2,047)
Cash and cash equivalents at the beginning of the period		**2,469**	4,516
Cash and cash equivalents at the end of the period	11	**9,175**	2,469

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

MotorCycle Holdings Limited (the "Company") is a publicly listed company domiciled in Australia. Its registered office is at 68 Moss Street, Slacks Creek, Queensland, 4127. The consolidated financial statements as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and were authorised for issue by the Board of Directors on 27 August 2019.

The principal activities of the Group during the year were the ownership and operation of motorcycle dealerships engaging in the sale of new motorcycles, used motorcycles, accessories and parts, finance, insurance as well as service and repair and the ownership and operation of motorcycle accessories businesses engaging in the wholesaling and retailing of motorcycle accessories.

2. SIGNIFICANT ACCOUNTING POLICIES

A. General Information

STATEMENT OF COMPLIANCE

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

BASIS OF PREPARATION

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The consolidated financial statements have been prepared on the basis of historical cost unless the application of fair value measurement is required by relevant accounting standards. All amounts are presented in Australian dollars and is the Company's functional and presentation currency.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 24 March 2016, and as such all financial information presented has been rounded to the nearest thousand dollars unless otherwise stated.

This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 3.

ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

B. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

INTEREST IN EQUITY-ACCOUNTED INVESTEES

The Group's interest in equity-accounted investees comprises interests in a joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date which significant influence or joint control ceases.

BUSINESS COMBINATIONS

The acquisition method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Consideration transferred is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are recognised in profit or loss as incurred. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 15).

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the initial accounting for a business acquisition is incomplete by the end of the reporting period in which the combination occurs, the consolidated entity reports provisional amounts for the items for which accounting is incomplete. The provisional amounts are adjusted during the measurement period (no longer than 12 months from the initial acquisition) on a retrospective basis by restating the comparative information presented in the financial statements.

C. Revenue

SALES REVENUE

Revenue from the sales of new and used motorcycles, accessories and parts is recognised when the performance obligation has been satisfied, which is considered at the point in time when the motorcycle, parts or accessories are invoiced and physically shipped to or collected by the customer.

Under the Group's standard contract terms, the customer has a right to return the product within a specified period and the Group is obliged to refund the purchase price. Under AASB 15, the Group reduces revenue by the amount of expected returns and records it as 'trade and other payables'. The Group estimates the amount of returns based on the historical data for motorcycles, parts and accessories.

SERVICE REVENUE

Service work on customers' motorcycles is carried out under instructions from the customer. Service revenue is recognised over time based on when the performance obligation is satisfied, which is when the requested services work is rendered.

Revenue arising from the sale of parts fitted to customers' motorcycles during a service is recognised at a point in time upon satisfaction of the performance obligation, being the completion of the service.

MECHANICAL PROTECTION PLAN REVENUE

Revenue from the sale of mechanical protection plans (MPP) is recognised over time based on when the performance obligation is satisfied, which is on a straight-line basis over the period of the MPP. The premium collected from the sale of MPP is initially recognised as a contract liability. Costs related to satisfying approved customer claims under the MPP contracts are recognised in profit or loss and expensed as incurred.

INTEREST REVENUE

Interest revenue is recognised on a time proportional basis, taking into account the effective interest rates applicable to the financial assets.

FINANCE AND INSURANCE COMMISSION REVENUE

The Group acts as an agent in the sale of motorcycle finance and insurance products. Commission revenue is recognised at a point in time when the performance obligation is satisfied, which is upon delivery of the associated motorcycle and the transfer of control to the customer.

D. Finance Costs

Interest expense on bailment finance and other borrowings is recognised using the effective interest method.

E. Taxes

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, 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 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.

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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.

GOODS AND SERVICES TAX

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.

F. Leases

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.

G. Impairment of Non-financial assets

Assets that have an indefinite useful life, including Goodwill is tested annually for impairment.

At each reporting date, the Group reviews the carrying amount of all other non-financial assets to determine whether there is any indication of impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates independent cash inflows (known as cash-generating units or CGUs). Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the transaction.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

H. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

I. Receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. The Group applies the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected credit losses to be recognised from initial recognition of the receivables. The expected credit losses are estimated using a trade receivables aging matrix, based on the Group's historical credit loss experience.

J. Inventories

Inventory on hand has been recognised as follows:

- New and 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.

New Motorcycles and Related Bailment Finance

Motorcycles secured under bailment plans are provided to the Group under bailment agreements between the floor plan loan providers and entities within the Group. The Group obtains title to the motorcycles immediately prior to sale. Motorcycles financed under bailment plans held by the Group are recognised as trading stock with the corresponding liability shown as owing to the finance provider.

K. 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 Group 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 Group 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 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 Group for similar financial instruments.

L. Property, Plant and Equipment

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 included 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:

• Leasehold improvements	9 – 29 years
• Plant and equipment	3 – 15 years
• Furniture and fittings	3 – 15 years
• Motor vehicles	4 – 8 years

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 group 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.

DEPRECIATION

The depreciable amount of all fixed assets is depreciated on either a straight line or 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 profit or loss.

M. Goodwill and Other Intangible Assets

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or business at the date of acquisition. Goodwill on acquisition of subsidiaries and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently

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if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. An impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (refer Note 15).

OTHER INTANGIBLE ASSETS

Other intangible assets comprises:

Customer Contracts and Relationships and Other Intangible Assets

These have been acquired by the Group through business combinations and have finite useful lives. These were initially measured at fair value less accumulated amortisation and any accumulated impairment losses. Customer contracts and relationships are amortised using the straight-line method over 10 years.

Trademarks

These have been acquired by the Group through business combinations and have indefinite useful lives. These were initially measured at fair value less accumulated impairment losses. As the trademarks are renewable in nature, economically, the future lives of the brand names are deemed indefinite. The Group intends to continue using the acquired brand names for the foreseeable future. These trademarks will be assessed annually for impairment.

N. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and recognised initially at the fair value of what is expected to be paid, and subsequently at amortised cost, using the effective interest rate method.

O. Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

P. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the obligation.

Q. Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

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 Group in respect of services provided by employees up to reporting date.

Contributions are made by the Group to defined contribution employee superannuation funds and are charged as expenses when incurred.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense with a corresponding increase in equity over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met such that the amount ultimately recognised is based on the number of awards that meet the relevant conditions at the vesting date.

R. 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.

S. Earnings per Share

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends)
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

T. Equity and Reserves

ORDINARY SHARES

Incremental costs directly attributable to the issue of the ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an entity transaction is accounted for in accordance with AASB 112.

SHARE BASED PAYMENT RESERVE

This reserve relates to the recognition of equity from equity-settled share based payment arrangements over the vesting period of the awards.

U. Standards and Interpretations Issued but not yet effective

The following standards, issued but not effective for the reporting period ended 30 June 2019, have not been adopted by the Group in preparing these consolidated financial statements:

AASB 16 *LEASES*

The Group will adopt AASB 16 *Leases* on 1 July 2019. AASB 16 removes the lease classification test for lessees as either operating leases or finance leases as is required by AASB 117 and instead, introduces a single lessee accounting model, and will result in most leases being recognised on the balance sheet by lessees. Under AASB 16, a right of use asset and a financial liability to pay rental costs are recognised.

IMPACT OF ADOPTION

The Group has reviewed is leasing arrangements with respect to changes required under AASB 16. As at 30 June 2019 the Group had non-cancellable lease operating commitments of $41,511,000 (see Note 28).

The Group plans to apply AASB 16 initially on 1 July 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The Group estimates the recognition of right-of use assets to be $33,278,000, and associated lease liabilities of $35,713,000.

The net effect of the lease liabilities and lease assets, adjusted for deferred tax and the reversal of the existing straight-line lease liability and prepayments (estimated to be $1,154,000), will be recognised as a reduction in the opening balance of retained earnings at 1 July 2019.

