

# MOTORCYCLE HOLDINGS LIMITED

ANNUAL REPORT 2021



**MotorCycle**  
Holdings

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MotorCycle Holdings Limited (ASX: MTO), delivered a record performance for the year, with revenue and profit increases across the business driven by improved margins, ongoing sales demand momentum and strong contributions from recent acquisitions and added product ranges.



# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## FINANCIAL



Revenue <b>↑ 19% to \$433.9m</b>	Dividend <b>20/c</b> share fully franked
Underlying EBITDA <b>↑ 61% to \$44.5m</b>	NPAT <b>↑ 86% to \$28.3m</b>

## OPERATIONAL



New Motorcycle Sales <b>↑ 32% to \$170.9m</b>	Used Motorcycle Sales <b>↑ 8% to \$102.5m</b>
Retail Accessories Sales <b>↑ 14% to \$86.3m</b>	Wholesale Accessories Sales <b>↑ 16% to \$40.4m</b>

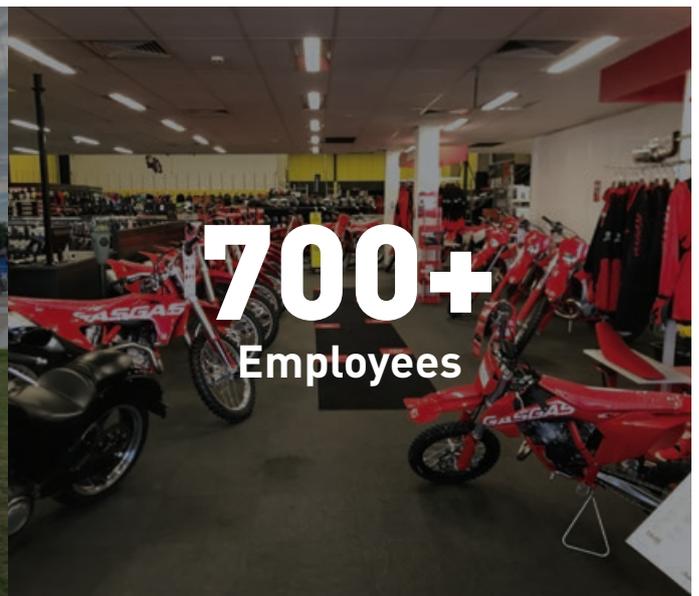


## Australia's leading motorcycle dealership and accessories group



**37**

Retail Sites



**700+**

Employees



**20+**

Top Global Brands



**32**

Years of Operation

# CHAIR'S REPORT



MotorCycle Holdings Limited (ASX: MTO), delivered a record performance for the year to 30 June 2021, with revenue and profit increases across the business driven by improved margins on new and used motorcycles, ongoing sales demand momentum and strong contributions from recent acquisitions and added product ranges.

The company continued to capitalise on the heightened demand for recreation and leisure products, with a strategic focus on retaining margins while supply was restricted which contributed strongly to the performance.

Due to consistently strong trading conditions, the company continued its return to paying dividends with Directors declaring a final dividend of 10 cents per share, fully franked, amounting to \$6.2 million payable on 29 September 2021 with a record date of 8 September 2021. This brings the full year dividend to 20 cents per share, fully franked.

After several years of challenging trading conditions, this year's improved results were due to a combination of strong demand, restricted supply chains and higher sale prices for both new and used motorcycles.

MotorCycle Holdings was able to capitalise on these improved conditions, due to our diversified revenue streams, vertical integration and a comprehensive geographical footprint which provided us with an excellent platform to take advantage of the trading conditions and deliver this record result. Although there were no acquisitions during the year, we continued to grow revenue and profit across all business divisions.

It is very pleasing that all divisions of the business improved performance and contributed strongly to this year's record results. This is a direct outcome of the management team's growth strategy of expanding the business by adding new ranges and products to existing sites without increasing the cost base, which is delivering sustainable growth and profit.



**David Foster**  
Chair

The strong result this year was underpinned by improved margins on new and used motorcycles driven by restricted supply.

The company's focus for this forthcoming year will be seeking to expand our geographical footprint through acquisition of well-established businesses with strong turnover, which will be supported by our strong balance sheet.

We will also continue to focus on diversifying our product mix, by continuing to expand and broaden our product offering in both our retail and wholesale network. In addition, there will be ongoing upgrades and improvement to dealerships and showrooms and further development of our online sales platform.

