MotorCycle Holdings

ANNUAL REPORT

2022

Corporate Directory

REGISTERED OFFICE

MotorCycle Holdings Limited

68 Moss Street
Slacks Creek QLD 4127

Tel: +61 7 3380 2290

Email: cosec@mcholdings.com.au

ASX TICKER CODE

MTO

DIRECTORS

David Foster

David Ahmet

Warren Bee

Rick Dennis

Peter Henley

Rob Cassen

CHIEF FINANCIAL OFFICER

Bob Donovan

COMPANY SECRETARY

Nicole Spink

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

mcholdings.com.au

Contents

FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL

Revenue

↑7% to $462.6m

Underlying EBITDA

↓4% to $37m

Full Year Dividends

20c/share

Fully franked

NPAT

↓18% to $23.1m

OPERATIONAL

New Motorcycle Sales

↑7% to $182.7m

Retail Accessories Sales

↓9% to $78.3 m

Used Motorcycle Sales

↑20% to $123.3m

Wholesale Accessories Sales

↑7% to $43.2m

AUSTRALIA'S LEADING MOTORCYCLE DEALERSHIP AND ACCESSORIES GROUP

42

39 RETAIL LOCATIONS + 3 WHOLESALE WAREHOUSES

800+

EMPLOYEES

10

TOP GLOBAL BRANDS

33

YEARS OPERATION

ABOUT US

MotorCycle Holdings Limited is the leading motorcycle dealership and accessories group in Australia.

Our core business consists of the ownership and operation of motorcycle dealerships, engaging in the sale of new motorcycles, used motorcycles, accessories and parts, finance, insurance and mechanical protection plans and services.

The Group imports and distributes a range of motorcycle parts and accessories to retail customers throughout Australia and its own Group.

The Company represents a diverse portfolio of brands. In the new and used motorcycle categories Motorcycle Holdings sells all of the top selling motorcycle brands in Australia.

Our customers are motorcyclists who are primarily leisure riders, recreational users, commuters, farmers and adventure sports enthusiasts.

The Group added Indian, Polaris, CFMOTO, Royal Enfield, Peugeot, and Benelli showrooms to existing MCA and TeamMoto stores, and Yamaha WaveRunners and Stihl to an existing TeamMoto site during the COVID-19 Pandemic.

In 2021, the Group expanded its operations into New Zealand through the acquisition of Forbes and Davies. Forbes and Davies is one of New Zealand's leading importers and wholesalers of motorcycle tyres, ATV tyres, ride apparel, helmets and accessories. It wholesales motorcycle and powersport industry supplies directly to more than 200 retailers.

OUR INDUSTRY

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

MotorCycle Holdings estimates that there are almost 700 dealerships across Australia, with only 3 operators (excluding MotorCycle Holdings) owning more than 4 locations. The fragmented nature of the market provides an opportunity for continued growth through acquisition.

MotorCycle Holdings has relationships with all major motorcycle manufacturers such as BMW, Harley-Davidson, Honda, Indian, Kawasaki, KTM, Kymco, Suzuki, Triumph and Yamaha in addition to other smaller manufacturers.

The Group has 42 outlets, 39 retail and 3 wholesale, operated from dealership and retail accessory locations in Queensland, New South Wales, Victoria, the Australian Capital Territory in Australia and also New Zealand.

MotorCycle Holdings has an estimated 12% market share of all new motorcycle sales nationally (by number of motorcycles sold).

MotorCycle Holdings estimates the total addressable motorcycle dealer market in Australia across all product and service streams was approximately $5 billion in FY22.

Motorcycles can be categorised into four key categories including road, off-road, All Terrain Vehicles (ATVs) and scooters.

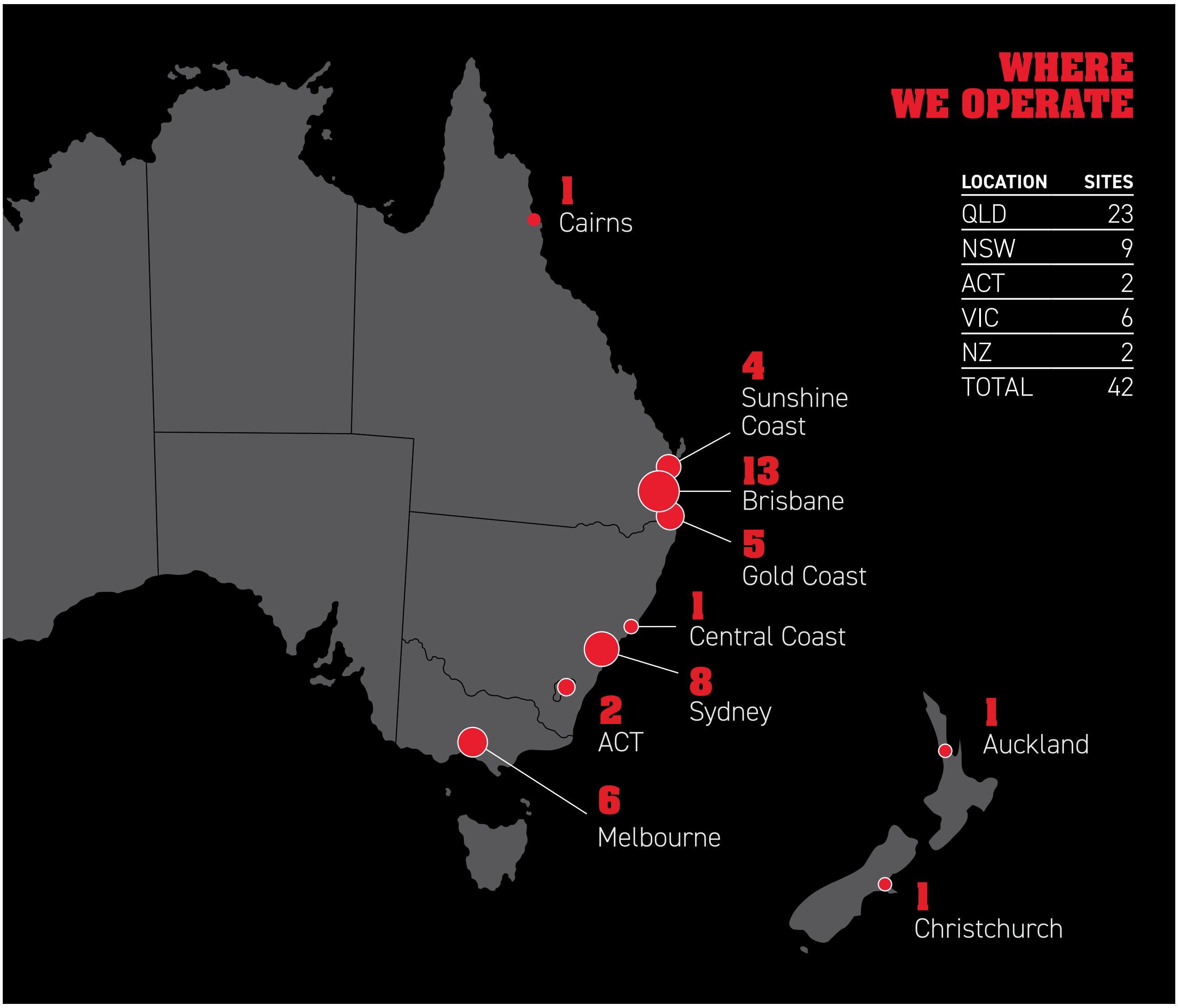
OUR BUSINESS MODEL

MotorCycle Holdings' business model gives it competitive advantages through:

- diversified revenue streams from a variety of business divisions including new and used motorcycle sales, accessories and parts, finance, insurance and mechanical protection plans and service
- its well capitalised business which enables it to pursue acquisitions in a fragmented market and invest in a wide range of new and used motorcycle stock
- its investment in people, training and management systems provide a scalable base and when combined with a sales-based culture drives operational and dealership performance.

WHERE WE OPERATE

LOCATION	SITES
QLD	23
NSW	9
ACT	2
VIC	6
NZ	2
TOTAL	42



OUR STRATEGY

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

The Group also plans to grow by introducing new products, acquiring other companies involved in the motorcycle, powersports and agriculture industries and selling products internationally.

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

OUR ORIGINS

David Ahmet, the Founder, Managing Director and Chief Executive Officer of MotorCycle Holdings, has successfully led the expansion of the Group over many years.

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

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

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

The company listed on the Australian Stock Exchange in 2016, becoming one of the most successful IPOs of that year.

2022

In December 2021, the Group finalised the strategic acquisition of Forbes and Davies — a leading New Zealand importer and wholesaler of motorcycle tyres, ATV tyres, riding apparel, helmets, accessories and aftermarket parts. The acquisition of Wide Bay Motorcycles was also completed in early 2022.

CHAIR'S REPORT

This year has been a testament to the resilience of our earnings and the diversity of our locations, products and the respected brands we represent.

Despite the many challenges, we produced a strong financial result for FY22 and our team has continued to deliver for customers, partners and shareholders.

The result was achieved against a backdrop of Government lockdowns in response to COVID-19, the advent of the Omicron variant, and the New South Wales and Queensland floods which all impacted trading.

This past year was also interspersed with periods of strong demand as the impacts of the pandemic changed consumer behaviour and provided the perfect circumstances to retain higher margins.

MotorCycle Holdings was able to shield itself from the impacts of these challenges given its diversified revenue streams, significant geographic footprint and dealership strength. Despite the challenges revenue and profit performance across the divisions was mostly positive.

The resilient result was underpinned by the solid revenue and profit performance of new and used motorcycles.

As a result of this performance, we are delighted to continue rewarding shareholders, with a fully franked final dividend for FY22 of 8 cents per share. The final dividend, combined with our ordinary interim dividend takes the total dividends for the full year to 20 cents per share, in line with the previous year's dividends.

Among the challenges, we also seized opportunities to grow through acquisition. During the period, we finalised the acquisition of Forbes and Davies, a leading New Zealand importer and wholesaler of motorcycle tyres, ATV tyres, riding apparel, helmets, accessories and aftermarket parts. We also acquired Wide Bay Motorcycles in early 2022. Both have contributed to earnings in FY22.

OUTLOOK

A key focus for FY23 will be to maintain current strong margins and tight control of overhead costs. Despite ongoing supply chain constraints and disruption to logistics in early FY23, solid demand has continued across all of our operating regions.

Our balance sheet strength and liquidity position provide the flexibility and capacity to continue the growth of our business.

We believe that as we anticipate and respond to changes within the motorcycle industry, we are well positioned to capitalise through accretive consolidation within the industry.

"We plan on further investment in organic growth opportunities and we continue to explore dealership and strategically aligned business acquisition opportunities."

MotorCycle Holdings will also continue its organic growth plans with broadened product offerings in both the retail and wholesale network.

In closing, I would like to thank our staff, management team and customers for their support and contribution to a robust financial result in FY22.

I would also like thank my fellow Directors for their leadership and support throughout the year, and our team for their outstanding contribution throughout the year.