The Group has made certain assumption and judgements in its computations of the expected impact of the adoption of AASB 16 including interest rates and the likelihood of exercising lease renewal options.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

Trade and other receivables

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. The Group has elected to adopt the practical expedient under AASB 9 and measure ECLs for trade receivables using a provision matrix, based on the aging of trade receivables and applying historical credit loss experience and adjusted for forward-looking factors. The trade receivables balance was segmented into two types of customers, being Retail and Wholesale, given the differing trade terms and historical credit loss experience between these customer segments.

Impact of Adoption

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified as amortised cost. The impact of adopting the expected credit loss provision under AASB 9, compared with the incurred loss model under AASB 139, is not considered material to the Group.

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3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces AASB 118 Revenue and related interpretations. The Group has adopted AASB 15 from 1 July 2018 using the full retrospective method of adoption. The following tables summarise the impacts of transition to AASB 15 as at 1 July 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Note	Published 30 June 2018 $'000	Impact of Adopting AASB15 1 July 2018 $'000	Restated 30 Jun 2018 $'000
Sales revenue	6	285,079	-	285,079
Other income	7	17,364	(636)	16,728
Changes in inventories of finished goods and work in progress		14,851	-	14,851
Raw materials and consumables used		199,814	165	199,979
Employee benefits expense	7	46,394	-	46,394
Finance costs	8	2,216	-	2,216
Depreciation and amortisation expense		2,734	-	2,734
Occupancy costs		10,132	-	10,132
Other expenses		12,930	-	12,930
Profit before tax		**13,372**	**(801)**	**12,571**
Income tax expense	9	4,272	(240)	4,032
Profit for the period		9,100	**(561)**	**8,539**
Other comprehensive income		-	-	-
Total comprehensive income for the year attributable to owners of the company		9,100	(561)	8,539

	Note	Cents		Cents
Earnings per share	10			
Basic earnings per share		16.6	(1.0)	15.6
Diluted earnings per share		16.6	(1.0)	15.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	Published 30 June 2018 $'000	Impact of Adopting AASB15 1 July 2018 $'000	Restated 30 Jun 2018 $'000
Current assets				
Cash and cash equivalents	11	2,469	-	2,469
Trade and other receivables	12	6,783	-	6,783
Inventories	13	87,421	-	87,421
Current tax assets	9	-	-	-
Other assets		39	-	39
Total current assets		**96,712**	-	**96,712**
Non-current assets				
Property, plant and equipment	14	11,211	-	11,211
Deferred tax assets	9	-	-	-
Goodwill and other intangible assets	15	124,496	-	124,496
Interest in equity accounted investees	16	1,156	-	1,156
Other assets		100	-	100
Total non-current assets		**136,963**	-	**136,963**
Total assets		**233,675**	-	**233,675**
Current liabilities				
Trade and other payables	17	11,889	-	11,889
Short term borrowings	18	26,044	-	26,044
Current tax liabilities	9	367	-	367
Provisions	19	6,568	(910)	5,658
Deferred income		-	2,564	2,564
Total current liabilities		**44,868**	**1,654**	**46,522**
Non-current liabilities				
Borrowings	20	50,290	-	50,290
Deferred tax liabilities	9	2,495	(1,679)	816
Provisions	19	999	-	999
Deferred income		-	3,944	3,944
Total non-current liabilities		53,784	2,265	56,049
Total liabilities		**98,652**	**3,919**	**102,571**
Net assets		**135,023**	**(3,919)**	**131,104**
Equity				
Contributed equity	21	120,081	-	120,081
Share-based payment reserve		88	-	88
Retained earnings		14,854	(3,919)	10,935
Total equity		**135,023**	**(3,919)**	**131,104**

There was no material impact on the Group's consolidated statement of cash flows for the year ended 30 June 2019.

FINANCIAL STATEMENTS (CONTINUED)
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The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Type of Product or Service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Wholesale accessories	Revenue from the sale of wholesale accessories is recognised when the goods are shipped from the warehouse. This is when the Company transfers the significant risks and rewards of ownership to the customer. Payment is either by prepayment or due 30 or 60 days from the end of the month during which the goods are invoiced.	AASB 15 did not have a material impact on the Group's accounting policies.
Retail new and used motorcycles	Revenue from the sale of retail new and used motorcycles is recognised when customer accepts delivery of the motorcycle. This is when the Company transfers the significant risks and rewards of ownership to the customer. Payment is due prior to or on delivery.	AASB 15 did not have a material impact on the Group's accounting policies.
Retail motorcycle parts and motorcycle accessories	Revenue from the sale of retail motorcycle parts and motorcycle accessories is recognised when the customer accepts the goods. This is when the Company transfers the significant risks and rewards of ownership to the customer. Payment is either by COD or due 30 days from the end of the month during which the goods are invoiced.	AASB 15 did not have a material impact on the Group's accounting policies.
Servicing of motorcycles	Revenue from the servicing of motorcycles is recognised when the works are completed. This is when the Company transfers the significant risks and rewards of ownership to the customer. Payment is due before the customer collects the motorcycle from the service department.	AASB 15 did not have a material impact on the Group's accounting policies.
Sale of motorcycle finance and insurance products	Revenue from commission on the sale of motorcycle finance and insurance products is recognised when the commission becomes payable by the finance or insurance company. For finance commission this is when the finance contract is settled. For insurance commission this is when the insurance policy begins.	AASB 15 did not have a material impact on the Group's accounting policies.
Sale of motorcycle mechanical protection plans	Revenue from contracts was recognised at the time of sale, less directly attributable cost and a provision for expected future claims.	Contracts with customers for motorcycle mechanical protection plans are now recognised over time, between 1-5 years from date of sale, over the life of the plan. Recognition of revenue will begin at the commencement of the plan on a pro-rata basis over the life of the plan until its expiry. Associated costs directly related to providing the contract are capitalised and amortised over the life of the plan until its expiry. Costs incurred in settling a customer claim are no longer provided for, however are expensed as incurred.

4. USE OF JUDGEMENTS AND ESTIMATES

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Recoverability of Goodwill and Other Intangible Assets

Goodwill with a carrying value of $100,543,000 (2018: $103,289,000) is tested annually for impairment, based on estimates made by directors. Further information on the intangibles impairment test can be found in Note 15. For the purpose of impairment testing conducted for the current year ended 30 June 2019 the recoverable amount has been based on Value in use.

Carrying Amount of Inventories

In determining the amount of write-downs of inventories, management has made judgements based on the expected net realisable value. This requires certain judgements and assumptions to be made, including but not limited to historical loss experience, inventory aging and current knowledge of the products.

5. OPERATING SEGMENT INFORMATION

Operating segments are identified based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The Group operates in two operating and reporting segments being Motorcycle Retailing and Motorcycle Accessories Wholesaling.

Motorcycle Retailing

The Group offers a diversified range of motorcycle products and services to the general public in Australia, including the sale of new and used motorcycles, parts, servicing, accessories and mechanical protection plan contracts. The segment also facilitates insurance and financing for motorcycle purchases through third-party sources.

Motorcycle Accessories Wholesaling

The Group imports and distributes a diversified range of motorcycle parts and accessories to wholesale customers in Australia, including the Group's own retail outlets.

Segment profit represents the profit earned by each segment without allocation of corporate head office costs and income tax. External bailment financing and associated interest expense is allocated to Motorcycle Retailing.

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. All assets and liabilities are allocated to reportable segments.

Inter-segment transactions, which are eliminated on consolidation, are reported on a gross-basis, and are conducted on an arms' length basis.

The Group is not reliant on any external individual customer for 10% or more of the Group's revenue. The Group operates in one geographical segment being Australia. Revenue from overseas customers is not material to the Group.

