

REGISTERED OFFICE

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27 February 2023

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

Dear Sir/Madam

MotorCycle Holdings Limited (ASX: MTO) – Half Yearly Report and Accounts

We hereby provide the Appendix 4D (Half Year Report) and Interim Financial Report for the half year ended 31 December 2022 for MotorCycle Holdings Limited (ASX: MTO).

This announcement was authorised for release by MotorCycle Holdings' Board of Directors.

Yours faithfully
MotorCycle Holdings Limited



Nicole Spink
Company Secretary

Appendix 4D

Half year report for the six-months ended 31 December 2022 as required by ASX listing rule 4.2A.3.

Results for announcement to the market

Previous corresponding period: year ended 31 December 2021

Comparison to previous corresponding period		Change	To \$m
Revenue from ordinary activities	Increase	18%	276.3
Profit from ordinary activities after tax attributable to members	Decrease	(17%)	10.5
Net profit for the period attributable to members	Decrease	(19%)	10.4

Dividends

	Amount per Security	Franked Amount per Security
Interim dividend	\$0.08	\$0.08
Record date for determining entitlement to the final dividend		17 March 2023
Date the final dividend is payable		6 April 2023

Net tangible assets

	2022	2021
Net tangible assets ¹ per security	\$0.65	\$0.93

¹Net tangible assets includes lease right of use assets less liabilities recognised in accordance with AASB 16 Leases

Other disclosures

Additional Appendix 4D disclosure requirements and commentary on significant features of operating performance, results of segments, trends in performance, and other factors which have affected the results for the period are contained in the 2023 Interim Financial Report and accompanying results announcement and 2023 interim results presentation.

This document should be read in conjunction with the 2023 Interim Financial Report and accompanying results announcement and 2023 interim results presentation.

This report is based on consolidated financial statements contained in the 2023 Interim Financial Report, which have been reviewed by KPMG.



MotorCycle Holdings Limited and its Controlled Entities

ABN 29 150 386 995

Interim Financial Report for the half year ended 31 December 2022

MotorCycle Holdings Limited
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Directors' Report

The Directors present their report together with the consolidated interim financial statements of MotorCycle Holdings Limited (the 'Company') and its controlled entities (the 'Group') for the six months ended 31 December 2022 and the auditor report thereon.

Directors

The Directors of the Company at any time during or since the end of the interim period are:

Rick Dennis <i>Chair</i>	Appointed 23 August 2016 (Non-Executive Director) Appointed 23 December 2022 (Chair)
David Ahmet <i>Managing Director</i>	Appointed 30 June 2011
Peter Henley <i>Non-Executive Director</i>	Appointed 1 March 2017
Rob Cassen <i>Non-Executive Director</i>	Appointed 22 December 2018 (Non-Executive Director) Appointed 31 October 2017 (Executive Director) Retired 21 December 2018
Katie McNamara <i>Non-Executive Director</i>	Appointed 1 November 2022
Martin Ward <i>Non-Executive Director</i>	Appointed 1 November 2022
Michael Poynton <i>Executive Director</i>	Appointed 17 November 2022
David Foster <i>Retired</i>	Appointed 1 March 2016 (Non-Executive Director) Retired 23 December 2022 Appointed 22 July 2016 (Chair) Retired 23 December 2022
Warren Bee <i>Retired</i>	Appointed 30 June 2011 Retired 23 December 2022

Review of Operations

Sales revenue increased 18% to \$276,312,000 (2021: \$234,623,000). A key contributor to our sales growth was the Mojo Group acquisition which was completed in October 2022 and contributed revenue of \$27,717,000 in the 2 months to 31 December 2022.

Underlying earnings before interest, tax, depreciation, and amortisation (Underlying EBITDA) decreased 9% to \$18,039,000 (2021: \$19,800,000) and net profit after tax (NPAT) decreased 17% to \$10,466,000 (2021: \$12,558,000).

Basic earnings per share decreased 22% from 20.4 cents to 16.0 cents per ordinary share.

The Underlying EBITDA margin on sales achieved was 6.5% for the period (2021: 8.4%).