To our shareholders, we look forward to delivering on our strategy as we continue to position the business for future growth.

David Foster
Chair

The Group imports and distributes a range of motorcycle parts and accessories to retail customers throughout Australia and its own Group.

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

MANAGING DIRECTOR'S REPORT

The past 12 months have presented MotorCycle Holdings with some of the most unique market dynamics and challenges in my 33 years with the Company.

COVID-19 and ongoing lockdowns continued to pose challenges in the first half of the year with 16 dealerships subject to COVID-19 trading restrictions for three of the six months.

During the second half a new set of challenges emerged with the opening of borders and the emergence of the Omnicom variant. In January 2022, up to a third of the staff were away from work at any given time due to illness and/or the need to isolate, while a similar percentage of customers appeared to stay at home.

Huge floods in NSW and Queensland during the second half also presented challenges. Three dealerships were completely flooded with the heavy rainfall, which again affected trading along the east coast of Australia.

Yet our strong focus on retaining margins, tight cost and overhead controls have positioned the Company to perform strongly despite the influence of the external environment.

"Despite the challenges the results reflected the ongoing market demand for recreation and leisure products and solid dealership performance."

FINANCIAL PERFORMANCE HIGHLIGHTS

Key features of the company's financial performance for the year included revenue increasing 7% to $462.6 million (FY21: $433.9 million) with Underlying EBITDA decreasing 4% to $37 million (FY21: $38.7 million).

The Company achieved Net Profit After Tax of $23.1 million, down 18% from $28.3 million in FY21, which included a JobKeeper payment of $5.8 million.

The company continued to perform well in terms of overall motorcycle sales increasing 7% to 24,413 units in FY22.

New motorcycle unit sales increased 6% to 14,039 units in FY22, compared to a national market increase of approximately 4%.

New motorcycle revenue increased 7% to $182.7 million and gross profit also increased 6% to $21.9 million.

The Company has worked hard to improve used motorcycle stock supply and sales increased 10% to 10,374 units in FY22. The trend of higher sales prices and high margins continued with 20% growth in revenue to $123.3 million and a 9% gross profit increase to $19.9 million.

Retail Accessories and Parts revenue decreased 9% to $78.3 million, with the large accessory stores in NSW and ACT subject to restricted trading in the first half of the year. However, there was a significant turnaround in second half trading.

Wholesale accessory external sales increased 7% to $43.2 million (FY21: $40.4 million) with demand remaining high in both halves.

MANAGING DIRECTOR'S REPORT CONTINUED

Servicing and Repair revenue decreased 3% to $15.2 million, and Retail Finance, Insurance and Mechanical Protection Plans income increased 1% to $14.2 million.

The Finance joint venture delivered $1.3 million Net Profit After Tax, an increase of 44% for the year with that contribution expected to continue to grow as the portfolio matures.

The company secured approximately 12% of national new motorcycle sales during the year, which is slightly ahead of the 11.9% share of the previous year.

OUTLOOK

"Australia's underlying motorcycle market conditions remain positive at present and we still have a large order book of presold motorcycles."

While the cost of living for the consumer is rising, employment and the labour market remain strong, and household savings built up over the COVID-19 period are providing a buffer.

In a period of rising fuel costs and increased congestion, motorcycles and scooters present as a means of transport which helps to lower the cost of living and reducing the amount of time road users spend in traffic.

While supply chain challenges are ongoing, particularly for new motorcycles, we are hopeful the supply of new motorcycles will improve over the next 12 months.

The Company remains confident in the resilience of our business model.

In FY23, we will see Forbes and Davies and Wide Bay Motorcycles contribute their first full year of earnings. We will also see a contribution from our acquisition of Future Sport Townsville (rebranded TeamMoto Townsville).

The Company continues to review a solid pipeline of dealership acquisition opportunities and is also investigating expansion into industry segments in which we do not currently operate.

MotorCycle Holdings will continue to seek opportunities to further diversify its product range.

Despite these positives, we are preparing for more subdued trading conditions as consumer demand moderates due to cost of living pressures.

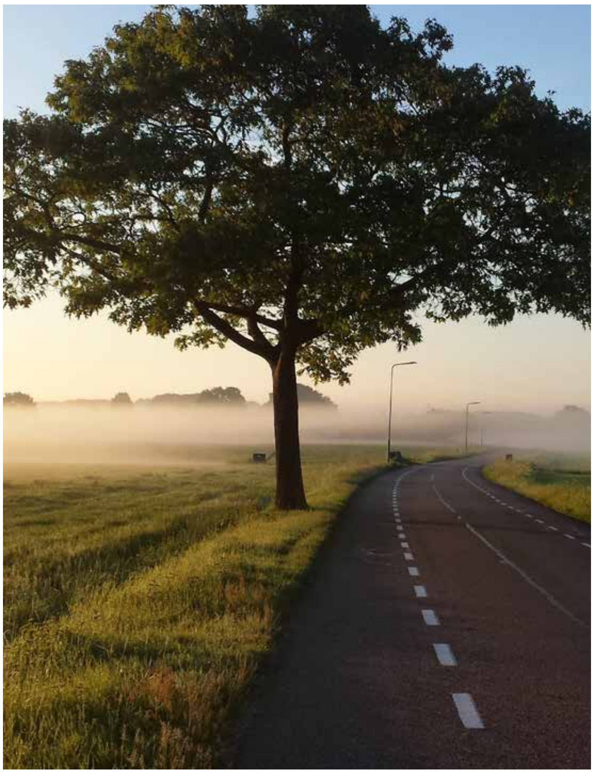
As we look back on the challenges and opportunities of FY22, again, we would like to express our gratitude to our team and shareholders for their ongoing support during the year.

David Ahmet
Managing Director

SUSTAINABILITY REPORT

We acknowledge the changing pace of sustainability requirements from a risk and opportunity perspective for business and key stakeholders. As a result, we have sought to engage external consultants with a view to undertaking a strategic assessment to identify material Environmental, Social, and Governance (ESG) topics relevant to MotorCycle Holdings, with a plan to begin reporting on the outcome in our 2023 annual report.

We are aware of evolving changes the financial system is experiencing as regulators, industry bodies, and financial institutions begin to embed ESG principles into business operations, risk assessments, valuations, and financial transactions. The Task Force on Climate-Related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB), among others, represent seismic shifts in reporting requirements, highlighting the need for the MotorCycle Holdings to become ESG literate. ISSB will see sustainability reporting connected to financial statements – MotorCycle Holdings understands the need to develop processes to deliver financial and sustainability information of the same quality.



"We are engaging external consultants to undertake a strategic assessment to identify material ESG topics relevant to MotorCycle Holdings."

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 2022 and the Auditor's report thereon.

DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this report:

David Foster

Chair *appointed 23 August 2016* |
Interim Chair *appointed 22 July 2016 until 22 August 2016*
Independent Non-Executive Director
appointed 8 March 2016

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 the Chair for G8 Education Limited, a Non-Executive Director of Bendigo and Adelaide Bank Limited and was previously the CEO of Suncorp Bank.

David has a Master of Business Administration, a Bachelor of Applied Science, is a Senior Fellow with Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

Current Directorships of other publicly listed companies:

- G8 Education Limited (appointed January 2016, effective from February 2016)
- Bendigo and Adelaide Bank Limited (appointed September 2019)

Former Directorships of other publicly listed companies within the last three years:

- Thorn Group Limited (December 2014 – October 2019)
- Genworth Mortgage Insurance Australia Limited (May 2016 – March 2022)

David Ahmet

Managing Director &
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 over 40 locations.

David has over 30 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 a representative of the Company.

No current Directorships of other publicly listed companies.

No former Directorships of other publicly listed companies within the last three years.

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 Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

Committee memberships:

- Chair of the Nomination and Remuneration Committee
- Member of the Audit and Risk Committee

No current Directorships of other publicly listed companies.

No former Directorships of other publicly listed companies within the last three years.

Rick Dennis

Independent Non-Executive Director
appointed 1 September 2016

Rick joined the Company after a 34-year career with Ernst and Young in Australia and 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 committee and a number of EY global Boards and committees.

Rick is currently Non-Executive Director of Apiam Animal Health Limited, Cettire Limited, and Step One Clothing Ltd, and AF Legal Group Limited and is a member of the Queensland Advisory Board for Australian Super and EWM Group.

Rick is dual qualified in law and accounting.

Committee memberships:

- Chair of the Audit and Risk Committee
- Member of the Nomination and Remuneration Committee

Current Directorships of other publicly listed companies:

- Apiam Animal Health Limited (appointed November 2015)
- Cettire Limited (appointed October 2020)
- Step One Clothing Ltd (appointed August 2021)
- AF Legal Group Limited (appointed July 2022)

No former Directorships of other publicly listed companies within the last three years.

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 Southeast 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 Limited and more recently Eagers Automotive Limited.

Peter is a Fellow of the Australian Institute of Management and a member of the AICD.

Committee memberships:

- Chair of MotorCycle Finance Joint Venture Committee
- Member of the Audit and Risk Committee
- Member of the Nomination and Remuneration Committee

No current Directorships of other publicly listed companies.

No former Directorships of other publicly listed companies within the last three years.

Rob Cassen

Non-Independent Non-Executive Director
appointed 21 December 2018

Executive Director
appointed 31 October 2017 until 20 December 2018

Rob has over 35 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 memberships:

- Member of the Audit and Risk Committee
- Member of the Nomination and Remuneration Committee

No current Directorships of other publicly listed companies.

No former Directorships of other publicly listed companies within the last three years.

COMPANY SECRETARY

Nicole Spink was appointed as Company Secretary on 28 May 2018 and holds the role of Group Financial Controller. Nicole has held CFO and other senior finance roles in both the retail and automotive industries. Nicole is a Fellow of CPA Australia, a Fellow of the Governance Institute of Australia, a Fellow of the Chartered Governance Institute, and a member of the Australian Institute of Company Directors.

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 were:

DIRECTOR	BOARD		AUDIT AND RISK COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	Attended	Held	Attended	Held	Attended	Held
David Ahmet	12	12	–	–	–	–
Warren Bee	12	12	4	4	4	4
Rob Cassen	12	12	4	4	4	4
Rick Dennis	12	12	4	4	4	4
David Foster	12	12	–	–	–	–
Peter Henley	12	12	4	4	4	4

PRINCIPAL ACTIVITIES

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

The Company delivered a resilient performance in a challenging market for the financial year ended 30 June 2022.

While Underlying EBITDA decreased 4% to $37,003,000 (2021: $38,691,000), gross profit increased 3% to $132,383,000 (2021: $128,478,000) and revenue increased by 7% to $462,572,000 (2021: $433,915,000).

Operating expenses increased 6% to $95,380,000 (2021: $89,787,000). The main drivers were employee benefits expense (increase of $2,391,000), depreciation and interest on right-of-use assets (increase of $1,128,000), and computer and software expenses (increase of $902,000).

NPAT decreased 18% to $23,115,000 in 2022 (2021: $28,300,000).