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

5. OPERATING SEGMENT INFORMATION (continued)

	Motorcycle Retailing	Motorcycle Accessories Wholesaling	Eliminations	Consolidated	Motorcycle Retailing	Motorcycle Accessories Wholesaling	Eliminations	Consolidated
	30 Jun 2019 $'000	30 Jun 2019 $'000	30 Jun 2019 $'000	30 Jun 2019 $'000	Restated* 30 Jun 2018 $'000	30 Jun 2018 $'000	30 Jun 2018 $'000	Restated* 30 Jun 2018 $'000
Sales to external customers and other income	297,137	32,750	-	329,887	281,710	20,097	-	301,807
Inter-segment sales	-	18,312	(18,312)	-	-	12,856	(12,856)	-
Total revenue and other income	**297,137**	**51,062**	**(18,312)**	**329,887**	**281,710**	**32,953**	**(12,856)**	**301,807**
Segment result								
Operating profit before interest	7,859	8,595	-	16,454	11,925	8,421	-	20,346
External interest expense allocation	(1,299)	(1,591)	-	(2,890)	(1,081)	(1,135)	-	(2,216)
Operating contribution	**6,560**	**7,004**	**-**	**13,564**	**10,844**	**7,286**	**-**	**18,130**
Share of net profit of equity accounted investees	(77)	-	-	(77)	6	-	-	6
Business acquisition costs	-	-	-	-	(331)	(1,799)	-	(2,130)
Segment profit	**6,483**	**7,004**	**-**	**13,487**	**10,519**	**5,487**	**-**	**16,006**
Unallocated corporate expenses				(1,440)				(3,435)
Profit before tax				**12,047**				**12,571**
Income tax expense				(3,702)				(4,032)
Net profit after tax				**8,345**				**8,539**
Depreciation and amortisation	1,477	2,313	-	3,790	1,211	1,524		2,735
Write down of inventories to net realisable value	391	(265)	-	126	1,406	86		1,492
Assets								
Segment assets	133,792	105,604	-	239,396	126,650	107,025	-	233,675
Liabilities								
Segment liabilities	68,290	35,869	-	104,159	60,608	41,963	-	102,571
Net Assets	**65,502**	**69,735**	**-**	**135,237**	**66,042**	**65,062**	**-**	**131,104**
Goodwill	48,993	51,552	-	100,545	49,679	53,611	-	103,290
Acquisition of non-current assets	1,527	657	-	2,184	982	17,869	-	18,851

FINANCIAL STATEMENTS (CONTINUED)
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6. REVENUE

Disaggregation of Revenue

	Motorcycle Retailing 30 Jun 2019 $'000	Motorcycle Accessories Wholesaling 30 Jun 2019 $'000	Consolidated 30 Jun 2019 $'000	Restated* Motorcycle Retailing 30 Jun 2018 $'000	Motorcycle Accessories Wholesaling 30 Jun 2018 $'000	Restated* Consolidated 30 Jun 2018 $'000
New motorcycles	111,187	-	111,187	115,805	-	115,805
Used motorcycles	85,980	-	85,980	74,643	-	74,643
Parts and accessories	72,463	32,451	104,914	62,994	19,517	82,511
Service	12,453	-	12,453	11,556	-	11,556
Other	520	-	520	564	-	564
	282,603	**32,451**	**315,054**	**265,562**	**19,517**	**285,079**
Other Income						
Finance and insurance Income	12,569	-	12,569	13,752	-	13,752
Interest income	5	6	11	27	29	56
Share of profit/(loss) from equity accounted investees	(77)	-	(77)	6	-	6
Other income	2,038	292	2,330	2,363	551	2,914
	14,535	**298**	**14,833**	**16,148**	**580**	**16,728**
At a point in time	296,015	32,749	328,764	280,637	20,097	300,734
Over time	1,123	-	1,123	1,073	-	1,073
	297,138	**32,749**	**329,887**	**281,710**	**20,097**	**301,807**

Contract Balances

The following table provides information about receivables and contract liabilities from contracts with customers

	30 Jun 2019 $'000	30 Jun 2018 $'000
Receivables, included in trade and other receivables	**8,179**	6,783
Contract liabilities	**7,197**	6,508

6. REVENUE (continued)

Transaction Price Allocated to Remaining Performance Obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at 30 June 2019.

Financial Year Ending	30 June 2020 $'000	30 June 2021 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2024 $'000	30 June 2025 or later $'000
Mechanical protection plans	2,986	2,245	1,261	534	160	11
	2,986	2,245	1,261	534	160	11

7. OTHER EXPENSES

	30 Jun 2019 $'000	30 Jun 2018 $'000
Other expenses		
Advertising	**2,416**	1,634
Bank charges	**1,060**	741
Computers and software	**928**	530
Freight and cartage	**1,270**	886
Insurance	**968**	849
Motor vehicle expenses	**1,753**	1,412
Professional fees	**829**	2,735
Other expenses	**4,451**	4,143
	13,675	12,930
Employee benefits expense		
Salaries and wages	**40,131**	36,029
Superannuation contributions	**4,673**	4,202
Equity settled share-based payments	**89**	88
Other employee benefits expense	**6,768**	6,075
	51,661	46,394

8. FINANCE COSTS

	30 Jun 2019 $'000	30 Jun 2018 $'000
Vehicle bailment	**769**	668
Interest expense	**2,121**	1,548
	2,890	2,216

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAXES

	30 Jun 2019 $'000	Restated* 30 Jun 2018 $'000	30 Jun 2018 $'000
Income Tax Expense			
Current income tax expense	3,876	5,116	5,116
Adjustment for current tax of prior years	-	-	-
Deferred income tax expense/(benefit)	(174)	(1,084)	(844)
Change in accounting standards	-	-	-
	3,702	4,032	4,272
Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense	12,047	12,571	13,371
Tax at the Australian tax rate of 30% (2018: 30%)	3,614	3,771	4,011
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non deductible expenses	88	261	261
Income tax expense	3,702	4,032	4,272
Deferred tax			
Deferred tax assets	6,544	5,651	3,973
Deferred tax liabilities	(5,891)	(6,468)	(6,468)
	653	(817)	(2,495)
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Property, plant and equipment	331	276	276
Inventory valuation	(150)	(681)	(681)
Provisions			
- Doubtful debts	63	29	29
- Employee benefits	1,890	1,546	1,546
- Mechanical Protection Plans	2,159	1,952	274
Business combination costs	791	467	467
Other	369	300	300
Intangible assets	(5,741)	-	-
Tax loses	941	-	-
	653	3,889	2,211

9. INCOME TAXES (continued)

	30 Jun 2019 $'000	Restated* 30 Jun 2018 $'000	30 Jun 2018 $'000
Amounts recognised directly in equity			
Other	-	735	735
	-	735	735
Amounts recognised directly in goodwill			
Acquired inventory rebates	-	579	579
Acquired provision for Doubtful debts	-	30	30
Acquired employee entitlements / liabilities	-	281	281
Indefinite life intangibles	-	(6,331)	(6,331)
Tax losses	-	-	-
	-	(5,441)	(5,441)
Net deferred tax assets	**653**	**(817)**	**(2,495)**
The deferred tax expense included in income tax expense in respect of the above temporary differences resulted from the following movements:			
Opening balance at 1 July	(817)	1,768	1,768
Charged/(credited) to profit and loss	174	1,084	981
Deferred tax recognised directly in equity	-	1,802	227
Deferred tax recognised directly in goodwill	1,296	(5,471)	(5,471)
Closing balance at 30 June	653	(817)	(2,495)

The tax rate used in the above reconciliations is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