Your directors remain optimistic about the forthcoming year due to the heightened sales demand momentum and the strong fundamentals of the business, evidenced by this year's record results.

I would like to sincerely thank the company's more than 700 staff nationally who have been instrumental in delivering this strong performance, particularly as we continue to navigate the uncertainty and ongoing lockdowns required by the COVID-19 pandemic.

I would also like to acknowledge and thank the company's management team and my fellow Board members for their commitment to driving the business forward through what has been an extended period of challenging trading conditions to its current position of achieving record results this financial year.



**David Foster**  
Chair

“The company continued to capitalise on the heightened demand for recreation and leisure products, with a strategic focus on retaining margins while supply was restricted, which contributed strongly to the performance.”



# MANAGING DIRECTOR'S REPORT



I am pleased to report that despite the ongoing uncertainty and challenges posed by the COVID-19 pandemic and the ongoing lockdowns across various states, the company delivered a record year of strong performance.

While the company continued to benefit from heightened demand for recreation and leisure products, the primary contributor to this year's strong performance was a strategic focus on retaining margins while supply was restricted, maintaining tight cost and overhead control, and delivering strong contributions from recent acquisitions and additional product ranges.

We made a conscious decision to sharpen our focus on the key profit drivers across the business, and we have seen the results of that strategy with significant improvement achieved in our underlying EBITDA and profit after tax for the year.



**David Ahmet**  
Managing Director

## Record Performance Delivered

Key features of the company's financial performance for the year included revenue (excluding JobKeeper payment) increasing 19% to \$433.9 million (2020: \$363.7 million) with Underlying EBITDA increasing 61% to \$44.5 million (2020: \$27.6 million).

Net profit after tax increased 86% to \$28.3 million, up from \$15.2 million before the non-cash impairment taken in 2020.

The company continued to outperform the market in terms of overall motorcycle sales, increasing 8% to 22,694 units for the year ended 30 June 2021, up from 21,095 units achieved in the previous year.

New motorcycle unit sales increased 20% to 13,264 units (2020: 11,013 units), compared with the national market increase in new motorcycle unit sales of approximately 12%.

New motorcycle revenue increased 32% to \$170.9 million, up from \$129.4 million in 2020 and strong margins resulted in gross profit increasing 69% from \$12.2 million last year to \$20.6 million this year.

Used motorcycle unit sales decreased 7% to 9,430 units, however significantly improved margins and higher sale prices resulted in an 8% increase to sales revenue of \$102.5 million, up from \$95.2 million and gross profit increased 27% to \$18.2 million from \$14.3 million in the previous year.

Retail accessories and parts revenue increased 14% to \$86.3 million (2020: \$75.5 million) and wholesale accessories and parts external revenue increased 16% to \$40.4 million (2020: \$34.8 million). Both retail and wholesale accessories gross profit increased significantly (51% and 30% respectively). Gross profit from these divisions represents 44% of the total gross profit for the business.

Servicing and repair revenue increased 19% to \$15.7 million (2020: \$13.2 million) and finance and insurance revenue increased 6% to \$14.1 million (2020: \$13.3 million).

Our Finance Joint Venture contributed profit for the first time with our 50% share being \$0.9 million NPAT.

The company grew its market share by securing approximately 11.9% of national new motorcycle unit sales during the financial year, compared with 11.1% in the prior year.

## Sustainable Growth and Profit

Harley-Davidson dealerships continued to produce strong profit results and the Indian Motorcycles and Polaris products added to existing stores contributed strongly with increased sales and ongoing margin growth.

Used motorcycle margins are the highest they have ever been, and in the second half of this year our strategy of significantly increasing our stock of used motorcycles resulted in a strong contribution to our underlying profit from this division.

The two acquisitions we made in 2019 - Canberra Motorcycle Centre and Morgan & Wacker in Melbourne - provided their first full-year contributions to the results.



Expanding and diversifying our product range was also a significant factor that contributed strongly to our improved performance. Ensuring our product mix was focused on the highest revenue-generating brands, combined with increased volumes delivered record sales and profit this year.

Through the year we saw market demand stabilise, with consistent volumes and monthly sales growth. This provides optimism across the motorcycle retail industry and is a good indication that these improved trading conditions will continue and are sustainable for the medium-term, rather than being a short-term by-product of the COVID-19 pandemic.

We continue to outperform the market, with new motorcycle unit sales growth of 20% for the year, compared to 12% for the industry. This is due to new product additions and strong dealership performance.