Total motorcycle unit sales increased by 7% to 24,413 units for the year (2021: 22,730 units).

The company again outperformed the market in terms of new motorcycle unit sales, which increased 6% to 14,309 units (2021: 13,300 units), compared with the national market increase in new motorcycle unit sales of approximately 4%.

New motorcycle revenue increased 7% to $182,713,000, up from $170,859,000 in 2021. The Company maintained its strong margins in new motorcycles resulting in gross profit increasing 7% from $20,550,000 last year to $21,930,000 this year.

Used motorcycle unit sales increased 10% to 10,374 units (2021: 9,430 units). The increase in unit sales coupled with higher sale prices resulted in a 20% increase in sales to $123,332,000 (2021: $102,511,000) and gross profit increase of 9% to $19,859,000 (2021: $18,213,000).

Retail accessories and parts revenue decreased 9% to $78,274,000 (2021: $86,478,000), with gross profit also decreasing 5% to $30,743,000 (2021: $32,406,000).

However, wholesale accessories and parts external revenue increased 7% to $43,184,000 (2021: $40,445,000) with gross profit increasing 1% to $24,364,000 (2021: $24,125,000).

Servicing and repair revenue decreased 3% to $15,200,000 (2021: $15,650,000) and finance and insurance revenue increased 1% to $14,151,000 (2021: $14,063,000).

Our 50% share of NPAT from the Finance Joint Venture amounted to $1,256,000, an increase of 42% from the $885,000 it contributed last year.

Directors have declared a final dividend of 8 cents per share, fully franked, amounting to $4,937,000 payable on 4 October 2022 with a record date of 13 September 2022. This brings the full year dividend to 20 cents per share, fully franked.

DIVIDENDS

Declared and paid during the financial year

A fully franked interim dividend of 12 cents per ordinary share was declared on 25 February 2022 and paid on 6 April 2022.

Declared after the end of the financial year

Directors have declared a fully franked final dividend of 8 cents per ordinary share payable on 4 October 2022 with a record date of 13 September 2022.

There is no dividend re-investment plan in operation.

EVENTS SUBSEQUENT TO REPORTING DATE

On 5 August 2022 the Group acquired certain business assets and liabilities of Future Sport Motorcycles in Townsville, Queensland as part of its growth strategy.

Aside from the matter above, 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* (Cth). 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* (Cth) 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.

UNDERLYING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (UNDERLYING EBITDA)

Management has presented the performance measure Underlying EBITDA because it monitors performance at a consolidated level and believes that this measure is relevant to an understanding of the Group's financial performance.

Underlying EBITDA is not a defined performance measure in IFRS Standards and is not subject to audit or review. The Group's definition of Underlying EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	30 JUNE 2022 $'000 UNAUDITED	30 JUNE 2021 $'000 UNAUDITED
Statutory profit for the period	23,115	28,299
Income tax expense	9,617	11,954
Statutory profit before tax	**32,732**	**40,253**
Adjustments for:		
Net finance costs (excluding bailment costs and interest on right-of-use assets)	224	426
Depreciation (excluding depreciation on right-of-use assets)	1,704	1,705
Amortisation	2,067	2,067
JobKeeper payment	-	(5,761)
Acquisition expenses	276	-
Underlying EBITDA	**37,003**	**38,690**

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* (Cth) 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:

	30 JUNE 2022 $
Services other than audit and review of financial statements:	
Tax compliance services	162,000
Other services	37,000
Total non-audit services	**199,000**

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) is attached on page 27 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.

DEED 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* (Cth) at the date of this report is as follows:

DIRECTOR	ORDINARY SHARES	RIGHTS OVER ORDINARY SHARES
David Ahmet	11,460,469	617,796
Warren Bee	43,958	-
Rob Cassen	3,413,833	-
Rick Dennis	5,000	-
David Foster	49,151	-
Peter Henley	83,314	-

REMUNERATION REPORT

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

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 the Group.

KMP consists 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 2022, their roles, and appointment dates.

NAME	ROLE	APPOINTMENT DATE
Non-Executive Directors		
Warren Bee	Independent, Non-Executive Director	30 June 2011
Rob Cassen	Non-Independent, Non-Executive Director	21 December 2018
Rick Dennis	Independent, Non-Executive Director	23 August 2016
David Foster	Chair, Independent, Non-Executive Director	8 March 2016
Peter Henley	Independent, Non-Executive Director	1 March 2017
Executive Directors and Senior Executives		
David Ahmet	Managing Director	30 June 2011
Bob Donovan	Chief Financial Officer	20 May 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 recommendations to the NRC.

Nomination and Remuneration Committee

The 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

The Board approves the overall remuneration framework and policy ensuring it is fair, transparent and aligned with long term outcomes.

The Board also approves incentive arrangements and awards for Executive Directors and Senior Executives.

The Board 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, other than compulsory superannuation contributions.

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 CHAIR $	AUDIT & RISK COMMITTEE $	NOMINATION & REMUNERATION COMMITTEE $	MOTORCYCLE FINANCE JV COMMITTEE $	TOTAL FEES $
Warren Bee	70,000	-	5,000	10,000	-	85,000
Rob Cassen	70,000	-	5,000	5,000	-	80,000
Rick Dennis	70,000	-	10,000	5,000	-	85,000
David Foster	80,000	95,000	-	-	-	175,000
Peter Henley	70,000	-	5,000	5,000	10,000	90,000
Total Remuneration	**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 to:

- 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 either three- or six-months' notice.

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 (NRC). Fixed remuneration is reviewed annually following performance reviews at the end of the financial year and takes into account the 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 Chief Financial Officer 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 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% to 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 NRC and approved by the Board. The Board retains an overall discretion on whether to pay all, a portion of, or no annual cash bonus.

The short-term financial and non-financial performance measures established by the Board at the commencement of the financial year were both achieved, and the Board awarded short-term incentive payments to participants in the short-term incentive plan shown in the below table.

NAME	ROLE	MAX POTENTIAL BONUS % OF SALARY	ACTUAL AMOUNT OF BONUSES INCLUDED IN FY22 REMUNERATION $	% OF MAX BONUS
David Ahmet	Managing Director	50%	330,000	100%
Bob Donovan	Chief Financial Officer	50%	149,600	100%

LONG TERM INCENTIVE PLAN (LTIP)

The LTIP was approved by Shareholders at the Company's Annual General Meeting in 2020. 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:

Relative total Shareholder return (TSR)

50% of the Performance Rights are subject to relative TSR assessed over a three-year performance period commencing 1 July 2021 and ending 30 June 2024, 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. Vesting will occur based on the following performance:

PEER COMPANIES	
Eagers Automotive 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 OF THE TRANCHE 1 AWARDS THAT SATISFY THE TSR VESTING CONDITION
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%

Earnings per share (EPS)

50% of the Performance Rights are subject to growth in the Company's EPS assessed over a three-year performance period commencing 1 July 2021 and ending 30 June 2024, 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
Less than or equal to 10%	0%
Greater than 10% and less than or equal to 12%	Between 50% and 100% (as determined, on a straight-line basis)
Equal to or greater than 12%	100%

KMP participation in the LTIP during the Financial Year

The Managing Director and Chief Financial Officer were eligible to participate in the LTIP during the year, comprising grants of performance rights over the Company's ordinary shares. Actual performance rights granted, forfeited and outstanding in the reporting period are set out on the next page:

DESCRIPTION OF RIGHTS	OPENING BALANCE OF RIGHTS	NUMBER OF RIGHTS GRANTED IN FY22	FAIR VALUE PER RIGHT AT GRANT DATE		GRANT DATE	PERFORMANCE PERIOD	RIGHTS FORFEITED IN FY22		RIGHTS EXERCISED IN FY22		% OF REM GRANTED AS RIGHTS DURING THE PERIOD	CLOSING BALANCE OF RIGHTS
			TSR COMPONENT	EPS COMPONENT			NUMBER	VALUE	NUMBER	VALUE		
David Ahmet, Managing Director												
FY19 LTIP	96,618	-	$0.20	$1.24	27 Jun 19	1 Jul 18 - 30 Jun 21	48,309	$9,662	-	-	-	48,309
FY20 LTIP	262,800	-	$1.41	$1.65	26 Jun 20	1 Jul 19 - 30 Jun 22	-	-	-		-	262,800
FY21 LTIP	192,104	-	$1.63	$2.19	22 Mar 21	1 Jul 20 - 30 Jun 23	-	-	-		-	192,104
FY22 LTIP	-	114,583	$1.84	$2.44	25 Mar 22	1 Jul 21 - 30 Jun 24	-	-	-		27%	114,583
Bob Donovan, Chief Financial Officer												
FY19 LTIP	15,294	-	$0.20	$1.24	27 Jun 19	1 Jul 18 - 30 Jun 21	7,647	$1,529	7,647	$9,482	-	-
FY20 LTIP	41,600	-	$1.41	$1.65	26 Jun 20	1 Jul 19 - 30 Jun 22	-	-	-		-	41,600
FY21 LTIP	30,408	-	$1.63	$2.19	22 Mar 21	1 Jul 20 - 30 Jun 23	-	-	-		-	30,408
FY22 LTIP	-	20,778	$1.84	$2.44	25 Mar 22	1 Jul 21 - 30 Jun 24	-	-	-		11%	20,778

COMPANY PERFORMANCE AND REMUNERATION OUTCOMES

The various components of the way the Group remunerates KMP 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 FY22 compared to prior periods and correlates it to the total KMP remuneration for the respective financial years.