10. EARNINGS PER SHARE

	30 Jun 2019 Cents	Restated* 30 Jun 2018 Cents
Basic earnings per share		
Earnings attributable to the ordinary equity holders of the Company	13.5	15.6
Diluted earnings per share		
Earnings attributable to the ordinary equity holders of the Company	13.5	15.6
Reconciliation of earnings used in calculating earnings per share	**$'000**	**$'000**
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	8,345	8,539
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	8,345	8,539
Weighted average number of ordinary shares outstanding during the year	61,707	54,788
Adjustments for calculation of diluted earnings per share – performance rights and options	102	22
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	61,809	54,810

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

11. CASH AND CASH EQUIVALENTS

	30 Jun 2019 $'000	30 Jun 2018 $'000
Cash at bank and on hand	9,083	2,379
Short term deposits	92	90
	9,175	2,469

12. TRADE AND OTHER RECEIVABLES

	30 Jun 2019 $'000	30 Jun 2018 $'000
Trade and other receivables	8,387	6,980
Provision for doubtful receivables	(208)	(197)
	8,179	6,783

13. INVENTORIES

	30 Jun 2019 $'000	30 Jun 2018 $'000
New and demonstrator motorcycles (at cost)	30,985	28,843
Less: write-down to net realisable value	(301)	(267)
New and demonstrator inventory	30,684	28,576
Used motorcycles (at cost)	12,268	13,693
Less: write-down to net realisable value	(204)	(201)
Used inventory	12,064	13,492
Parts, accessories and other consumables (at cost)	46,285	22,275
Acquired as part of business combination	-	27,879
Less: write-down to net realisable value	(4,637)	(4,801)
Parts, accessories and other consumable inventory	41,648	45,353
Total inventories	84,396	87,421

14. PROPERTY, PLANT AND EQUIPMENT

	30 Jun 2019 $'000	30 Jun 2018 $'000
Leasehold improvements		
Gross value	9,295	8,782
Accumulated depreciation	(2,663)	(2,250)
	6,632	6,532
Motor vehicles		
Gross value	2,398	2,051
Accumulated depreciation	(1,363)	(1,293)
	1,035	758

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	30 Jun 2019 $'000	30 Jun 2018 $'000
Plant and equipment		
Gross value	6,667	5,818
Accumulated depreciation	(4,531)	(3,991)
	2,136	1,827
Furniture, fixtures and fittings		
Gross value	3,487	3,431
Accumulated depreciation	(2,000)	(1,652)
	1,487	1,779
Other fixed assets		
Gross value	1,334	1,296
Accumulated depreciation	(1,078)	(981)
	256	315
Total property, plant and equipment	11,546	11,211

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year is set out below:

30 Jun 2019	Leasehold improvements $'000	Motor Vehicles $'000	Plant and Equipment $'000	Furniture, Fixtures & Fittings $'000	Other Fixed Assets $'000	Total $'000
Carrying amount at the start of the period	6,532	758	1,827	1,779	315	11,211
Additions	644	659	743	100	39	2,185
Acquired from business combinations	-	-	-	-	-	-
Disposals/transfers	(131)	(62)	88	(20)	(1)	(126)
Depreciation expense	(413)	(320)	(522)	(372)	(97)	(1,724)
Carrying amount at end of period	6,632	1,035	2,136	1,487	256	11,546

30 Jun 2018	Leasehold improvements $'000	Motor Vehicles $'000	Plant and Equipment $'000	Furniture, Fixtures & Fittings $'000	Other Fixed Assets $'000	Total $'000
Carrying amount at the start of the period	5,279	417	1,084	487	261	7,528
Additions	1,011	183	344	328	172	2,038
Acquired from business combinations	664	380	814	1,171	2	3,031
Disposals/transfers	-	(48)	-	-	-	(48)
Depreciation expense	(422)	(174)	(415)	(207)	(120)	(1,338)
Carrying amount at end of period	6,532	758	1,827	1,779	315	11,211

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS AND GOODWILL

A reconciliation of the carrying amount of goodwill and other intangible assets is set out below:

30 Jun 2019	Goodwill $'000	Trademarks $'000	Customer contracts and relationships $'000	Other intangibles $'000	Total $'000
Cost					
Balance at beginning of period	103,290	5,603	15,000	2,000	125,893
Acquired through business combinations	(2,745)	-	-	-	(2,745)
New trademarks	-	-	-	-	-
Balance at end of period	**100,545**	**5,603**	**15,000**	**2,000**	**123,148**
Accumulated amortisation					
Balance at beginning of period	-	-	(1,130)	(267)	(1,397)
Amortisation expense	-	-	(1,667)	(400)	(2,067)
Balance at end of period	**-**	**-**	**(2,797)**	**(667)**	**(3,464)**
Carrying amounts					
Balance at beginning of period	103,290	5,603	13,870	1,733	124,496
Balance at end of period	**100,545**	**5,603**	**12,203**	**1,333**	**119,684**

The adjustment to Goodwill relates to the finalisation of the purchase price allocations relating to the acquisition of Cassons Pty Ltd in the prior reporting period. This amount has been recorded as an adjustment against Goodwill, given it occurred within the 12-month measurement period of the acquisition.

30 Jun 2018	Goodwill $'000	Trademarks $'000	Customer contracts and relationships $'000	Other intangibles $'000	Total $'000
Cost	29,357	-	-	-	29,357
Balance at beginning of period	73,933	5,600	15,000	2,000	96,533
Acquired through business combinations	-	3	-	-	3
Balance at end of period	**103,290**	**5,603**	**15,000**	**2,000**	**125,893**
Accumulated amortisation					
Balance at beginning of period	-	-	-	-	-
Amortisation expense	-	-	(1,130)	(267)	(1,397)
Balance at end of period	**-**	**-**	**(1,130)**	**(267)**	**(1,397)**
Carrying amounts					
Balance at beginning of period	29,357	-	-	-	29,357
Balance at end of period	**103,290**	**5,603**	**13,870**	**1,733**	**124,496**

15. INTANGIBLE ASSETS AND GOODWILL (continued)

Impairment Tests for Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's two cash generating units (CGUs), being Motorcycle Retailing and Motorcycle Accessories Wholesaling, which is consistent with the Group's reportable segments.

Goodwill of $48,993,000 (2018: $49,679,000) is allocated to the Motorcycle Retailing CGU and Goodwill of $51,552,000 (2018: $53,611,000) is allocated to the Motorcycle Accessories Wholesaling CGU

The recoverable amount of the CGU to which goodwill is allocated is determined based on the greater of its value in use and its fair value less cost of disposal.

For the purpose of impairment testing conducted for the current year, the recoverable amount has been determined on a value in use basis. The value in use assessment is conducted using a discounted cash flow (DCF) methodology requiring the directors to estimate the future cash flows expected to arise from the cash generating units and then applying a discount rate to calculate the present value. The DCF model adopted by the directors was based on the 2020 financial budget approved by the Board. The key assumptions used in the estimate of the recoverable amount include:

	Retail CGU		Wholesale CGU	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
Post-tax discount rate	**9.0%**	10.0%	**10.0%**	11.0%
Perpetual growth rate	**2.5%**	2.5%	**2.5%**	2.5%
Budgeted EBITDA growth rate		5.0%		2.5%
FY20 Budgeted EBITDA growth rate	**14.3%**		**3.6%**	
FY21 to FY24 Budgeted EBITDA growth rate	**2.5 -5.0%**		**2.5 -5.0%**	

The discount rate was a post-tax measure estimated based on the historical industry weighted average cost of capital, with a possible debt leveraging of 10% for the Wholesale CGU and 20% for the Retail CGU at a market interest rate of 4.8%. The discount rates used are the same as those adopted in the 31 December 2018 interim financial statements. The pre-tax equivalent discount rates are 12.3% for the Retail CGU and 13.5% for the Wholesale CGU.

Cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate.