### Outlook and Focus

This year's strong performance and the current strength of the market means we have strong tailwinds for future growth.

In our view the current heightened level of demand should continue in the short to medium term and we are optimistic about the forthcoming year. We expect the current elevated profit margins to continue for at least the next 12 months.

While COVID-19 lockdowns continue to present challenges and are likely to impact on results while they continue, demand is expected to remain strong in locations where stores are operating without restrictions. The company is focused on reducing costs and minimising any negative impacts from the ongoing lockdowns as much as possible, as well as ensuring we can service the pent-up consumer demand we experience when reopening after lockdowns.

Our focus over the next 12 months will be to retain or improve current margins, continue to drive new and used bike sales with a focus on the key profit drivers, improve our cost structure, improve our dealerships' performance, refresh the wholesale distribution division by adding new brands and suppliers and leveraging the expanded customer base achieved this past year.

In addition, the company's strong balance sheet provides us with the ability to make strategic acquisitions should opportunities present themselves, and our intention is to continue to expand both our geographical footprint and our diverse product range across all areas of the business.

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

**David Ahmet**  
Managing Director

“Despite the ongoing challenges posed by the COVID-19 pandemic and the ongoing lockdowns across various states, the company delivered a record year of strong performance.”

# 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 2021 and the auditor's report thereon.

## Directors

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

### DAVID FOSTER



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

### Chair, Independent Non-Executive Director

David has over 25 years' experience in the financial services industry, with experience spanning across management, distribution, technology and marketing in retail banking.

David is currently a non-executive director of Genworth Mortgage Insurance Australia Limited, G8 Education Limited and Bendigo and Adelaide Bank Limited and was previously 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 Listed Entities

- G8 Education Limited (appointed January 2016, effective from February 2016)
- Genworth Mortgage Insurance Australia Limited (appointed May 2016)
- Bendigo and Adelaide Bank Limited (appointed September 2019)

#### Directorships of Listed Entities Over Last 3 Years

- Thorn Group Limited (appointed December 2014, ceased October 2019)

### DAVID AHMET



- Appointed 30 June 2011

### Managing Director and Chief Executive Officer

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 37 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.

#### Current Directorships of Other Listed Entities

- Nil

#### Directorships of Listed Entities Over Last 3 Years

- Nil

## WARREN BEE



- Appointed 30 June 2011

## Independent Non-Executive Director

Warren has been a director of MotorCycle Holdings since June 2011 and from 2007 to 2011 chaired the company's advisory board. Prior to 2007, Warren held CEO and line management roles across a range of industries including automotive retail, manufacturing and distribution. Warren is a Fellow of Chartered Accountants ANZ and a member of the Australian Institute of Company Directors.

### Committee Membership

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

### Current Directorships of Other Listed Entities

- Nil

### Directorships of Listed Entities Over Last 3 Years

- Nil

## RICK DENNIS



- Appointed 23 August 2016 with effect from 1 September 2016

## Independent Non-Executive Director

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

### Committee Membership

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

### Current Directorships of Other Listed Entities

- Apiam Animal Health Limited (appointed November 2016)
- Cettire Limited (appointed October 2020)

### Directorships of Listed Entities Over Last 3 Years

- Nil

## DIRECTORS' REPORT (continued)

### PETER HENLEY



- Appointed 1 March 2017

#### Independent Non-Executive Director

Peter has a long and distinguished career in financial services and in particular consumer and commercial finance. Peter previously held senior management positions at AGC Limited, CEO of Nissan Finance Corp Ltd and CEO of GE Money in Australia and in South East Asia.

Since retiring from executive roles in October 2006, Peter has been an Independent Non-Executive Director of Adtrans Group, MTA Insurance Ltd, Thorn Group Limited and more recently Eagers Automotive Limited.