Bank debt of \$50,000,000 is offset by \$8,894,000 cash at bank. During the period the Group renewed its facility with the CBA, drawing down \$30,000,000 to fund the acquisition of Mojo Group.

New retail motorcycle unit sales decreased 8% to 7,097 units (2021: 7,699 units), despite a national total market decline of 25% of new units retailed. The Company secured approximately 14% of national new bike retail sales during the half (2021: 11%).

Used retail motorcycle unit sales increased 2% to 5,480 units (2021: 5,360 units), with an increase in revenue of 13% and a gross profit increase of 5% on last year's comparative period results.

Retail accessories and parts revenue increased 15%, without being subject to the restricted trading encountered in 2021 during the pandemic. Servicing and repair revenue increased 7%, and retail finance, insurance and mechanical protection plan income increased 11%.

Wholesale accessory external sales increased 2% to \$23,353,000 (2021: \$22,825,000) due to contributions from recent acquisitions, Mojo Group and Forbes and Davies.

Our finance joint venture delivered \$526,000 NPAT, a decrease of 16% for the half. The decline in NPAT was related to increased cost of funds, which placed pressure on margins.

Inventories have increased 49% to \$160,436,000 since 30 June 2022 due to acquisitions, the supply of new motorcycle inventory recovering to pre-COVID levels, and a deliberate increase in wholesale accessories stock to minimise supply chain disruptions.

The acquisition of the Mojo Group was completed during the period for consideration of \$47,917,000 plus contingent consideration of up to \$10,000,000. Goodwill and other intangible assets acquired with the transaction total \$55,472,000. The accounting allocation of the purchase price has been completed on a provisional basis and is expected to be finalised before 2023 full year financial statements are published (see Note 15). The new businesses, Mojo Motorcycles, Mojo Electric Vehicles, and Mojo Motorcycles NZ contributed \$2,345,000 net profit after tax in the 2 months since completion and are expected to contribute strongly to the full year result.

The acquisition provides the Group with significant growth opportunities by introducing the importation and distribution of motorcycles, ATVs, and scooters (including electric models) into our existing product offering, increasing warehouse capacity, and expanding the Group's distribution network.

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 understanding the Group's financial performance.

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

	31 December 2022	31 December 2021
	\$'000	\$'000
	Unaudited	Unaudited
Statutory profit for the period	10,466	12,558
Income tax expense	4,380	5,245
Statutory profit before tax	14,846	17,803
Adjustments for:		
Net finance costs (excluding bailment costs and interest on right-of-use assets)	675	56
Depreciation (excluding depreciation on right-of-use assets)	865	822
Amortisation	689	1,033
Acquisition expenses	964	86
Underlying EBITDA	18,039	19,800

Dividends

A fully franked final dividend of 8 cents per share was paid on 4 October 2022 (six months ended 31 December 2021: 10 cents per share).

A fully franked interim dividend of 8 cents per share was declared on 27 February 2023, payable on 6 April 2023 with a record date of 17 March 2023.

Subsequent Matters

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

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the six months ended 31 December 2022.

Rounding Off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated interim financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Rick Dennis
Chair
27 February 2023



David Ahmet
Managing Director
27 February 2023



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 review of MotorCycle Holdings Limited for the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Ben Flaherty'.

Ben Flaherty
Partner

Brisbane
27 February 2023

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Sales revenue	6	276,312	234,623
Share of profit of equity accounted investee, net of tax		526	624
Other income	6	673	1,739
Cost of sales		202,321	170,404
Employee benefits expense		35,728	30,544
Finance costs		3,689	1,252
Depreciation and amortisation expense		7,262	6,925
Occupancy costs		1,538	1,371
Other expenses		12,127	8,687
Profit before tax		14,846	17,803
Income tax expense	7	4,380	5,245
Profit for the year		10,466	12,558
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Equity-accounted investee – share of other comprehensive income		(48)	282
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign operation – foreign currency translation differences		(18)	(80)
Total comprehensive income for the year attributable to owners of the company		10,400	12,760
Earnings per share			
		Cents	Cents
Basic earnings per share		16.0	20.4
Diluted earnings per share		15.7	20.3