Budgeted FY20 EBITDA growth rate was estimated taking into account past experience and adjusted as follows:

- New bike sales was projected taking into account the Group's average sales levels experienced over the past five years, adjusted for the current decline in industry motorcycle sale volumes;
- Used bike sales growth was projected taking into account the rollout of selling used motorbikes throughout the Group's retail outlets;
- Estimated cash outflow savings as a result of the Group's cost saving measures initiated in the current financial year.

FY21 to FY24 EBITDA growth rates were estimated taking into account past experience and expected industry trading conditions that do not exceed past experience.

The Directors' have determined that goodwill was not impaired for the year ended 30 June 2019. The estimated recoverable amount of the CGU based on its value in use, exceeded its carrying amount by:

- Wholesale CGU – $11.7m (2018: $13.1m)
- Retail CGU – $0.6m (2018: $24.3m)

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS AND GOODWILL (continued)

The Group has determined that a reasonably possible change in the following assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	Change required for the carrying amount to equal the recoverable amount			
	Retail		Wholesale	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
Post-tax discount rate	+0.1%	+1.5%	+1.0%	+1.1%
Perpetual growth rate	-0.1%	n/a	-1.6%	n/a
Budgeted FY20 EBITDA growth rate	-0.6%	n/a	-10.5%	n/a
Budgeted FY21 to FY24 EBITDA growth rate	-1.1%	n/a	-4.4%	n/a

16. EQUITY-ACCOUNTED INVESTEES

	30 Jun 2019 $'000	30 Jun 2018 $'000
Interest in joint venture	3,539	1,156
	3,539	1,156

MotorCycle Finance Pty Ltd (MCF) is a joint venture in which the Group has joint control and a 50% ownership interest. During the financial year the Group contributed an additional $2,750,000 capital to the venture.

The joint venture was established to provide secured loans to customers directly for the purchase of motorcycles.

MCF is structured as a separate entity and the Group has a residual interest in the net assets of MCF. Accordingly, the Group has classified its interest in MCF as a joint venture. In accordance with the agreement under which MCF is established, the Group and the other investor in the joint venture have agreed to make additional contributions to their interest to make up any losses, if required. This commitment has not been recognised in these financial statements.

The following table summarises the financial information of MCF as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in MCF.

	30 Jun 2019 $'000	30 Jun 2018 $'000
Percentage ownership interest	50%	50%
Assets		
Cash and cash equivalents	4,321	716
Loans and receivables	43,122	5,896
Other assets	339	95
	47,782	6,742
Lliabilities		
Other liabilities	134	268
Loans and borrowings	40,570	4,162
	40,704	4,430
Net assets	7,078	2,312

16. EQUITY-ACCOUNTED INVESTEES (continued)

Group's share of net assets (50%)	3,539	1,156
Carrying amount of interest in joint venture	3,539	1,156
Interest income	2,854	51
Other revenue	681	170
Interest expense	(1,158)	(10)
Income tax benefit/(expense)	32	(5)
Profit/(loss) after tax	(153)	11
Other comprehensive income/(loss)	(579)	-
Total comprehensive income (100%)	(732)	11
Group's share of total comprehensive income (50%)	(366)	6

17. TRADE AND OTHER PAYABLES

	30 Jun 2019 $'000	30 Jun 2018 $'000
Trade payables[1]	7,554	7,406
Other Payables	4,903	4,483
	12,457	11,889

[1]The average credit period on purchases of goods is 30 days. No interest is charged on trade payables from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. SHORT TERM BORROWINGS

	30 Jun 2019 $'000	30 Jun 2018 $'000
Bailment finance	28,883	24,377
Bank loan	1,667	1,667
	30,550	26,044

Bailment finance is provided on a motorcycle by motorcycle basis by various finance providers and currently bears interest at a rate from 5-12% p.a. (2018: 5-12%). Bailment finance is considered a current liability and repayable after the motorcycle is sold to a third party.

This liability is represented by and secured by a charge over the vehicles subject to the bailment agreements and various levels of security and indemnities.

19. PROVISIONS

	30 Jun 2019 $'000	Restated* 30 Jun 2018 $'000
Employee benefits	5,692	5,353
Other provisions	-	305
Current provisions	5,692	5,658
Employee benefits	592	545
Other provisions	856	454
Non-current provisions	1,448	999

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

20. LOANS AND BORROWINGS

	30 Jun 2019 $'000	30 Jun 2018 $'000
Bank loan	**46,815**	50,290
Total long term borrowings	**46,815**	50,290

Interest bearing loan is secured on a fixed and floating charge over the present and future interest of all assets and undertakings of the Group. The loan has a maturity date of 31 October 2020. The weighted average interest rate as at 30 June 2019 was 3.52%.

Financing arrangements

The Group has access to the following lines of credit at balance date:

	30 Jun 2019 $'000	30 Jun 2018 $'000
Total facilities		
Bank facilities	**68,977**	76,060
Bailment finance	**42,089**	43,319
	111,066	119,379
Used at balance date		
Bank facilities	**53,347**	56,030
Bailment finance	**28,883**	24,377
	82,230	80,407
Unused at balance date		
Bank facilities	**15,630**	20,030
Bailment finance	**13,206**	18,942
	28,836	38,972

21. CAPITAL AND RESERVES

Ordinary Shares

Movements in ordinary shares		Number of shares	Issue Price $	$'000
Date	**Details**			
01 July 2017	Opening balance	37,950,000		30,141
27 October 2017	Issue of shares	17,393,072	3.85	66,963
31 October 2017	Issue of shares related to business combinations	6,363,638	3.85	24,500
30 June 2018	Cost of share issue			(1,523)
30 June 2018	Closing balance	61,706,710		120,081
30 June 2019	**Closing balance**	**61,706,710**		**120,081**

21. CAPITAL AND RESERVES (continued)

Dividends

The following dividends were declared and paid by the Company:

	30 June 2019 Cents per share	30 June 2019 $'000	30 June 2018 Cents per share	30 June 2018 $'000
Dividends on ordinary shares				
2018 final dividend (2018: 2017 final dividend)	**6.5**	**4,011**	7.5	2,846
2019 interim dividend (2018: 2018 interim dividend)	**-**	**-**	5.5	3,394
Total Dividends on ordinary shares	**6.5**	**4,011**	13.0	6,240

Although the Group has $9,175,000 cash at bank, Directors have decided not to declare a final dividend and have embarked on a program of lowering the business' cost structure, reducing debt and improving operational performance to enable the company to take advantage of any acquisition opportunities that may arise in the current difficult trading environment.

The amount of franking credits available at the 30% tax rate as at 30 June 2019 to frank dividends for subsequent financial years is $35,547,000 (2018: $32,626,000).

22. SHARE-BASED PAYMENT ARRANGEMENTS

During the 2018 financial year, the Group established a long-term incentive plan ("LTIP") for key management personnel following shareholder approval at the 2017 annual general meeting. The LTIP allows for the granting of performance rights which constitute a right to receive ordinary shares in the capital of the Company upon the achievement of certain performance hurdles. Currently, the LTIP is limited to certain key management personnel. The fair value of these performance rights were calculated on grant date and recognised over the period to vesting. The vesting of the performance rights is based on the achievement of specified compound annual growth in the Group's earnings per share and relative total shareholder results.

The key terms and conditions related to the LTIP are as follows:

	Grant Date	Number of Performance Rights	Vesting Conditions[1]	Performance Period
Tranche				
2018 Tranche 1	24 April 2018	59,197	Relative TSR	1 July 2017 to 30 June 2020
2018 Tranche 2	24 April 2018	59,197	EPS CAGR	1 July 2017 to 30 June 2020
2019 Tranche 1	27 June 2019	55,956	Relative TSR	1 July 2018 to 30 June 2021
2019 Tranche 2	27 June 2019	55,956	EPS CAGR	1 July 2018 to 30 June 2021
		230,306		

[1] Further details of the vesting conditions are disclosed in the Remuneration Report.