METRIC	FY22	FY21	FY20	FY19	FY18
Statutory Net Profit/(Loss) After Tax ($'000)	23,115	28,299	(9,120)	8,345	8,539
Change in Share Price	(25.0%)	55.6%	60.5%	(65.5%)	(10.3%)
Earnings per Share (cents)	37.5	45.9	(14.8)	13.5	15.6
Total Dividends Paid ($)	13,575,476	9,256,007	-	4,010,940	6,240,124
KMP Remuneration ($)	2,358,066	2,681,494	1,589,465	2,371,480	1,984,461

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 EMPLOYEE BENEFITS				
NAME & ROLE	YEAR	CASH SALARY & FEES $	FY20 CASH BONUS $	FY21 CASH BONUS $	FY22 CASH BONUS $	NON-CASH BENEFITS $	TOTAL $	SUPERANNUATION BENEFITS $	TERMINATION BENEFITS $	LONG SERVICE LEAVE $	SHARE BASED BENEFITS $	TOTAL $	PROPORTION OF REMUNERATION PERFORMANCE RELATED
Non-Executive Directors													
David Foster	2022	159,091	–	–	–	–	159,091	15,909	–	–	–	175,000	–
Chair, Non-Executive Director	2021	159,817	–	–	–	–	159,817	15,183	–	–	–	175,000	–
Warren Bee	2022	77,272	–	–	–	–	77,272	7,727	–	–	–	84,999	–
Non-Executive Director	2021	77,626	–	–	–	–	77,626	7,374	–	–	–	85,000	–
Rick Dennis	2022	77,272	–	–	–	–	77,272	7,727	–	–	–	84,999	–
Non-Executive Director	2021	77,626	–	–	–	–	77,626	7,374	–	–	–	85,000	–
Peter Henley	2022	62,499	–	–	–	–	62,499	27,500	–	–	–	89,999	–
Non-Executive Director	2021	65,000	–	–	–	–	65,000	25,000	–	–	–	90,000	–
Rob Cassen	2022	72,727	–	–	–	–	72,727	7,273	–	–	–	80,000	–
Non-Executive Director	2021	73,059	–	–	–	–	73,059	6,941	–	–	–	80,000	–
Total Non-Executive Director	**2022**	**448,862**	**-**	**-**	**-**	**-**	**448,861**	**66,136**	**-**	**-**	**-**	**514,997**	**-**
Remuneration	**2021**	**453,127**	**-**	**-**	**-**	**-**	**453,128**	**61,872**	**-**	**-**	**-**	**515,000**	**-**
Executive Directors and Senior Executives													
David Ahmet	2022	633,531	–	–	330,000	–	963,531	28,906	–	16,059	326,472	1,334,968	49%
Managing Director	2021	635,996	328,500	328,500	–	–	1,292,996	21,003	–	16,075	267,891	1,597,965	37%
Bob Donovan	2022	270,937	–	–	149,600	–	420,537	27,094	–	7,009	53,461	508,101	40%
Chief Financial Officer	2021	237,443	130,000	130,000	–	–	497,443	22,557	–	6,124	42,405	568,529	30%
Total Executive Directors and Senior Executive Remuneration	**2022**	**904,468**	**-**	**-**	**479,600**	**-**	**1,384,068**	**56,000**	**-**	**23,068**	**379,933**	**1,843,069**	
	2021	**873,440**	**458,500**	**458,500**	**-**	**-**	**1,790,439**	**43,560**	**-**	**22,199**	**310,296**	**2,166,494**	
Total KMP Remuneration	**2022**	**1,353,330**	**-**	**-**	**479,600**	**-**	**1,832,929**	**122,136**	**-**	**23,068**	**379,933**	**2,358,066**	
	2021	**1,326,567**	**458,500**	**458,500**	**-**	**-**	**2,243,567**	**105,432**	**-**	**22,199**	**310,296**	**2,681,494**	

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 and confidentiality, and post-employment restraint of trade provisions.

NAME	ROLE	NOTICE PERIOD
Executive Directors		
David Ahmet	Managing Director	Six (6) months
Senior Executives		
Bob Donovan	Chief Financial Officer	Three (3) months

Other Transactions of Directors and Director Related Entities

(i) The Group has entered into 13 leases in respect to 11 properties that are part owned by David Ahmet, Managing Director and Chief Executive Officer, or that are owned or part-owned by an entity controlled by David Ahmet.

The terms of these leases were negotiated on commercial arms' length basis in 2011 and contained 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 relevant Group companies exercised the first options for a renewed 5-year term from 1 July 2016 to 30 June 2021, and exercised the second options for a further renewed 5-year term commencing on 1 July 2021. The Company obtained shareholder approval under ASX Listing Rule 10.1 for the entry into the new leases at the 2021 Annual General Meeting. The current leases contain one further option of 5 years.

The leases are subject to a formal market review at each option renewal (the rent must not be less than the previous rent, unless the parties agree otherwise).

Total rental payments (excluding outgoings) payable to related parties for the year ended 30 June 2022 was $1,772,000 (year ended 30 June 2021: $1,925,000).

Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2022 in respect to the 11 properties that are part owned by David Ahmet or that are owned or part-owned by entities controlled by David Ahmet was $7,813,000 (2021: $9,549,000).

(ii) The Group has entered into leases in respect to three properties that are owned by entities which act in concert with Rob Cassen, Non-executive Director. Rob Cassen is one of two directors of, and holds 50% of the shares in, each lessor entity. The terms of these leases were negotiated on commercial arms' length basis in July 2011, December 2012, and July 2013 respectively, and each contained 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 (the rent must not be less than the previous rent, unless the parties agree otherwise).

The option for the lease of the Cassons Warehouse at Eastern Creek was exercised and a new lease signed for 10 years from 1 July 2021 (with no further options).

The lease for premises at Caringbah expires on 30 November 2022, and the relevant Group company has exercised the option for a further 10-year term (with no further options).

The lease for premises at Penrith expires on 30 June 2023 and the 10-year option may be exercised between 30 September and 31 December 2022.

The Company obtained shareholder approval under ASX Listing Rule 10.1 for the entry into the new Cassons Warehouse lease, and for the exercise of the options for the Caringbah and Penrith premises, at the 2021 Annual General Meeting.

Total rental payments (excluding outgoings) payable to related parties in respect of these leases for the year ended 30 June 2022 was $2,328,000 (2021: $2,649,000).

Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2022 in respect to the three properties that are owned by entities which act in concert with Rob Cassen was $19,001,000 (2021: $15,839,000).

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:

DIRECTOR	OPENING BALANCE 1 JULY 2021	SHARES ACQUIRED DURING THE YEAR	SHARES DISPOSED OF DURING THE YEAR	RECEIVED ON VESTING OF PERFORMANCE RIGHTS	OTHER CHANGES	CLOSING BALANCE 30 JUNE 2022
Non-Executive Directors						
Warren Bee	43,958	–	–	–	–	43,958
Rob Cassen	3,413,833	–	–	–	–	3,413,833
Rick Dennis	10,000	–	5,000	–	–	5,000
David Foster	49,151	–	–	–	–	49,151
Peter Henley	75,539	7,775	–	–	–	83,314
Executive Directors and Senior Executives						
David Ahmet	11,438,994	21,475	–	–	–	11,460,469
Bob Donovan	603,052	–	–	7,647	–	610,699

Remuneration Consultants

To ensure the NRC 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.

During FY22 the Company engaged PricewaterhouseCoopers to value the Performance Rights under the LTIP. PricewaterhouseCoopers did not provide any remuneration recommendations and they were not remuneration consultants to the Group as defined in the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of the Directors:

David Foster
Chair

29 August 2022

David Ahmet
Managing Director

29 August 2022

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 2022 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

KPMG

Ben Flaherty
Partner

Brisbane
29 August 2022

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Sales revenue	5	457,316	430,692
Share of profit of equity accounted investee, net of tax	16	1,256	885
Other income	5	4,000	8,099
Cost of sales		330,189	305,438
Employee benefits expense	6	62,080	59,689
Finance costs	7	2,022	1,752
Depreciation and amortisation expense		14,065	13,413
Occupancy costs		2,949	2,745
Other expenses	6	18,535	16,386
Profit before tax		**32,732**	**40,253**
Income tax expense	8	9,617	11,954
Profit for the year		**23,115**	**28,299**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity-accounted investee – share of other comprehensive income		1,091	207
Items that are or may be reclassified subsequently to profit or loss			
Foreign operation – foreign currency translation differences		(309)	–
Total comprehensive income for the year attributable to owners of the company		**23,897**	**28,506**

		CENTS	CENTS
Earnings per share			
Basic earnings per share	9	37.5	45.9
Diluted earnings per share	9	37.4	45.7

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

	NOTE	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Current assets			
Cash and cash equivalents	10	3,910	4,668
Trade and other receivables	11	7,073	8,572
Inventories	12	107,565	86,237
Current tax assets	8	304	-
Other assets		926	308
Total current assets		**119,778**	**99,785**
Non-current assets			
Right of use assets	13	45,848	43,208
Property, plant and equipment	14	11,826	11,546
Deferred tax assets	8	1,080	800
Goodwill and other intangible assets	15	94,751	92,505
Interest in equity accounted investees	16	6,437	4,506
Other assets		106	80
Total non-current assets		**160,048**	**152,645**
Total assets		**279,826**	**252,430**
Current liabilities			
Trade and other payables	17	15,402	17,075
Short term borrowings	18	24,864	22,513
Lease liabilities		10,250	10,430
Current tax liabilities		-	3,203
Provisions	19	8,374	7,681
Contract liabilities		3,082	3,245
Total current liabilities		**61,972**	**64,147**
Non-current liabilities			
Borrowings	20	20,000	5,000
Lease liabilities		38,152	34,879
Provisions	19	582	675
Contract liabilities		4,114	3,479
Total non-current liabilities		**62,848**	**44,033**
Total liabilities		**124,820**	**108,180**
Net assets		**155,006**	**144,250**
Equity			
Contributed equity	21	120,081	120,081
Share-based payment reserve		1,099	665
Retained earnings		33,826	23,504
Total equity		**155,006**	**144,250**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	SHARE-BASED PAYMENT RESERVE $'000	TOTAL EQUITY $'000
Balance at 30 June 2020	**120,081**	**4,254**	**254**	**124,589**
Comprehensive income for the year				
Profit for the year	–	28,299	–	28,299
Other comprehensive income	–	207	–	207
Total comprehensive income for the year	**-**	**28,506**	**-**	**28,506**
Transactions with owners in their capacity as owners				
Dividends paid	–	(9,256)	–	(9,256)
Equity settled share-based payment	–	–	411	411
Total transactions with owners in their capacity as owners	**-**	**(9,256)**	**411**	**(8,845)**
Balance at 30 June 2021	**120,081**	**23,504**	**665**	**144,250**
Comprehensive income for the year				
Profit for the year	–	23,115	–	23,115
Other comprehensive income	–	782	–	782
Total comprehensive income for the year	–	**23,897**	**-**	**23,897**
Transactions with owners in their capacity as owners				
Dividends paid	-	(13,575)	–	(13,575)
Equity settled share-based payment	–	-	434	434
Total transactions with owners in their capacity as owners	**-**	**(13,575)**	**434**	**(13,141)**
Balance at 30 June 2022	**120,081**	**33,826**	**1,099**	**155,006**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		507,911	480,288
Payments to suppliers and employees (inclusive of GST)		(477,895)	(438,255)
Interest and other costs of finance paid		(1,290)	(1,752)
Income taxes paid		(13,381)	(11,120)
Net cash (used)/provided by operating activities	31	**15,345**	**29,161**
Cash flows from investing activities			
Payment for acquisition of businesses (net of cash acquired)		(6,674)	–
Investment in equity accounted investees		415	(250)
Payments for property, plant and equipment		(1,962)	(2,102)
Proceeds from sale of property, plant and equipment		374	316
Net cash (used)/provided by investing activities		**(7,847)**	**(2,036)**
Cash flows from financing activities			
Repayments of borrowings		–	(37,623)
Proceeds from borrowings	20	15,000	5,000
Repayments of lease principal	13	(9,680)	(10,073)
Dividend paid	21	(13,575)	(9,256)
Net cash (used)/provided by financing activities		**(8,255)**	**(51,952)**
Net increase/(decrease) in cash and cash equivalents		(758)	**(34,826)**
Cash and cash equivalents at the beginning of the period		4,668	39,494
Cash and cash equivalents at the end of the period	10	**3,910**	**4,668**

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

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 2022 comprise the Company and its subsidiaries (together referred to as 'the Group') and were authorised for issue by the Board of Directors on 29 August 2022.