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

Consolidated Interim Statement of Financial Position

As at 31 December 2022

	Note	31 December 2022 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents		8,894	3,910
Trade and other receivables		11,455	7,073
Inventories	8	160,436	107,565
Current tax assets		-	304
Other assets		771	926
Total current assets		181,556	119,778
Non-current assets			
Right of use assets		51,021	45,848
Property, plant and equipment	9	13,028	11,826
Deferred tax assets		-	1,080
Goodwill and other intangible assets	10	149,974	94,751
Interest in equity accounted investees		6,934	6,437
Other assets		121	106
Total non-current assets		221,078	160,048
Total assets		402,634	279,826
Current liabilities			
Trade and other payables	11	37,843	15,402
Short term borrowings		45,839	24,864
Lease liabilities		15,097	10,250
Current tax liabilities		2,861	-
Provisions		9,122	8,374
Contract liabilities		3,134	3,082
Total current liabilities		113,896	61,972
Non-current liabilities			
Borrowings	12	50,000	20,000
Lease liabilities		38,683	38,152
Deferred tax liabilities		3,778	-
Provisions		758	582
Contract liabilities		4,398	4,114
Total non-current liabilities		97,617	62,848
Total liabilities		211,513	124,820
Net assets		191,121	155,006
Equity			
Contributed equity		150,084	120,081
Reserves		1,730	1,099
Retained earnings		39,307	33,826
Total equity		191,121	155,006

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

Consolidated Interim Statement of Changes in Equity

For the Six Months Ended 31 December 2022

	Issued Capital \$'000	Retained Earnings \$'000	Share-Based Payment Reserve \$'000	Foreign Currency Reserve \$'000	Total Equity \$'000
Balance at 1 July 2021	120,081	23,504	665	-	144,250
Comprehensive income for the period					
Profit for the period	-	12,558	-	-	12,558
Other comprehensive income	-	202	-	-	202
Total comprehensive income for the period	-	12,760	-	-	12,760
Transactions with owners in their capacity as owners					
Dividends paid	-	(6,171)	-	-	(6,171)
Equity settled share-based payment	-	-	268	-	268
Total transactions with owners in their capacity as owners	-	(6,171)	268	-	(5,903)
Balance at 31 December 2021	120,081	30,093	933	-	151,107
Balance at 1 July 2022	120,081	33,826	1,099	379	155,385
Comprehensive income for the period					
Profit for the period	-	10,466	-	-	10,466
Other comprehensive income	-	(48)	-	(18)	(66)
Total comprehensive income for the period	-	10,418	-	(18)	10,400
Transactions with owners in their capacity as owners					
Dividends paid	-	(4,937)	-	-	(4,937)
Shares issued as part of business combination	30,003	-	-	-	30,003
Equity settled share-based payment	-	-	270	-	270
Total transactions with owners in their capacity as owners	30,003	(4,937)	270	-	25,336
Balance at 31 December 2022	150,084	39,307	1,369	361	191,121

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

Consolidated Interim Statement of Cash Flows

For the Six Months Ended 31 December 2022

	Note	31 December 2022 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Receipts from customers and government grants (inclusive of GST)		302,285	507,911
Payments to suppliers and employees (inclusive of GST)		(283,249)	(477,895)
Interest and other costs of finance paid		(2,362)	(1,290)
Effects of exchange rate changes on cash and cash equivalents		(1,084)	-
Income taxes paid		(4,495)	(13,381)
Net cash (used)/provided by operating activities		11,095	15,345
Cash flows from investing activities			
Payment for acquisition of businesses (net of cash acquired)	15	(14,779)	(6,674)
Payment of liability to prior shareholders assumed on acquisition of Mojo	15	(9,349)	-
Investment in equity accounted investees		-	415
Payments for property, plant and equipment		(1,552)	(1,962)
Proceeds from sale of property, plant and equipment		104	374
Net cash (used)/provided by investing activities		(25,576)	(7,847)
Cash flows from financing activities			
Proceeds from borrowings		30,000	15,000
Repayments of lease principal		(5,598)	(9,680)
Dividends paid	13	(4,937)	(13,575)
Net cash (used)/provided by financing activities		19,465	(8,255)
Net increase/(decrease) in cash and cash equivalents		4,984	(758)
Cash and cash equivalents at the beginning of the period		3,910	4,668
Cash and cash equivalents at the end of the period		8,894	3,910