FINANCIAL STATEMENTS (CONTINUED)
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

Measurement of Fair Values

The fair value of the performance rights granted under the LTIP has been measured as follows:

- Tranche 1 – Monte Carlo simulation
- Tranche 2 – Black Scholes Model

Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value. The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments plans were as follows:

	2019 - Tranche 1	2019 - Tranche 2	2018 - Tranche 1	2018 - Tranche 2
Fair value at grant date	$0.20	$1.24	$1.60	$3.01
Share price at grant date	$1.32	$1.32	$3.41	$3.41
Expected volatility	40%	40%	30%	30%
Annual dividend yield	2.92%	2.92%	5.58%	5.58%
Risk-free interest rate	1.10%	1.10%	2.11%	2.11%
Test date	30 June 2021	30 June 2021	30 June 2020	30 June 2020

The expected volatility has been based on an evaluation of the historical volatility of the Company's and comparable companies' share price, particularly over the historical period commensurate with the expected term.

Reconciliation of outstanding performance rights

The number of performance rights under the LTIP were as follows:

	Number of Performance Rights	
	30 June 2019	30 June 2018
Opening balance	118,394	-
Granted during the year	111,912	118,394
Forfeited during the year	(17,729)	-
Exercised during the year	-	-
Closing balance	**212,577**	118,394

Recognised share-based payments expense

The value of performance rights expensed during the year was $89,000 (2018: $88,000). The entire amount is attributable to key management personnel remuneration.

23. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK

Overview

The Group has exposure to the following key risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established an Audit and Risk Committee, which is responsible for monitoring, assessing and reporting on the consolidated entity's risk management system. The committee provides regular reports to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The Audit & Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The Group's principal financial instruments comprise bank loans, bailment finance, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for and fund the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Further, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and other receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

The Group establishes an allowance for doubtful debts that represents its estimate of expected credit losses in respect of trade and other receivables and investments.

The Group's credit risk on liquid funds is limited as the counter parties are major Australian banks with favourable credit ratings assigned by international credit rating agencies.

Exposure to Credit Risk

The carrying amount of financial assets (as per Note 12) represents the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK (continued)

	Retail Segment		Wholesale Segment	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Trade and other receivables	**3,951**	3,477	**4,436**	3,504
Provision for doubtful receivables	**(97)**	(97)	**(111)**	(100)
	3,854	3,380	**4,325**	3,404

Impairment losses

The maximum credit period on trade sales is 60 days. No interest is charged on the trade receivables from the date of invoice or when past due. The Group applies a simplified approach to measure expected credit losses from trade receivables using an allowance matrix. Trade receivables comprise a large number of small balances. These balances are allocated into different stages of delinquency between current and write-off. Loss rates for each stage are then applied based on historical loss experience.

Included in the Group's trade receivables balance are debtors with a carrying amount of $519,000 (2018: $2,459,000), which are past due at the reporting date. Of this balance the Group has provided $208,000 (2018: $197,000) for these balances. The Group does not hold any collateral over these balances.

Liquidity Risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group's overall objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The Group also manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Information on available facilities can be found in Note 20.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and monitor market risk exposures within acceptable parameters, whilst optimising the return on risk.

INTEREST RATE RISK

The Group is exposed to interest rate risk as a consequence of its financing facilities as set out in Notes 18 and 20. The Group's policy is to manage its interest cost using variable rate debt.

As at 30 June 2019 0% (2018: 0%) of the Group's borrowings were at a fixed rate of interest, with all funds borrowed at floating rates. There is no history of fixing interest rates and MotorCycle Holdings has no intention of fixing interest rates in the immediate future.

INTEREST RATE SENSITIVITY

The sensitivity analyses below have been determined based on the exposure to interest rates at reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's net profit after tax would increase/decrease by $242,000 (2018: $263,000) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

23. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK (continued)

FOREIGN CURRENCY RISK

The Group is exposed to currency risk to the extent that there is a mismatch between the currency in which sales and purchases are denominated. The currency in which these transactions are denominated is primarily the US dollar.

At any point in time, the Group uses forward exchange contracts to hedge its purchases in respect of forecast sales and purchases over the following six months, all with a maturity date of less than one year from reporting date.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the period.

Fair Value Measurements

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting their future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying value amount, as the impact of discounting is not significant.

MATURITY PROFILE

The below table provides a maturity profile for the Group's financial liabilities at balance date. The amounts disclosed in the table are gross contractual undiscounted cash flows (principal and interest) required to settle the respective liabilities. The interest rate is based on the rate applicable as at the end of the financial period.

As at 30 June 2019	Less than one year $'000	1-2 Years $'000	2-5 Years $'000	Total $'000	Interest Rate
Financial liabilities					
Bailment (current)	28,883	-	-	28,883	5-12%
Borrowings	3,437	47,386	-	50,823	3.52%
Forward exchange contracts	3,598	-	-	3,598	
Trade and other payables	12,457	-	-	12,457	
	48,375	**47,386**	**-**	**95,761**	
As at 30 June 2018					
Financial liabilities					
Bailment (current)	24,377	-	-	24,377	5-12%
Borrowings	3,714	3,648	48,233	54,957	3.94%
Forward exchange contracts	1,830	-	-	1,830	
Trade and other payables	11,889	-	-	11,889	
	41,810	**3,648**	**48,233**	**93,053**	

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

24. LIST OF SUBSIDIARIES

Name of Entity	Place of Incorporation	Equity Held 30 Jun 2019 %	Equity Held 30 Jun 2018 %
Motorcycle Holdings Operations Pty Ltd	Australia	100	100
Motorcycle Holdings IDS Pty Ltd	Australia	100	100
Motorcycle Holdings Unit Co Pty Ltd	Australia	100	100
Motorcycle Holdings Group Unit Co Pty Ltd	Australia	100	100
Team Moto Pty Limited	Australia	100	100
Netpark Pty Ltd	Australia	100	100
Shoreway Pty Ltd	Australia	100	100
Pushgate Pty Ltd	Australia	100	100
Stanbay Pty Ltd	Australia	100	100
Myway Services Pty Ltd	Australia	100	100
Motorcycle Riding School Pty Ltd	Australia	100	100
North Ride Pty Ltd	Australia	100	100
Motorcycle Holdings TCO Pty Ltd	Australia	100	100
TeamMoto Unit Trust	Australia	100	100
Motorcycle Holdings Group Unit Trust	Australia	100	100
Innovative Dealership Solutions Pty Ltd	Australia	100	100
Innovative Dealership Solutions Unit Trust	Australia	100	100
MW Motorcycles Pty Ltd	Australia	100	100
Trinder Avenue Motors Pty Ltd	Australia	100	100
Cassons Pty Ltd	Australia	100	100
Motor Cycle Accessories Supermarket Pty Ltd	Australia	100	100

All subsidiaries are either directly controlled by MotorCycle Holdings Limited or are wholly owned within the group, have ordinary class of shares and are incorporated in Australia.

25. PARENT ENTITY

Information relating to MotorCycle Holdings Limited ('the parent entity') at 30 June 2019 is presented below and is in line with the Group's accounting policies.

Financial position	30 Jun 2019 $'000	30 Jun 2018 $'000
Assets		
Current assets	2,095	-
Non-current assets	119,060	121,401
	121,155	121,401

25. PARENT ENTITY (continued)

Liabilities		
Current liabilities	-	4,272
Non-current liabilities	-	-
	-	4,272
Equity		
Issued capital	120,083	120,083
Retained earnings	895	(3,042)
Reserves	177	88
	121,155	117,129
Financial performance		
Profit/(loss) for the year	7,948	6,179
Total comprehensive income	7,948	6,179

26. DEED OF CROSS GUARANTEE

MotorCycle Holdings Limited, the parent entity, has entered into a Deed of Cross Guarantee with each of its eligible wholly-owned subsidiaries, under which each entity guarantees the debts of other members of the Group. By entering into this Deed of Cross Guarantee it allows the Group to use ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 which provides relief from the *Corporations Act 2001* financial reporting requirements for wholly-owned subsidiaries.