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* (Cth). 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.

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 (usually a period of 3 to 5 years), 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 benefit 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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. 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.

G. 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.

H. Receivables

Trade receivables are measured on initial recognition at the transaction price and are subsequently measured at amortised cost. 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.

I. 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

J. 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. Fair values are categorised into different levels in fair a value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from price).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

K. Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date in accordance with AASB 16 *Leases*. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjustments for subsequent measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has elected to not recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

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 – 40 years
- Plant and equipment 2 – 15 years
- Furniture and fittings 3 – 15 years
- Motor vehicles 4 – 10 years

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 profit or loss 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 reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in 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 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 groups of cash-generating units for the purpose of annual 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. 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.

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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. Government Grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Fair value is the amount for which an asset could be exchanged between a buyer in an arm's length transaction.

Government grants are presented in the consolidated statement of profit or loss, under Other Income. Grants in recognition of specific expenses are recognised in the consolidated statement of profit or loss in the same period as the relevant expense.

3. 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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:

RECOVERABLE AMOUNT OF GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill with a carrying value of $81,812,000 (2021: $77,499,000) is tested annually for impairment, based on estimates made by Directors. Further information on the goodwill impairment test can be found in Note 15. For the purpose of impairment testing conducted for the current year ended 30 June 2022 the recoverable amount has been based on fair value less cost of disposal.

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.

4. 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPERATING SEGMENT INFORMATION	MOTORCYCLE RETAILING 30 JUNE 2022 $'000	MOTORCYCLE ACCESSORIES WHOLESALING 30 JUNE 2022 $'000	ELIMINATIONS 30 JUNE 2022 $'000	CONSOLIDATED 30 JUNE 2022 $'000	MOTORCYCLE RETAILING 30 JUNE 2021 $'000	MOTORCYCLE ACCESSORIES WHOLESALING 30 JUNE 2021 $'000	ELIMINATIONS 30 JUNE 2021 $'000	CONSOLIDATED 30 JUNE 2021 $'000
Sales to external customers and other income	414,132	43,184	–	457,316	390,211	40,445	–	430,656
Inter-segment sales	–	22,256	(22,256)	–	–	25,057	(25,057)	–
Total revenue and other income	**414,132**	**65,440**	**(22,256)**	**457,316**	**390,211**	**65,502**	**(25,057)**	**430,656**
Segment result								
Operating profit before interest and impairment	23,813	9,913	–	33,726	31,767	10,944	–	42,711
External interest expense allocation	(56)	(168)	–	(224)	(1,262)	(638)	–	(1,900)
Operating contribution	**23,757**	**9,745**	**-**	**33,502**	**30,505**	**10,306**	**-**	**40,811**
Share of net profit of equity accounted investees	1,256	–	–	1,256	885	–	–	885
Business acquisition costs	(162)	(114)	–	(276)	–	–	–	–
Segment profit	**24,851**	**9,631**	**-**	**34,482**	**31,390**	**10,306**	**-**	**41,696**
Unallocated corporate expenses				(1,750)				(1,443)
Profit before tax				**32,732**				**40,253**
Income tax expense				(9,617)				(11,954)
Net profit after tax				**23,115**				**28,299**
Depreciation and amortisation	11,060	3,005	–	14,065	9,749	3,664	–	13,413
Write down/(back) of inventories to net realisable value	569	(122)	–	447	(416)	(402)	–	(818)
Assets								
Segment assets	193,562	86,264	–	279,826	174,127	78,303	–	252,430
Liabilities								
Segment liabilities	105,924	18,896	–	124,820	87,010	21,170	–	108,180
Net Assets	**87,638**	**67,368**	**-**	**155,006**	**87,117**	**57,133**	**-**	**144,250**
Goodwill	51,891	29,921	–	81,812	50,243	27,256	–	77,499
Acquisition of non-current assets	1,786	176	–	1,962	1,758	344	–	2,102

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND OTHER INCOME

DISAGGREGATION OF REVENUE

	MOTORCYCLE RETAILING 30 JUNE 2022 $'000	MOTORCYCLE ACCESSORIES WHOLESALING 30 JUNE 2022 $'000	CONSOLIDATED 30 JUNE 2022 $'000	MOTORCYCLE RETAILING 30 JUNE 2021 $'000	MOTORCYCLE ACCESSORIES WHOLESALING 30 JUNE 2021 $'000	CONSOLIDATED 30 JUNE 2021 $'000
New motorcycles	182,713	–	182,713	170,859	–	170,859
Used motorcycles	123,332	–	123,332	102,511	–	102,511
Parts and accessories	78,274	43,184	121,458	86,288	40,445	126,733
Service	15,200	–	15,200	15,650	–	15,650
Finance and insurance Income	14,151	–	14,151	14,063	–	14,063
Other revenue	462	–	462	876	–	876
Revenue from contracts with customers	**414,132**	**43,184**	**457,316**	**390,247**	**40,445**	**430,692**
At a point in time	410,579	43,184	453,763	386,359	40,445	426,804
Over time	3,553	–	3,553	3,888	-	3,888
	414,132	**43,184**	**457,316**	**390,247**	**40,445**	**430,692**
Other income						
Government grants[1]	2,159	–	2,159	5,760	–	5,760
Proceeds from insurance claim	1,815	–	1,815	2,161	–	2,161
Other income	26	–	26	178	–	178
	4,000	**-**	**4,000**	**8,099**	**-**	**8,099**

1 FY22 Government grants income is Boosting Apprenticeship wage subsidies; FY21 Government grants income is JobKeeper Payments.

CONTRACT BALANCES

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

	NOTE	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Receivables, gross of provisions, included in trade and other receivables	23	**7,274**	8,776
Contract liabilities		**7,196**	6,724

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 2022.

FINANCIAL YEAR ENDING	30 JUNE 2023 $'000	30 JUNE 2024 $'000	30 JUNE 2025 $'000	30 JUNE 2026 $'000	30 JUNE 2027 $'000	30 JUNE 2028 OR LATER $'000
Mechanical protection plans	3,082	2,120	1,260	530	190	11
	3,082	**2,120**	**1,260**	**530**	**190**	**11**

NATURE AND TIMING OF PERFORMANCE OBLIGATIONS, INCLUDING SIGNIFICANT PAYMENT TERMS:

Sale of new and used bikes, parts, and accessories

Customers obtain control of the goods when they are delivered to or collected by the customer. Invoices are generated at that point in time. For retail customers, payment is generally required prior to or at the time of taking control of the goods. For wholesale customers, invoices are usually payable within 30 days from end of month.

Service revenue

Revenue is recognised at a point in time and invoices are raised on completion of the service. Customers are required to make payment when collecting their motorcycle following completion of the service.

Mechanical Protection Plan (MPP) revenue

Revenue is recognised on a straight-line basis over the period of the MPP. Invoices for the full amount of the MPP policy are generated at the time the customer obtains control of the motorcycle to which the MPP relates, and payment is required at the same time.

Finance and insurance commission revenue

Commissions are recognised at a point in time when the customer obtains control of the associated motorcycle. Commissions are accrued monthly, and payment is usually received monthly in arrears.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER EXPENSES

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Other expenses		
Advertising	3,216	2,568
Bank charges	1,103	1,143
Computers and software	2,150	1,247
Freight and cartage	1,445	1,189
Insurance	1,778	1,340
Assets impaired as result of insurance claim	1,063	2,161
Motor vehicle expenses	1,625	1,367
Professional fees	1,382	774
Other expenses	4,773	4,597
	18,535	**16,386**
Employee benefits expense		
Salaries and wages	47,843	46,208
Superannuation contributions	5,902	5,379
Equity settled share-based payments	434	411
Other employee benefits expense	7,901	7,691
	62,080	**59,689**

7. FINANCE COSTS

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Vehicle bailment	638	112
Bank interest expense	224	426
Interest attributable to leases	1,837	1,362
Foreign currency (gain)/loss	(677)	(148)
	2,022	**1,752**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAXES

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Income Tax Expense		
Current income tax expense	9,736	12,265
Deferred income tax expense/(benefit)	(257)	(311)
Notional current income tax expense attributable to foreign operations	138	–
	9,617	**11,954**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	32,238	40,242
Tax at the Australian tax rate of 30% (2021: 30%)	9,671	12,073
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	(192)	(119)
Notional current income tax expense attributable to foreign operations (at 28%)	138	–
Income tax expense	**9,617**	**11,954**

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
Recognised deferred tax assets and liabilities:	30 JUNE 2022 $'000	30 JUNE 2021 $'000	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Property, plant and equipment	106	132	–	–
Indefinite life intangible assets	–	–	(3,881)	(4,501)
Provisions – Doubtful receivables	60	61	–	–
Provisions – Employee benefits	2,655	2,493	–	–
Contract liabilities	2,159	2,017	–	–
Right of use assets	–	–	(13,556)	(12,606)
Lease liabilities	14,320	13,236	–	–
Other items	149	324	(932)	(356)
Deferred tax assets/(liabilities) before set-off	**19,449**	**18,263**	**(18,369)**	**(17,463)**
Set-off tax	(18,369)	(17,463)	18,369	17,463
Net deferred tax assets/(liabilities)	**1,080**	**800**	**-**	**-**

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	800	488
Charged/(credited) to profit and loss	257	312
Deferred tax recognised directly in goodwill	23	–
Closing balance at 30 June	**1,080**	**800**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

The tax rate used in the reconciliations opposite 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.

9. EARNINGS PER SHARE

	30 JUNE 2022 CENTS	30 JUNE 2021 CENTS
Basic earnings per share		
Earnings attributable to the ordinary equity holders of the Company	37.5	45.9
Diluted earnings per share		
Earnings attributable to the ordinary equity holders of the Company	37.4	45.7
RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE	**$'000**	**$'000**
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	23,115	28,299
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	23,115	28,299
	'000	**'000**
Weighted average number of ordinary shares outstanding during the year	61,707	61,707
Adjustments for calculation of diluted earnings per share – performance rights and options	137	226
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	61,844	61,933

10. CASH AND CASH EQUIVALENTS

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Cash at bank and on hand	3,910	4,668
	3,910	4,668

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Trade and other receivables	7,274	8,776
Provision for doubtful receivables	(201)	(204)
	7,073	8,572

12. INVENTORIES

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
New and demonstrator motorcycles (at cost)	28,151	29,821
Less: write-down to net realisable value	(225)	(194)
New and demonstrator inventory	**27,926**	**29,627**
Used motorcycles (at cost)	19,242	14,126
Less: write-down to net realisable value	(338)	(138)
Used inventory	**18,904**	**13,988**
Parts, accessories and other consumables (at cost)	70,757	52,429
Less: write-down to net realisable value	(10,022)	(9,807)
Parts, accessories and other consumable inventory	**60,735**	**42,622**
Total inventories	**107,565**	**86,237**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES

The Group leases retail and warehouse facilities. The leases run for periods between 3 and 10 years, with options to renew the leases after those dates. Lease payments are renegotiated at the exercise of each option period to reflect market rates. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements. Information about leases is presented below.