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

Notes to the Consolidated Interim Financial Statements

1. Reporting Entity

MotorCycle Holdings Limited (the 'Company') is a company domiciled in Australia. These consolidated interim financial statements ('interim financial statements') as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is involved in the ownership and operation of motorcycle dealerships engaging in the sale of new motorcycles, used motorcycles, accessories and parts, finance, insurance, and mechanical protection plan products as well as service and repair. The Group also owns and operates a motorcycle repair business which performs smash repair work for insurers and two motorcycle accessories wholesaling businesses located in Australia and New Zealand. During the period the Group completed its acquisition of Mojo Group, one of Australia's largest importers and wholesales of motorcycles, genuine spare parts, and accessories.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2022 are available upon request from the Company's registered office at 68 Moss Street, Slacks Creek, Queensland or at mcholdings.com.au.

2. Basis of Preparation

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2022.

These interim financial statements were authorised for issue by the Company's Board of Directors on 27 February 2023.

The Company is of a kind referred to in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Changes in Significant Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022.

4. Use of Judgements and Estimates

In preparing these interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022.

5. Operating Segment Information

The Group operates in two operating and reporting segments being Motorcycle Retailing and Motorcycle and Accessories Wholesaling; identified on the basis of how the consolidated entity is regularly reviewed by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

	Motorcycle Retailing	Motorcycle and Accessories Wholesaling	Eliminations	Consolidated	Motorcycle Retailing	Motorcycle and Accessories Wholesaling	Eliminations	Consolidated
	31 December 2022	31 December 2022	31 December 2022	31 December 2022	31 December 2021	31 December 2021	31 December 2021	31 December 2021
Operating Segment Information	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	227,277	49,035	-	276,312	211,798	22,825	-	234,623
Inter-segment sales	-	12,265	(12,265)	-	-	9,645	(9,645)	-
Total revenue and other income	227,277	61,300	(12,265)	276,312	211,798	32,470	(9,645)	234,623
Segment result								
Operating profit before interest	10,242	4,658	-	14,900	12,799	5,633	-	18,432
External interest expense allocation	(116)	(559)	-	(675)	(14)	(42)	-	(56)
Operating contribution	10,126	4,099	-	14,225	12,785	5,591	-	18,376
Share of net profit of equity accounted investee	526	-	-	526	624	-	-	624
Business acquisition costs	82	882	-	964	(86)	-	-	(86)
Segment profit	10,734	4,981	-	15,715	13,323	5,591	-	18,914
Unallocated corporate expenses				(869)				(1,111)
Profit before tax				14,846				17,803
Income tax expense				(4,380)				(5,245)
Net profit after tax				10,466				12,558
Depreciation and amortisation	5,612	1,650	-	7,262	5,745	1,179	-	6,924
Write down inventory to net realisable value	272	(165)	-	107	452	46	-	498
	31 December 2022	31 December 2022	31 December 2022	31 December 2022	30 June 2022	30 June 2022	30 June 2022	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Segment assets	209,636	192,998	-	402,634	193,562	86,264	-	279,826
Liabilities								
Segment liabilities	175,680	35,833	-	211,513	105,924	18,896	-	124,820
Net Assets	33,956	157,165	-	191,121	87,638	67,368	-	155,006
Goodwill	52,237	63,887	-	116,124	51,891	29,921	-	81,812
Acquisition of non-current assets	1,224	328	-	1,552	1,786	176	-	1,962