The table in Note 24 details the Group's corporate structure and those entities that are wholly-owned and form part of the Group's Deed of Cross Guarantee. There are no material differences in the financial statements for the amounts disclosed for the consolidated entity, and the aggregated amounts for all entities within the Deed of Cross Guarantee.

27. CONTINGENCIES

Parent Entity

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial and trade arrangements entered into by its subsidiaries. It is not anticipated that the parent entity will become liable for any amount in respect thereof. At 30 June 2019 no subsidiary was in default in respect of any arrangement guaranteed by the parent entity.

28. OPERATING LEASE COMMITMENTS

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises are payable as follows:

	30 Jun 2019 $'000	30 Jun 2018 $'000
Within one year	9,998	9,117
Later than 1 year but not later than 5 years	26,425	22,105
Later than 5 years	5,088	2,509
	41,511	33,731

The Group leases property under non-cancellable operating leases with expiry dates up to 2028. Leases generally provide for a right of renewal at which time the lease is renegotiated. Lease rental payments comprise a base amount plus an annual increase based on movements in the consumer price index or a fixed percentage increase.

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

29. AUDITOR'S REMUNERATION

KPMG Australia	30 Jun 2019 $	30 Jun 2018 $
Audit or review of the financial report	305,000	337,000
Other services	107,181	106,045
	412,181	443,045

30. RELATED PARTIES

The remuneration report included in the Directors' Report sets out the remuneration policies of the consolidated entity and the relationship between these policies and the consolidated entity's performance.

Compensation of key management personnel

The aggregate compensation made to key management personnel of the Company and the Group is set out below:

	30 Jun 2019 $	30 Jun 2018 $
Short term employee benefits	2,059,396	1,701,114
Share-based payments	47,709	87,675
Post employment benefits	160,239	174,038
Other long term benefits	104,136	21,634
	2,371,480	1,984,461

There are no loans to key management personnel.

Other transactions of directors and director related entities

The aggregate amount of transactions with key management personnel are as follows:

(i) The Group has entered into leases in respect to 11 properties that are controlled by Dave Ahmet, Managing Director and Chief Executive Officer, or that are part-owned by entities controlled by Dave Ahmet.

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 lease term expired on 30 June 2016 and options have been exercised for the first of three 5-year options to extend them. The leases are subject to a formal market review at each option renewal.

Total rental expense (excluding outgoings) payable to related parties for the year ended 30 June 2019 was $2,436,000 (year ended 30 June 2018: $1,881,000).

30. RELATED PARTIES (continued)

(ii) The Group has entered into leases in respect to three properties that are owned by entities controlled by Rob Cassen, Non-executive Director, or that are part-owned by entities controlled by Rob Cassen.

The terms of these leases were originally negotiated on commercial arms' length basis in July 2011, December 2012 and July 2013 and each contain customary terms and conditions including initial lease terms of 10 years, with options to renew each lease for a further 10 years. The leases are subject to a formal market review at each option renewal.

Total rental expense (excluding outgoings) payable to related parties for the year ended 30 June 2019 was $2,558,000 (2018: $1,656,000).

(iii) From time to time, directors and key management personnel of the Group, or their related parties, may buy goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or external customers.

Other related parties

The Group is entitled to finance commission revenue from its joint venture, MCF (refer Note 16). Total finance revenue recognised by the Group for the year ended 30 June 2019 was $2,364,000, of which $155,000 was receivable at year end.

31. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	30 Jun 2019 $'000	Restated* 30 Jun 2018 $'000
Net profit after tax	8,345	8,539
Add/(less) non-cash movements		
Depreciation and amortisation	3,790	2,734
(Profit)/loss from equity-accounted investee	77	(6)
Equity settled share-based payment	89	-
(Increase)/decrease in assets		
Receivables	(1,371)	9,975
Inventories	3,026	(15,248)
Purchase of trademarks	-	(3)
Deferred tax assets	642	-
Increase/(decrease) in liabilities		
Payables	551	(5,361)
Bailment finance liability	4,506	1,281
Provisions	1,172	1,960
Taxes payable	(1,826)	(2,289)
Net cash inflow from operating activities	19,001	1,582

32. SUBSEQUENT EVENTS

There have not been any matters or circumstances occurring subsequent to the end of the period that have significantly affected, or may significantly affect, the operations of the Group or the state of affairs of the Group in future periods.

FINANCIAL STATEMENTS (CONTINUED)
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

The Directors make the following Directors' Declaration for the year ended 30 June 2019:

1. In the opinion of the Directors of MotorCycle Holdings Limited (the Company):

   (a) the consolidated financial statements and notes that are set out on pages 34 to 65 and the Remuneration report in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

   I. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

   II. complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

4. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

David Ahmet
Managing Director

Dated at Brisbane this 27th day of August 2019

David Foster
Chairman

Dated at Brisbane this 27th day of August 2019

KPMG

Independent Auditor's Report

To the shareholders of MotorCycle Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of MotorCycle Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- recoverability of goodwill
- valuation of inventory

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill ($100,543,000)

Refer to **Note 15** to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 42% of total assets). Challenging trading conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the significant forward-looking assumptions the Group applied in their value in use models, including: • forecast operating cash flows, growth rates and terminal growth rates – the Group has been impacted by challenging trading conditions across the industry, resulting in a decline in demand for the Group's products and services. These conditions increase the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. • forecast growth rates – In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in forecast growth rates, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • discount rates – these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, and the models approach to incorporating risks into the cash flows or discount rates. The Group's modelling is highly sensitive to small changes in the discount rate. We involve our valuation specialists and senior team members with this assessment. The Group's impairment models use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Modelling, using forward-looking assumptions tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. In addition to the above: • the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of goodwill being impaired; and	Working with our valuation specialists, our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business and how independent cash inflows were generated, against the requirements of the accounting standards. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • We compared the forecast operating cash flows contained in the value in use models to Board approved forecasts. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We noted previous trends where constrained market conditions existed and how they impacted the business, for use in further testing. • We assessed the Group's determination of CGU assets for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards. • Working with our valuation specialists, we challenged the Group's forecast cash flow and growth assumptions in light of the expected continuation of challenging trading conditions. We compared key events to the Board approved plan and strategy. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We compared forecast growth rates and terminal growth rates to external market data, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in.

The key audit matter	How the matter was addressed in our audit
• the total recoverable amount of all CGUs exceeded the Group's market capitalisation at year end. This increased our audit effort in this area. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• We considered the sensitivity of the models by varying key assumptions, such as forecast operating cash flows, forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures. • We assessed the difference between the year-end market capitalisation and the carrying amount of the net assets of the Group by comparing the implicit earnings multiples from the models to market multiples of comparable entities. • For the Retail CGU, we compared the recoverable amount determined from the value in use model to the fair value less cost of disposal calculated using market multiples of comparable entities. • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Valuation of inventory ($84,396,000)	
Refer to **Note 13** to the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**

The valuation of new and used motorcycle inventory and parts and accessories inventory is a Key Audit Matter due to:
• the size of the balance (comprising 35% of total assets); and
• the high level of judgement required by us in evaluating management's assessment of recoverability based on age, brand, condition and historical sales data.
These judgements included the assumptions underlying the provision for inventory obsolescence calculations and determination of net realisable value across each class of inventory with reference to the above mentioned attributes, amongst others.
In assessing this key audit matter, we involved senior members of the audit team who collectively understand the Group's business, industry and the economic environment in which it operates.
	Our procedures included:
	• assessing the appropriateness of inventory valuation accounting policies applied by the Group against the requirements of accounting standards.
	• developing an understanding of the Group's processes and judgements adopted in calculating the provisions for obsolescence for each class of inventory.
	• vouching the age and cost of inventory at 30 June 2019, on a sample basis, to underlying purchases support, as key inputs into the Group's calculation of provisions for obsolescence.
	• assessing the adequacy of the Group's judgements in estimating net realisable value through the following:
	  ○ comparing the carrying value of new and used motorcycles and parts and accessories, on a sample basis, to current sales values; and
	  ○ assessing the level of provisioning for new and used motorcycles and parts and accessories, on a sample basis, with reference to historical sales data and write-offs.