Amounts for repayments of lease principal are recognised as cash outflows for financing activities in the consolidated statement of cash flows. Interest expense is recognised as a cash outflow from operating activities.

RIGHT-OF-USE ASSETS

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented separately on the balance sheet.

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Balance at 1 July	43,208	28,795
Depreciation charge for the year	(10,294)	(9,641)
Additions to right-of-use assets	12,934	24,054
Balance at 30 June	**45,848**	**43,208**
Amounts recognised in profit or loss		
Interest on lease liabilities	1,837	1,362
Expenses relating to leases of low-value assets	28	37
	1,865	**1,399**
Amounts recognised in statement of cash flows		
Total cash outflow for leases	**11,509**	**11,434**

EXTENSION OF OPTIONS

Some property leases contain extension options exercisable by the Group up to six months before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Leasehold improvements		
Gross value	11,289	10,550
Accumulated depreciation	(4,279)	(3,705)
	7,010	**6,845**
Motor vehicles		
Gross value	2,885	2,369
Accumulated depreciation	(1,805)	(1,631)
	1,080	**738**
Plant and equipment		
Gross value	8,534	8,261
Accumulated depreciation	(6,285)	(5,744)
	2,249	**2,517**
Furniture, fixtures and fittings		
Gross value	4,037	3,715
Accumulated depreciation	(2,654)	(2,405)
	1,383	**1,310**
Other fixed assets		
Gross value	1,296	1,296
Accumulated depreciation	(1,192)	(1,160)
	104	**136**
Total property, plant and equipment	**11,826**	**11,546**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

A 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 JUNE 2022	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	6,844	738	2,517	1,310	136	**11,545**
Additions	601	510	556	295	–	**1,962**
Acquired from business combinations	139	114	77	26	–	**356**
Disposals/transfers	–	(40)	(294)	–	–	**(334)**
Depreciation expense	(574)	(242)	(607)	(248)	(32)	**(1,703)**
Carrying amount at end of period	**7,010**	**1,080**	**2,249**	**1,383**	**104**	**11,826**

30 JUNE 2021	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	6,768	1,036	2,211	1,253	196	**11,464**
Additions	677	91	963	371	–	**2,102**
Acquired from business combinations	–	–	–	–	–	**-**
Disposals/transfers	(57)	(140)	(138)	29	(11)	**(317)**
Depreciation expense	(544)	(249)	(519)	(343)	(49)	**(1,704)**
Carrying amount at end of period	**6,844**	**738**	**2,517**	**1,310**	**136**	**11,545**

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 JUNE 2022	GOODWILL $'000	TRADEMARKS $'000	CUSTOMER CONTRACTS AND RELATIONSHIPS $'000	OTHER INTANGIBLES $'000	TOTAL $'000
Cost					
Balance at beginning of period	101,795	5,603	15,000	2,000	124,398
Acquired through business combinations	4,425	–	–	–	4,425
Effects of movements in exchange rates	(112)	–	–	–	(112)
Balance at end of period	**106,108**	**5,603**	**15,000**	**2,000**	**128,711**
Accumulated amortisation and impairment					
Balance at beginning of period	(24,296)	–	(6,130)	(1,467)	(31,893)
Amortisation expense	–	–	(1,667)	(400)	(2,067)
Balance at end of period	**(24,296)**	**-**	**(7,797)**	**(1,867)**	**(33,960)**
Carrying amounts					
Balance at beginning of period	77,499	5,603	8,870	533	92,505
Balance at end of period	**81,812**	**5,603**	**7,203**	**133**	**94,751**

30 JUNE 2021	GOODWILL $'000	TRADEMARKS $'000	CUSTOMER CONTRACTS AND RELATIONSHIPS $'000	OTHER INTANGIBLES $'000	TOTAL $'000
Cost					
Balance at beginning of period	101,795	5,603	15,000	2,000	124,398
Balance at end of period	**101,795**	**5,603**	**15,000**	**2,000**	**124,398**
Accumulated amortisation and impairment					
Balance at beginning of period	(24,296)	–	(4,463)	(1,067)	(29,826)
Amortisation expense	–	–	(1,667)	(400)	(2,067)
Balance at end of period	**(24,296)**	**-**	**(6,130)**	**(1,467)**	**(31,893)**
Carrying amounts					
Balance at beginning of period	77,499	5,603	10,537	933	94,572
Balance at end of period	**77,499**	**5,603**	**8,870**	**533**	**92,505**

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Goodwill of $51,891,000 (2021: $50,244,000) is allocated to the Motorcycle Retailing CGU and Goodwill of $29,921,000 (2021: $27,255,000) 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 fair value less cost of disposal basis. The fair value less cost of disposal 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 (level 3 value). The DCF model adopted by the Directors was based on the 2023 financial budget approved by the Board. The key assumptions used in the estimate of the recoverable amount include:

	RETAIL CGU		WHOLESALE CGU	
	30 JUNE 2022	30 JUNE 2021	30 JUNE 2022	30 JUNE 2021
Pre-tax discount rate	13.3%	13.2%	13.1%	14.5%
Post-tax discount rate	9.5%	9.5%	9.5%	10.5%
Terminal growth rate	2.5%	2.5%	2.5%	2.5%
Budgeted 0-1 year EBITDA growth rate	(9.7%)	(46.0%)	22.6%	5.3%
Budgeted 1-2 year EBITDA growth rate	5.0%	5.0%	5.0%	5.0%
Budgeted 3-5 year EBITDA growth rate	5.0%	5.0%	5.0%	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 2.9%. The discount rate of 9.5% used was the same for both CGUs, a change from 2021.

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, consistent with the assumptions that a market participant would make.

Budgeted FY23 EBITDA growth rate was estimated taking into account past experience and adjusted as follows:

- New and used motorcycle sales were projected by taking into account the Group's average sales levels experienced during FY22. New motorcycle sales are projected to remain at the same level, while sales of used motorcycles are expected to improve.
- Other departments were projected to rise because of new businesses, price rises and no further store closures due to the COVID-19 pandemic.
- Growth in the wholesale CGU results from a full year inclusion of Forbes and Davies, reduced adverse effects from lockdowns and a better stock and supply chain position.
- Expenses were projected to increase with inflation, wage rises, and new businesses owned for the whole year.

FY24 to FY27 EBITDA growth rates were estimated taking into account past experience and expected industry trading conditions that do not exceed past experience.

The estimated recoverable amount of the wholesale CGU exceeded its carrying amount by $58,192,000.

The estimated recoverable amount of the retail CGU exceeded its carrying amount by $127,018,000.

16. EQUITY-ACCOUNTED INVESTEES

MotorCycle Finance Pty Ltd (MCF) is a joint venture in which the Group has joint control and a 50% ownership interest.

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Interest in joint venture	6,437	4,506
	6,437	**4,506**

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED 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 JUNE 2022 $'000	30 JUNE 2021 $'000
Assets		
Cash and cash equivalents	4,752	3,815
Loans and other receivables	83,072	73,468
Derivative financial instruments	2,365	–
Other assets	86	964
	90,275	**78,247**
Liabilities		
Trade and other payables	672	481
Derivative financial instruments	–	752
Interest-bearing loans	76,295	67,773
Other liabilities	434	230
	77,401	**69,236**
Net assets (100%)	**12,874**	**9,011**
Group's share of net assets (50%)	6,437	4,506
Carrying amount of interest in joint venture	**6,437**	**4,506**
Finance income	3,703	4,787
Other revenue	3,617	1,637
Interest expense	(1,288)	(1,535)
Other expense	(2,445)	(2,360)
Income tax benefit/(expense)	(1,076)	(759)
Profit/(loss) after tax	2,511	1,770
Other comprehensive income/(loss)	2,182	415
Total comprehensive income (100%)	4,693	2,185
Group's share of total comprehensive income (50%)	**2,347**	**1,093**

17. TRADE AND OTHER PAYABLES

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Trade payables[1]	8,861	7,807
Other Payables	6,541	9,268
	15,402	**17,075**

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

18. LOANS AND BORROWINGS – CURRENT

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Bailment finance	24,864	22,513
	24,864	**22,513**

Bailment finance is provided on a motorcycle-by-motorcycle basis by various finance providers and currently bears interest at a rate from 6-11% p.a. (2021: 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 JUNE 2022 $'000	30 JUNE 2021 $'000
Employee benefits	8,296	7,607
Other provisions	78	74
Current provisions	**8,374**	**7,681**
Employee benefits	582	675
Non-current provisions	**582**	**675**

20. LOANS AND BORROWINGS – NON-CURRENT

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Opening balance	5,000	44,623
Repayment of borrowings	–	(44,750)
Proceeds from loans and borrowings	15,000	5,000
Transaction costs related to loans and borrowings	–	127
Total long-term borrowings	**20,000**	**5,000**

The 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's controlled entities. The loan has a maturity date of 10 July 2025. The weighted average interest rate as at 30 June 2022 was 2.99%.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCING ARRANGEMENTS

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

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Total facilities		
Bank facilities	20,000	20,000
Bailment finance	76,239	64,109
	96,239	**84,109**
Used at balance date		
Bank facilities	20,000	5,000
Bailment finance	24,864	22,513
	44,864	**27,513**
Unused at balance date		
Bank facilities	–	15,000
Bailment finance	51,375	41,596
	51,375	**56,596**

21. CAPITAL AND RESERVES

ORDINARY SHARES

		NUMBER OF SHARES	ISSUE PRICE $	$'000
Movements in ordinary shares				
Date	**Details**			
30 June 2020	Opening balance	61,706,710		120,081
30 June 2021	**Closing balance**	**61,706,710**		**120,081**
30 June 2022	**Closing balance**	**61,706,710**		**120,081**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

DIVIDENDS

The following dividends were declared and paid by the Company:

	30 JUNE 2022 CENTS PER SHARE	30 JUNE 2022 $'000	30 JUNE 2021 CENTS PER SHARE	30 JUNE 2021 $'000
Dividends on ordinary shares				
2021 final dividend (2021: 2020 special dividend)	10.0	6,171	5.0	3,085
2022 interim dividend (2021: 2021 interim dividend)	12.0	7,404	10.0	6,171
Total dividends on ordinary shares	**22.0**	**13,575**	**15.0**	**9,256**

Directors have declared a final dividend of 8 cents per share amounting to $4,937,000 payable on 4 October 2022 with a record date of 13 September 2022.

The amount of franking credits available at the 30% tax rate as at 30 June 2022 to frank dividends for subsequent financial years, is $53,094,000 (2021: $49,177,000).

22. SHARE-BASED PAYMENT ARRANGEMENTS

During the 2018 financial year, the Group established a long-term incentive plan (LTIP) following Shareholder approval at the 2017 Annual General Meeting. The LTIP was reapproved at the 2020 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 KMP and Senior Executives. The fair values 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 returns.