6. Revenue

	Motorcycle Retailing	Motorcycle and Accessories Wholesaling	Consolidated	Motorcycle Retailing	Motorcycle and Accessories Wholesaling	Consolidated
	31 December 2022	31 December 2022	31 December 2022	31 December 2021	31 December 2021	31 December 2021
Disaggregation of Revenue	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
New motorcycles	97,987	25,682	123,669	97,356	-	97,356
Used motorcycles	68,714	-	68,714	60,842	-	60,842
Parts and accessories	43,949	23,353	67,302	38,339	22,825	61,164
Service	8,308	-	8,308	7,780	-	7,780
Finance and insurance Income	8,075	-	8,075	7,255	-	7,255
Other revenue	244	-	244	226	-	226
Revenue from contracts with customers	227,277	49,035	276,312	211,798	22,825	234,623
At a point in time ¹	218,049	49,035	267,084	202,963	22,825	225,788
Over time ²	9,228	-	9,228	8,835	-	8,835
	227,277	49,035	276,312	211,798	22,825	234,623
Other income						
Government grants	599	-	599	1,167	-	1,167
Proceeds from insurance claim	6	-	6	561	-	561
Other income	68	-	68	11	-	11
	673	-	673	1,739	-	1,739

¹Revenue from contracts with customers recognised at a point in time has been reclassified for the 6 months ended 31 December 2021.

²Revenue from contracts with customers recognised over time has been reclassified for the 6 months ended 31 December 2021.

Contract Balances

	31 December 2022 \$'000	30 June 2022 \$'000
Receivables, gross of provisions, included in trade and other receivables	11,656	7,274
Contract liabilities	7,531	7,196

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 31 December 2022.

Year Ending	31 December 2023	31 December 2024	31 December 2025	31 December 2026	31 December 2027 or later
	\$'000	\$'000	\$'000	\$'000	\$'000
Mechanical protection plans	3,134	2,248	1,340	578	231
	3,134	2,248	1,340	578	231

7. Tax Expense

The Group's consolidated effective tax rate in respect of the continuing operations for the six months ended 31 December 2022 was 30 percent (for the six months ended 31 December 2021: 30 percent).

8. Inventories

During the six months ended 31 December 2022 the Group wrote down its inventory to net realisable value by \$107,000 (six months ended 31 December 2021: \$499,000). This relates to stock obsolescence and was determined using the same principles adopted for the year ended 30 June 2022.

	31 December 2022 \$'000	30 June 2022 \$'000
New and demonstrator motorcycles (at cost)	70,316	28,151
Less: write-down to net realisable value	(217)	(225)
New and demonstrator inventory	70,099	27,926
Used motorcycles (at cost)	18,744	19,242
Less: write-down to net realisable value	(343)	(338)
Used inventory	18,401	18,904
Parts, accessories and other consumables (at cost)	82,068	70,757
Less: write-down to net realisable value	(10,132)	(10,022)
Parts, accessories and other consumable inventory	71,936	60,735
Total inventories	160,436	107,565

9. Property, Plant and Equipment

During the six months ended 31 December 2022, the Group acquired assets with a cost of \$1,552,000 (six months ended 31 December 2020: \$1,057,000). \$585,000 of these assets were acquired through business combinations (six months ended 31 December 2021: \$141,000).

31 December 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	7,011	1,080	2,248	1,382	105	11,826
Additions	692	419	185	259	-	1,555
Acquired from business combinations	-	360	127	94	1	582
Disposals/transfers	-	(48)	(29)	-	-	(77)
Effects of movements in exchange rates	-	6	-	1	-	7
Depreciation expense	(330)	(153)	(244)	(127)	(11)	(865)
Carrying amount at end of period	7,373	1,664	2,287	1,609	95	13,028

10. Intangible Assets and Goodwill

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

31 December 2022	Goodwill	Trademarks	Customer contracts and relationships	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
Balance at beginning of period	106,108	5,603	15,000	2,000	128,711
Acquired through business combinations ¹	34,219	-	7,700	13,900	55,819
Effects of movements in exchange rates	93	-	-	-	93
Balance at end of period	140,420	5,603	22,700	15,900	184,623
Accumulated amortisation and impairment					
Balance at beginning of period	(24,296)	-	(7,797)	(1,867)	(33,960)
Amortisation expense	-	-	(556)	(133)	(689)
Balance at end of period	(24,296)	-	(8,353)	(2,000)	(34,649)
Carrying amounts					
Balance at beginning of period	81,812	5,603	7,203	133	94,751
Balance at end of period	116,124	5,603	14,347	13,900	149,974

¹Allocated on a provisional basis (see Note 15)

30 June 2022	Goodwill	Trademarks	Customer contracts and relationships	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'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

11. Trade and Other Payables

	31 December 2022	30 June 2022
	\$'000	\$'000
Trade payables	15,647	8,861
Contingent consideration ²	10,034	-
Other payables	12,163	6,541
Total long term borrowings	37,844	15,402

²Contingent consideration in relation to the acquisition of Mojo Group (see Note 15).