Other Information

Other Information is financial and non-financial information in MotorCycle Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of MotorCycle Holdings Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 17 to 27 of the Directors' Report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
27 August 2019

FINANCIAL STATEMENTS (CONTINUED)

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION AS AT 22 AUGUST 2019

Substantial Shareholders

As of 22 August 2019, here are the latest substantial shareholder notices as listed on the ASX website (official names, shares and % total issued capital):

1. MotorCycle Holdings Limited (shares held by employees and their Associates) holding 17,215,537 shares or 27.9% of the total issued capital.
2. David Hedley Ahmet holding 11,133,907 shares at 18.04% of the total issued capital.
3. Bennelong Australian Equity Partners Pty. Ltd. (Bennelong Funds Management Group) holding 7,570,091 shares at 12.27% of the total issued capital.
4. Naos Asset Management Ltd holding 4,898,260 shares or 6.71% of the total issued capital.
5. MUFG (which completed the acquisition of Commonwealth Bank Group) holding 3,469,739 shares at 5.62% of the total issued capital.

Voting Rights

Each shareholder present at a meeting has one vote on a show of hands, and if a poll is called each shareholder present votes in proportion to the number of and amount paid up on their shares.

Ordinary Shares

Distribution of equity security holders by size of holding:

Range	Total Holders	Units	% Units
1 - 100	54	656	0.00
101 - 1,000	229	129,999	0.21
1,001 - 10,000	1,040	4,505,904	7.30
10,001 - 100,000	261	7,037,742	11.40
100,001 - 500,000	22	4,979,602	8.06
500,001 - 1,000,000	5	3,065,950	4.96
1,000,001 - 9,999,999,999	7	41,986,857	68.04
Rounding			**0.00**
Total	**1,618**	**61,706,710**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 1.770 per unit	270	100	9,519

Escrowed Shares

6,363,638 ordinary shares are subject to voluntary escrow from 31 October 2017 to 31 October 2019.

Securities Exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Sydney.

Other Information

MotorCycle Holdings Limited is incorporated and domiciled in Australia, is a publicly listed company limited by shares.

On-Market Buy-Back

There is no current on-market buy-back.

Twenty Largest Shareholders

Top Holders (Ungrouped) As Of 22/08/2019,

Rank	Name	Units	% Units
1	KENLAKE PTY LIMITED	10,479,394	16.98
2	CITICORP NOMINEES PTY LIMITED	9,955,245	16.13
3	NATIONAL NOMINEES LIMITED	6,728,163	10.90
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,583,984	9.05
5	FREDA CASSEN	3,181,819	5.16
6	R CASSEN PTY LTD <R CASSEN FAMILY A/C>	3,181,819	5.16
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,876,433	4.66
8	MR BRUCE ROLAND COLLINS	839,610	1.36
9	DAVID HEDLEY AHMET	581,596	0.94
10	MRS KAREN ANN COOKSLEY	575,001	0.93
11	SARGON CT PTY LTD <CYAN C3G FUND>	559,191	0.91
12	MR ROBERT JOHN DONOVAN + MS CORINA LEE TROY <DONOVAN FAMILY S/F A/C>	510,552	0.83
13	MR ROBERT BRUCE TINLIN	499,785	0.81
14	MR CHRISTOPHER ANDREW CHENOWETH	450,000	0.73
15	MR MARTIN JOHN POCOCK + MRS MICHELLE JUNE POCOCK <POCOCK FAMILY A/C>	385,291	0.62
16	DR DAVID JOHN RITCHIE + DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	306,600	0.50
17	RT DEVELOPMENTS PTY LTD <THORN SUPER FUND A/C>	304,836	0.49
18	BNP PARIBAS NOMS PTY LTD <DRP>	293,306	0.48
19	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	289,648	0.47
20	MUSGROVE INVESTMENTS PTY LTD <SHANE MUSGROVE S/F A/C>	227,609	0.37
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**47,809,882**	**77.48**
Total Remaining Holders Balance		**13,896,828**	**22.52**

FINANCIAL STATEMENTS (CONTINUED)

ADDITIONAL INFORMATION

Leases with Related Parties

Certain MotorCycle Holdings Group entities have entered into leases in respect of properties that are part-owned by Dave Ahmet (Managing Director) or that are part-owned by entities owned and controlled by Dave Ahmet. The Company was granted the following waiver from listing rule 10.1 to the extent necessary to permit the Company not to seek shareholder approval for the first renewal period of 5 years, commencing on 1 July 2016 (the "First Renewal Period"), of property leasing agreements entered into between the Company on behalf of Triumph Virginia, Moorooka Service Centre, Triumph Springwood, Honda Springwood, Advanced Spray Painting and Decals, Team Moto Virginia, Team Moto Moorooka, Yamaha Gold Coast, Team Moto North Coast and Team Moto Blacktown and properties that are part-owned by Company director and substantial shareholder Dave Ahmet or that are part-owned by Kenlake Pty Ltd, an entity owned and controlled by Dave Ahmet (the "Ahmet Leases") on the following conditions.

i. Summaries of the material terms of the Ahmet Leases are made in each annual report of the Company during the life of the Ahmet Leases.

ii. Any material variation to the terms of the Ahmet Leases is subject to shareholder approval.

iii. Renewal of the Ahmet Leases, including the exercise of any subsequent option to renew the Ahmet Leases for a further term of 5 years after the completion of the First Renewal Period, will be subject to shareholder approval, should listing rule 10.1 apply at that time.

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). Options to renew were exercised on 1 July 2016. The annual value of the rent under the leases is set out in Note 30 to the Financial Statements.

As a result of the acquisition of Cassons Pty Ltd, the Group has entered into leases in respect to three properties that are owned by entities owned and controlled by Rob Cassen (Executive Director), or that are part-owned by entities owned and controlled by Rob Cassen at Cassons Warehouse, Motor Cycle Accessories Supermarket Penrith and Motor Cycle Accessories Supermarket Caringbah.

The terms of these leases were originally negotiated on commercial arms' length basis in July 2011, December 2012 and July 2013 and each contain customary terms and conditions including initial lease terms of 10 years, with options to renew each lease for a further 10 years.

CORPORATE DIRECTORY

Registered Office	MotorCycle Holdings Limited 68 Moss Street Slacks Creek QLD 4127 Tel: +61 7 3380 2235 Email: nicole.spink@mcholdings.com.au
ASX Ticker Code	MTO
Directors	David Foster Dave Ahmet Warren Bee Rick Dennis Peter Henley Rob Cassen
Chief Financial Officer	Bob Donovan CPA
Company Secretary	Nicole Spink FCPA FGIA FCIS
Auditor	KPMG Level 16 Riparian Plaza 71 Eagle Street Brisbane QLD 4000
Location of Share Registry	Computershare Investor Services Pty Ltd Level 1 200 Mary Street Brisbane QLD 4000 Tel (within Australia): 1300 850 505 Tel (outside Australia): +61 3 9415 4000 Website: computershare.com.au
Website	www.mcholdings.com.au

MotorCycle Holdings