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

TRANCHE	GRANT DATE	NUMBER OF PERFORMANCE RIGHTS ISSUED	VESTING CONDITIONS[1]	PERFORMANCE PERIOD
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
2020 Tranche 1	26 June 2020	204,760	Relative TSR	1 July 2019 to 30 June 2022
2020 Tranche 2	26 June 2020	204,760	EPS CAGR	1 July 2019 to 30 June 2022
2021 Tranche 1	22 December 2020	151,597	Relative TSR	1 July 2020 to 30 June 2023
2021 Tranche 2	22 December 2020	151,597	EPS CAGR	1 July 2020 to 30 June 2023
2022 Tranche 1	25 March 2022	94,799	Relative TSR	1 July 2021 to 30 June 2024
2022 Tranche 2	25 March 2022	94,799	EPS CAGR	1 July 2021 to 30 June 2024
		1,014,224		

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2022 TRANCHE 1	2022 TRANCHE 2	2021 TRANCHE 1	2021 TRANCHE 2
Fair value at grant date	$1.84	$2.44	$1.63	$2.19
Share price at valuation date	$2.91	$2.91	$2.50	$2.50
Expected volatility	45%	45%	50%	50%
Annual dividend yield	7.50%	7.50%	5.00%	5.00%
Risk-free interest rate	1.79%	1.79%	0.20%	0.20%
Test date	31 August 2024	31 August 2024	31 August 2023	31 August 2023

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 2022	30 JUNE 2021
Opening balance	824,626	622,095
Granted during the year	189,598	303,194
Forfeited during the year	(55,956)	(100,663)
Exercised during the year	(7,647)	–
Closing balance	**950,621**	**824,626**

RECOGNISED SHARE-BASED PAYMENTS EXPENSE

The value of performance rights expensed during the year was $434,000 (2021: $411,000). Of this amount, $379,000 is attributable to key management personnel remuneration (2021: $310,000).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

23 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 receivables 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.

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 23) represents the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

	RETAIL SEGMENT		WHOLESALE SEGMENT	
	30 JUNE 2022 $'000	30 JUNE 2021 $'000	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Trade and other receivables	1,911	4,105	5,363	4,671
Provision for doubtful receivables	(97)	(97)	(104)	(107)
	1,814	**4,008**	**5,259**	**4,564**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 $550,000 (2021: $630,000), which are past due at the reporting date. Of this balance the Group has provided $201,000 (2021: $204,000) 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 2022 0% (2021: 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 the Group 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 variables were held constant, the Group's net profit after tax would increase/decrease by $100,000 (2021: $25,000) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

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 and applicable functional currencies. 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 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

	LESS THAN 1 YEAR $'000	1-2 YEARS $'000	2-5 YEARS $'000	5+ YEARS	TOTAL $'000	INTEREST RATE
As at 30 June 2022						
Financial liabilities						
Bailment (current)	24,864	–	–	–	24,864	6-11%
Borrowings	598	598	20,614	–	21,810	2.99%
Lease liabilities	12,041	10,692	21,815	10,010	54,558	
Forward exchange contracts						
- outflow	10,188	–	–	–	10,188	
- inflow	(10,920)	–	–	–	(10,920)	
Trade and other payables	15,402	–	–	–	15,402	
	52,173	**11,290**	**42,429**	**10,010**	**115,902**	
As at 30 June 2021						
Financial liabilities						
Bailment (current)	22,513	–	–	–	22,513	4-10%
Borrowings	93	5,049	–	–	5,142	1.86%
Lease liabilities	10,721	9,299	20,400	10,237	50,657	
Forward exchange contracts						
- outflow	(2,993)	–	–	–	(2,993)	
- inflow	2,993	–	–	–	2,993	
Trade and other payables	17,075	–	–	–	17,075	
	50,402	**14,348**	**20,400**	**10,237**	**95,387**	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

24. LIST OF SUBSIDIARIES

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.

NAME OF ENTITY	PLACE OF INCORPORATION	EQUITY HELD 30 JUNE 2022 %	EQUITY HELD 30 JUNE 2021 %
Cassons Pty Ltd	Australia	100	100
Forbes & Davies (NZ) Limited	New Zealand	100	–
Innovative Dealership Solutions Pty Ltd	Australia	100	100
MotorCycle Accessories Supermarket Pty Ltd	Australia	100	100
MotorCycle Holdings Group Unit Co Pty Ltd	Australia	100	100
MotorCycle Holdings IDS Pty Ltd	Australia	100	100
MotorCycle Holdings Operations Pty Ltd	Australia	100	100
MotorCycle Holdings TCO Pty Ltd	Australia	100	100
MotorCycle Holdings Unit Co Pty Ltd	Australia	100	100
MotorCycle Riding School Pty Ltd	Australia	100	100
MW Motorcycles Pty Ltd	Australia	100	100
Myway Services Pty Ltd	Australia	100	100
Netpark Pty Ltd	Australia	100	100
North Ride Pty Ltd	Australia	100	100
Pushgate Pty Ltd	Australia	100	100
Shoreway Pty Ltd	Australia	100	100
Stanbay Pty Ltd	Australia	100	100
Team Moto Pty Limited	Australia	100	100
Trinder Avenue Motors Pty Ltd	Australia	100	100

The Team Moto Unit Trust, the Innovative Dealership Solutions Unit Trust and the MotorCycle Holdings Group Unit Trust are fixed unit trusts directly controlled by MotorCycle Holdings Limited and are wholly owned within the group but are not members of the Deed of Cross Guarantee. Forbes & Davies (NZ) Limited is incorporate in New Zealand and is directly controlled by MotorCycle Holdings Limited and wholly owned within the group but is not a member of the Deed of Cross Guarantee. See Note 27.

25. BUSINESS COMBINATIONS

The Group completed the following business combinations as part of its growth strategy:

DATE	NAME	TYPE	LOCATION
1 December 2021	Forbes & Davies	Certain business assets and liabilities	Auckland, New Zealand
4 February 2022	Wide Bay Motorcycles	Certain business assets and liabilities	Gympie, Queensland

The business combinations contributed revenue of $7,927,000 and net profit after tax of $244,000 for the year ended 30 June 2022 from their respective dates of acquisition.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group would have reported $474,185,000 in consolidated revenue and $23,674,000 in consolidated net profit after tax for the year ended 30 June 2022 had the business combination occurred at the beginning of the reporting period.

Below is a summary of the total purchase consideration, net identifiable assets acquired, and goodwill recognised from these business combinations:

	TOTAL $'000
Inventory – motorcycles (net of bailment)	40
Inventory – parts and accessories	1,919
Property, plant and equipment	356
Other assets	39
Total assets acquired	**2,354**
Trade and other payables	58
Employee entitlements	48
Total liabilities assumed	**106**
Net identifiable assets acquired	**2,248**
Goodwill recognised	4,425
Net assets acquired	**6,673**
Total purchase consideration – cash	**6,673**

The goodwill recognised is attributable to the workforce and profitability of the acquired businesses and the expected operational synergies with the Group's existing operations. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

26. PARENT ENTITY

Information relating to MotorCycle Holdings Limited ('the parent entity') at 30 June 2022 is presented below and is in line with the Group's accounting policies.

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Financial position		
Assets		
Current assets	304	–
Non-current assets	145,550	134,502
	145,854	134,502
Liabilities		
Current liabilities	–	3,203
Non-current liabilities	–	–
	-	**3,203**
Equity		
Issued capital	120,081	120,081
Retained earnings	24,674	10,553
Reserves	1,099	665
	145,854	**131,299**
Financial performance		
Profit/(loss) for the year	27,696	9,712
Total comprehensive income	**27,696**	**9,712**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

27. 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* (Cth) 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. Financial statements for the entities within the Deed of Cross Guarantee are set out below.

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Revenue and other income	443,854	417,536
Share of profit/(loss) of equity accounted investee net of tax	1,256	885
Expenditure	(410,623)	(376,532)
Finance costs	(1,850)	(1,636)
Profit/(loss) before tax	**32,637**	**40,253**
Income tax expense	**(9,479)**	(11,954)
Profit/(loss) for the year	**23,158**	**28,299**
Other comprehensive income	1,091	207
Total comprehensive income for the year	**24,249**	**28,506**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Current assets		
Cash and cash equivalents	2,757	4,537
Trade and other receivables	6,329	8,454
Inventories	101,368	81,683
Current tax assets	442	–
Other assets	914	312
Total current assets	**111,810**	**94,986**
Non-current assets		
Right of use assets	42,583	42,185
Property, plant and equipment	10,809	10,726
Deferred tax assets	1,080	800
Goodwill and other intangible assets	92,084	92,505
Investment in subsidiaries	3,883	17,579
Interest in equity accounted investees	6,437	4,506
Other assets	103	76
Total non-current assets	**156,979**	**168,377**
Total assets	**268,789**	**263,363**
Current liabilities		
Trade and other payables	8,125	31,210
Short term borrowings	24,180	20,893
Lease liabilities	9,406	10,386
Current tax liabilities	–	3,203
Provisions	7,939	7,069
Contract liabilities	3,299	3,412
Total current liabilities	**52,949**	**76,173**
Non-current liabilities		
Borrowings	20,000	5,000
Lease liabilities	35,603	33,819
Provisions	557	642
Contract liabilities	4,322	3,479
Total non-current liabilities	**60,482**	**42,940**
Total liabilities	**113,431**	**119,113**
Net assets	155,358	144,250

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Equity		
Contributed equity	120,081	120,081
Share-based payment reserve	1,099	665
Retained earnings	34,178	23,504
Total equity	**155,358**	**144,250**

28. 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 2022 no subsidiary was in default in respect of any arrangement guaranteed by the parent entity.

29. AUDITOR'S REMUNERATION

AUDITORS OF THE GROUP - KPMG	30 JUNE 2022 $	30 JUNE 2021 $
Audit or review of the financial report – Group	356,000	312,000
Other services:		
– tax compliance services	162,000	62,000
– indirect tax compliance services	–	10,000
– other compliance services	37,000	11,000
	199,000	**83,000**

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	30 JUNE 2022 $	30 JUNE 2021 $
Short term employee benefits	1,832,930	2,243,567
Share-based payments	379,933	310,296
Post employment benefits	122,136	105,432
Other long term benefits	23,068	22,199
	2,358,066	**2,681,494**

There are no loans to key management personnel.

OTHER TRANSACTIONS OF DIRECTORS AND DIRECTOR RELATED ENTITIES

(i) The Group has entered into 13 leases in respect to 11 properties that are part owned by David Ahmet, Managing Director and Chief Executive Officer, or that are owned or part-owned by an entity controlled by David Ahmet. The terms of these leases were negotiated on commercial arms' length basis in 2011 and contained 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 relevant Group companies exercised the first options for a renewed 5-year term from 1 July 2016 to 30 June 2021, and exercised the second options for a further renewed 5-year term commencing on 1 July 2021. The Company obtained shareholder approval under ASX Listing Rule 10.1 for the entry into the new leases at the 2021 Annual General Meeting. The current leases contain one further option of 5 years. The leases are subject to a formal market review at each option renewal (the rent must not be less than the previous rent, unless the parties agree otherwise).