12. Loans and Borrowings

	31 December 2022 \$'000	30 June 2022 \$'000
Opening balance	20,000	5,000
Proceeds from loans and borrowings	30,000	15,000
Total long term borrowings	50,000	20,000

13. Dividends Paid and Declared

The following dividends were declared and paid by the Company during the interim period:

	31 December 2022 \$'000	31 December 2021 \$'000
Fully franked final dividend of 8 cents per share paid on 4 October 2022	4,937	-
Fully franked final dividend of 10 cents per share paid on 29 September 2021	-	6,171

After the reporting date, the following dividends were proposed by the Board of Directors. The dividends have not been recognised as liabilities at the end of the reporting period.

	31 December 2022 \$'000	31 December 2021 \$'000
Fully franked interim dividend of 8 cents per share to be paid on 6 April 2023	5,860	-
Fully franked interim dividend of 12 cents per share paid on 6 April 2022	-	7,405

14. Leases with Related Parties

Subsidiaries of the Group have entered into property leases for business premises with David Ahmet, Rob Cassen, and Michael Poynton respectively, including with entities associated with them. The aggregate amounts of transactions with key management personnel are as follows:

- (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 part-owned by an entity controlled by David Ahmet. The terms of these leases were negotiated on commercial arms' length basis in 2011 and contain customary terms and conditions including an initial lease term of 5 years, with options to renew for a further 15 years (comprising 3 options for 5-year periods). The 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 first 5-year option terms were exercised in 2016. Those lease terms expired on 30 June 2021 and options have been exercised for a further 5-year term, with one 5-year option remaining. The leases were subject to a formal market review and the renewals were approved by shareholders at the 2021 annual general meeting.

Total rental payments (excluding outgoings) payable in respect to these 11 properties for the six months ended 31 December 2022 were \$938,000 (six months ended 31 December 2021: \$888,000).

- (ii) The Group has entered into leases in respect to 3 properties that are owned by entities which act in concert with Rob Cassen, Non-executive Director. Rob Cassen is one of two Directors and holds 50% of the shares of each lessor entity. The terms of these leases were negotiated on commercial arms' length basis in July 2011, December 2012, and July 2013 and each contain customary terms and conditions including initial lease terms of 10 years, with options to renew each lease for a further 10 years. The leases are subject to a formal market review at each option renewal (the rent must not be less than the previous rent unless the parties agree otherwise).

The option to renew the lease terms have all been exercised for a further 10 years and the renewals were approved by shareholders at the 2021 annual general meeting.

Total rental payments (excluding outgoings) payable in respect to these properties for the six months ended 31 December 2022 were \$1,222,000 (six months ended 31 December 2021: \$1,277,000).

- (iii) The Group has entered into a lease in respect to a property owned by an entity which acts in concert with Michael Poynton, Executive Director. Michael Poynton is one of two Directors and holds 50% of the shares of the lessor entity. The terms of this lease were negotiated on commercial arms' length basis in June 2021 including an initial lease term of 5 years, with options to renew for a further 10 years (comprising 2 options for 5-year periods). 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 in respect to this property since the completion of the acquisition of Mojo Group to 31 December 2022 was \$34,000 (six months ended 31 December 2021: \$nil).

15. Business Combinations

Future Sport Motorcycles

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

The business combination forms part of the motorcycle retailing segment and contributed revenue of \$2,286,000 and net profit after tax of \$nil for the six months ended 31 December 2022 from the date of acquisition. The Group would have reported \$276,769,000 in consolidated revenue and \$10,466,000 in consolidated net profit after tax for the six months ended 31 December 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 as part of this business combination:

	Total \$'000
Inventory – motorcycles (net of bailment)	23
Inventory – parts and accessories	337
Property, plant and equipment	53
Total assets acquired	413
Trade and other payables	20
Employee entitlements	13
Total liabilities assumed	33
Net identifiable assets acquired	380
Goodwill recognised	347
Total purchase consideration – cash	727

Mojo Group

On 31 October 2022 the Group acquired 100% of Mojo Motorcycles Pty Ltd and Mojo Electric Vehicles Pty Ltd ('Mojo Group'), one of Australia's largest importers and wholesalers of motorcycles, genuine spare parts, and accessories.

In the 2 months to 31 December 2022, Mojo Group contributed revenue of \$27,717,000 and net profit after tax of \$2,345,000. The Group would have reported \$335,175,000 in consolidated revenue and \$14,742,000 in consolidated net profit after tax for the six months ended 31 December 2022 had the business combination occurred at the beginning of the reporting period.

Consideration Transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	Total \$'000
Cash	17,882
Equity instruments (11,539,000 ordinary shares)	30,001
Completion adjustment amount payable	34
Total consideration transferred	47,917
Contingent consideration	10,000
Total purchase consideration	57,917

The fair value of the ordinary shares issued is based on the issue price of consideration shares of \$2.60 per share on 31 October 2022.

Contingent consideration payable is based on net profit before tax of Mojo Group in the 12-month period following completion. Where net profit before tax is:

- greater than \$14,500,000, the contingent consideration will be \$10,000,000;
- equal to or greater than \$10,000,000 but less than \$14,500,000, the contingent consideration will be \$5,000,000; or
- less than \$10,000,000, the contingent consideration will be \$nil.

Contingent consideration has been recognised in trade and other payables in the consolidated interim statement of financial position. Management have performed an assessment on the probability that the contingent consideration will fall due, and based on current and expected performance, have assessed it as highly probable that the net profit before tax of Mojo Group will exceed \$14,500,000. As such the full consideration has been accrued as at 31 December 2022 (see Note 11).

On acquisition, the Group assumed a liability to the former shareholders of the Mojo Group of \$9,765,000. This balance was sequentially settled by the Group and paid in addition to the \$57,917,000 consideration price.

Acquisition-related Costs

The Group incurred acquisition-related costs of \$882,000 relating to external legal fees and due diligence related costs. These amounts have been included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

Provisional Identifiable Assets Acquired and Liabilities Assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

	Total \$'000
Cash and cash equivalents	3,830
Trade and other receivables	1,731
Inventories	24,063
Property, plant and equipment	532
Lease right-of-use assets	1,361
Other intangible assets	21,600
Other assets	104
Total assets acquired	53,221
Trade and other payables	9,768
Dividends payable to prior shareholders	9,349
Lease liabilities	1,456
Current tax liability	1,822
Deferred tax liability	6,400
Employee and other provisions	381
Total liabilities assumed	29,176
Net identifiable assets acquired	24,045

Trade and other receivables do not comprise any amounts expected to be uncollectable at the date of acquisition.

Provisional Basis

The fair values of the above net identifiable assets have been measured on a provisional basis, until the completion of an independent valuation.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Total \$'000
Total consideration transferred	57,917
Fair value of net identifiable assets	(24,045)
Goodwill	33,872

The goodwill recognised is attributable to the assembled workforce, buyer-specific operational synergies, and future period earnings. \$6,400,000 of this goodwill has been recognised as a result of a deferred tax liability arising from the initial recognition of identifiable intangible assets. None of the goodwill recognised is expected to be deductible for tax purposes. Goodwill has been measured on a provisional basis, until the completion of an independent valuation.

There are no contingent liabilities associated with the acquisition.

16. Subsequent Events

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

Directors' Declaration

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

- (1) the consolidated interim financial statements and notes set out on pages 5 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance, for the six-month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



David Ahmet
Managing Director

Dated at Brisbane this 27th day of February 2023

Independent Auditor's Review Report

To the shareholders of MotorCycle Holdings Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of MotorCycle Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of MotorCycle Holdings Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2022;
- Consolidated interim statement of profit or loss and other comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises MotorCycle Holdings Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Ben Flaherty
Partner

Brisbane
27 February 2023