Total rental payments (excluding outgoings) payable to related parties for the year ended 30 June 2022 was $1,772,000 (year ended 30 June 2021: $1,925,000). Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2022 in respect to the 11 properties that are part owned by David Ahmet or that are owned or part-owned by entities controlled by David Ahmet was $7,813,000 (2021: $9,549,000).

(ii) The Group has entered into leases in respect to three properties that are owned by entities which act in concert with Rob Cassen, Non-executive Director. Rob Cassen is one of two directors of, and holds 50% of the shares in, each lessor entity. The terms of these leases were negotiated on commercial arms' length basis in July 2011, December 2012, and July 2013 respectively, and each contained 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 (the rent must not be less than the previous rent, unless the parties agree otherwise).

The option for the lease of the Cassons Warehouse at Eastern Creek was exercised and a new lease signed for 10 years from 1 July 2021 (with no further options).

The lease for premises at Caringbah expires on 30 November 2022, and the relevant Group company has exercised the option for a further 10-year term (with no further options). The lease for premises at Penrith expires on 30 June 2023 and the 10-year option may be exercised between 30 September and 31 December 2022. The Company obtained shareholder approval under ASX Listing Rule 10.1 for the entry into the new Cassons Warehouse lease, and for the exercise of the options for the Caringbah and Penrith premises, at the 2021 Annual General Meeting.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Total rental payments (excluding outgoings) payable to related parties in respect of these leases for the year ended 30 June 2022 was $2,328,000 (2021: $2,649,000). Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2022 in respect to the three properties that are owned by entities which act in concert with Rob Cassen was $19,001,000 (2021: $15,839,000).

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 2022 was $2,565,0200 (2021: $2,268,000), of which $151,000 (2021: $157,000) was receivable at year end.

31. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	30 JUNE 2022 $	30 JUNE 2021 $
Net profit after tax	23,115	28,299
Add/(less) non-cash movements		
Depreciation and amortisation	14,065	13,413
(Profit)/loss from equity-accounted investee	(1,256)	(885)
Equity settled share-based payment	434	411
Effects of movements in exchange rates	288	–
(Increase)/decrease in assets		
Receivables	(158)	(1,292)
Inventories	(21,328)	(12,994)
Deferred tax assets	(584)	(311)
Acquired through business combinations	2,355	–
Increase/(decrease) in liabilities		
Payables	(1,699)	(5,534)
Bailment finance liability	2,351	(5,089)
Provisions	1,072	792
Taxes payable	(3,203)	12,352
Acquired through business combinations	(107)	–
Net cash inflow from operating activities	**15,345**	**29,162**

32. SUBSEQUENT EVENTS

On 5 August 2022 the Group acquired certain business assets and liabilities of Future Sport Motorcycles in Townsville, Queensland as part of its growth strategy.

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.

DIRECTORS' DECLARATION

The Directors make the following Directors' Declaration for the year ended 30 June 2022:

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 28 to 67 and the Remuneration report in the Directors' report, are in accordance with the *Corporations Act 2001* (Cth), including:

      I. giving a true and fair view of the Group's financial position as at 30 June 2022 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* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2022.

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 29th day of August 2022

David Foster
Chair

Dated at Brisbane this 29th day of August 2022

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 2022 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 2022;
- 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; and
- 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 (including Independence Standards)* (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; and
- 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.

Valuation of goodwill ($81,812,000)

Refer to Note 3 and 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 29% of total assets) and the high level of judgement required by us in assessing the significant forward-looking assumptions the Group applied in its fair value less costs of disposal models, including: • Forecast operating cash flows, growth rates and terminal growth rates – the Group's fair value less costs of disposal 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 increase the inherent uncertainty of forecasts, and the probability of a wider range of possible outcomes for us to consider. • 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. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • Considering the appropriateness of the fair value less costs of disposal method used by the Group in performing the annual test of goodwill for impairment against the requirements of the accounting standards. • Checking the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry and/or economic environment in which they operate. • Assessing the integrity of the fair value less costs of disposal models used, including the accuracy of the underlying calculation formulas. • Assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • Assessing 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. • Challenging the Group's forecast cash flow and growth assumptions in light of current uncertain trading conditions. We compared the forecast growth rates to the Board approved plan. 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, its 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. • Considering 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 reasonable possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures. • Assessing 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 ($107,565,000)	
Refer to Note 3 and Note 12 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 39% of total assets); and The extent of judgement involved by the Group in determining the net realisable value, particularly in relation to slow moving and obsolete inventory. Such judgements may have a significant impact on the Group's provision and therefore the overall carrying value of inventories, necessitating additional audit effort. These judgements impact the assumptions underlying the assessment of write downs to net realisable value. We focused on consistency across each class of inventory with reference to: • expected sales price of inventory; • age, brand, and condition of inventory; and • future usage of inventory. 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 Group's policies for the valuation of inventory against the requirements of the accounting standards and our understanding of the business. • Developing an understanding of the Group's processes and judgements adopted in determining the provisions for obsolescence for each class of inventory. • Checking the age and cost of inventory at 30 June 2022, for a sample across each class of inventory, to underlying purchase documents, as key inputs into the Group's assessment of write downs to net realisable value. • Assessing the integrity of the inventory provision, including the accuracy of the underlying calculations. • Challenging the Group's assumptions, such as provision percentages by product category and ageing, using our understanding of the Group's business and knowledge of the market. • Attending stocktakes in significant locations, observing the Group's processes, which included identifying slow moving and potentially obsolete finished goods inventory, performing sample counts ourselves, and comparing count results to the Group's. • Assessing 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, for a sample, to current sales values; and - For a sample, comparing the level of write downs for new and used motorcycles and parts and accessories, against historical sales data and recent sales performance and consumer demand data. We used our knowledge of the Group, its past performance, business and customers, and our industry experience.

	• Assessing the disclosures in the Group's financial report using our understanding obtained from our testing against the requirements of accounting standards.

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2022, 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 18 to 26 of the Directors' Report for the year ended 30 June 2022.

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

KPMG

KPMG

Ben Flaherty
Partner

Brisbane
29 August 2022

SHAREHOLDER INFORMATION

Corporate Governance Statement

The Company's Corporate Governance Statement can be found at www.mcholdings.com.au/corporate-governance-policies.

Substantial Shareholders

The names of substantial holders in the Company, the number of securities in which each substantial holder and the substantial holder's associates have a relevant interest as disclosed in substantial holding notices given to the Company and listed on the ASX website and the percentage of total issued capital are:

1. David Hedley Ahmet holding 11,460,469 shares at 18.57% of the total issued capital.
2. Bennelong Australian Equity Partners Pty. Ltd. (Bennelong Funds Management Group) holding 8,365,486 shares at 13.56% of the total issued capital.
3. MUFG holding 8,345,865 shares at 13.53% of the total issued capital.
4. Auscap Asset Management Ltd holding 4,260,000 shares or 6.90% 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
1–1,000	448	203,452	0.33
1,001–5,000	714	2,044,045	3.31
5,001–10,000	310	2,390,539	3.87
10,001–100,000	289	8,646,980	14.01
100,001 Over	40	48,421,694	78.47
Rounding			0.01
Total	**1,801**	**61,706,710**	**100.00**

UNMARKETABLE PARCELS	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500 parcel at $2.50 per unit	200	121	7,240

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

RANK	NAME	UNITS	% UNITS
1	Citicorp Nominees Pty Limited	17,431,543	28.25
2	Greenslide Pty Ltd	6,300,000	10.21
3	Kenlake Pty Limited	4,179,394	6.77
4	Freda Cassen	3,181,819	5.16
5	R Cassen Pty Ltd <R Cassen Family A/C>	3,181,819	5.16
6	J P Morgan Nominees Australia Pty Limited	2,621,842	4.25
7	HSBC Custody Nominees (Australia) Limited	1,436,482	2.33
8	National Nominees Limited	1,101,740	1.79
9	Mr Bruce Roland Collins	839,610	1.36
10	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	628,546	1.02
11	Mr Robert John Donovan & Ms Corina Lee Troy <Donovan Family S/F A/C>	603,052	0.98
12	David Hedley Ahmet	581,596	0.94
13	Mrs Karen Ann Cooksley	485,001	0.79
14	Mr Robert Bruce Tinlin	449,785	0.73
15	D & G Ritchie Super Pty Ltd <D & G Ritchie Super Fund A/C>	340,000	0.55
16	Kenlake Pty Limited <The Ahmet Family A/C>	326,562	0.53
17	Hancroft Pty Ltd	309,646	0.50
18	Mr Martin John Pocock & Mrs Michelle June Pocock <Pocock Family A/C>	300,000	0.49
19	Neweconomy Com Au Nominees Pty Limited <900 Account>	290,923	0.47
20	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	267,954	0.43
Total	**Top 20 Holders Of Ordinary Fully Paid Shares (Total)**	**44,857,314**	**72.69**
Total	**Remaining Holders Balance**	**16,849,396**	**27.31**

Leases with Related Parties

The Group has entered into 13 leases in respect to 11 properties that are part owned by David Ahmet, Managing Director and Chief Executive Officer, or that are owned or part-owned by an entity controlled by David Ahmet.

The terms of these leases were negotiated on commercial arms' length basis in 2011 and contained 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 relevant Group companies exercised the first options for a renewed 5-year term from 1 July 2016 to 30 June 2021, and exercised the second options for a further renewed 5 year term commencing on 1 July 2021. The Company obtained shareholder approval under ASX Listing Rule 10.1 for the entry into the new leases at the 2021 Annual General Meeting. The current leases contain one further option of 5 years.

The leases are subject to a formal market review at each option renewal (the rent must not be less than the previous rent, unless the parties agree otherwise).

The Group has entered into leases in respect to three properties that are owned by entities which act in concert with Rob Cassen, Non-executive Director.

Rob Cassen is one of two directors of, and holds 50% of the shares in, each lessor entity.

The terms of these leases were negotiated on commercial arms' length basis in July 2011, December 2012 and July 2013 respectively and each contained 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 (the rent must not be less than the previous rent, unless the parties agree otherwise).

The option for the lease of the Cassons Warehouse at Eastern Creek was exercised and a new lease signed for 10 years from 1 July 2021 (with no further options).

The lease for premises at Caringbah expires on 30 November 2022, and the relevant Group company has exercised the option for a further 10-year term (with no further options).

The lease for premises at Penrith expires on 30 June 2023 and the 10-year option may be exercised between 30 September and 31 December 2022.

The Company obtained shareholder approval under ASX Listing Rule 10.1 for the entry into the new Cassons Warehouse lease, and for the exercise of the options for the Caringbah and Penrith premises, at the 2021 Annual General Meeting.

MotorCycle Holdings