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

#### Committee Membership

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

#### Current Directorships of Other Listed Entities

- Nil

#### Directorships of Listed Entities Over Last 3 Years

- Nil

### ROB CASSEN



- Appointed 31 October 2017 (Executive Director)
- Appointed 21 December 2018 (Non-Executive Director)

#### Non-Independent Non-Executive Director

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 Membership

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

#### Current Directorships of Other Listed Entities

- Nil

#### Directorships of Listed Entities Over Last 3 Years

- Nil

## Company Secretary

Nicole Spink was appointed as Company Secretary on 28 May 2018. Nicole also holds the role of Group Financial Controller and 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 are:

Director	Board Meetings		Audit and Risk Committee (ARC) Meetings		Nomination and Remuneration Committee (NRC) Meetings	
	Attended	Held	Attended	Held	Attended	Held
David Foster	13	13	-	-	-	-
David Ahmet <sup>1</sup>	12	12	-	-	-	-
Warren Bee	13	13	4	4	4	4
Rick Dennis	13	13	4	4	4	4
Peter Henley	13	13	4	4	4	4
Rob Cassen	13	13	4	4	4	4

<sup>1</sup> David Ahmet was granted one leave of absence during the year.

## Principal Activities

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

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

## Operating and Financial Review

MotorCycle Holdings Limited (ASX: MTO), delivered a record performance for the year to 30 June 2021, with revenue and profit increases across the business driven by improved margins on new and used motorcycles, ongoing sales demand momentum and strong contributions from recent acquisitions and added product ranges.

The company continued to capitalise on the heightened demand for recreation and leisure products, with a strategic focus on retaining margins while supply was restricted contributing strongly to the performance.

Due to consistently strong trading conditions, the company has returned to paying dividends with Directors declaring a final dividend of 10 cents per share, fully franked, amounting to \$6,171,000 payable on 29 September 2021 with a record date of 8 September 2021. This brings the full year dividend to 20 cents per share, fully franked.

After a number of years of challenging trading conditions, this year we saw improved trading conditions due to a combination of strong demand, restricted supply chains and higher sale prices for both new and used motorcycles.

Key features of the company's financial performance for the year included revenue and other income (excluding JobKeeper payment) increasing 19% to \$433,915,000 (2020: \$363,712,000) with Underlying EBITDA increasing 61% to \$44,451,000 (2020: \$27,617,000).

Net profit after tax increased 87% to \$28,299,000, up from \$15,176,000 before the non-cash impairment taken last year.

The company continued to outperform the market in terms of overall motorcycle sales, increasing 8% to 22,694 units for the year ended 30 June 2021, up from 21,095 units achieved in the previous year.

New motorcycle unit sales increased 20% to 13,264 units (2020: 11,013 units), compared with the national market increase in new motorcycle unit sales of approximately 12%.

## DIRECTORS' REPORT (continued)

New motorcycle revenue increased 32% to \$170,859,000, up from \$129,425,000 in 2020 and strong margins resulted in gross profit increasing 69% from \$12,166,000 last year to \$20,550,000 this year.

Used motorcycle unit sales decreased 7% to 9,430 units, however significantly improved margins and higher sale prices resulted in an 8% increase to sales revenue of \$102,511,000, up from \$95,243,000 and gross profit increased 27% to \$18,213,000 from \$14,297,000 in the previous year.

Retail accessories and parts revenue increased 14% to \$86,288,000 (2020: \$75,457,000) and wholesale accessories and parts external revenue increased 16% to \$40,445,000 (2020: \$34,842,000). Both retail and wholesale accessories gross profit increased significantly (50% and 30% respectively). Gross profit from these divisions represents 44% of total gross profit for the business.

Servicing and repair revenue increased 19% to \$15,650,000 (2020: \$13,184,000) and finance and insurance revenue increased 6% to \$14,063,000 (2020: \$13,295,000).

Our Finance Joint Venture contributed profit for the first time with our 50% share being \$885,000 NPAT.

Directors are cautiously optimistic about the forthcoming year due to the heightened sales demand momentum and the strong fundamentals of the business; however strong sales momentum is expected to temper with ongoing shutdowns due to the COVID-19 pandemic.

### Dividends

#### Declared and Paid during the Financial Year

A fully franked interim dividend of 10 cents per share was declared on 25 February 2021 and paid on 7 April 2021.

#### Declared after the end of the Financial Year

Directors have declared a fully franked final dividend of 10 cents per share payable on 29 September 2021 with a record date of 8 September 2021.

There is no dividend re-investment plan in operation.

### Events Subsequent to Reporting Date

There continues to be ongoing uncertainty relating to the future impacts of the pandemic. There has been no significant impact of the pandemic on the Group's operations subsequent to 30 June 2021, but management continues to monitor the potential impacts on the Group.

Other than the matter set out 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*. The insurance contract prohibits disclosure of the nature of liability and the amount of the premium.

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

### Proceedings on Behalf of The Company

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

## 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. The Group's definition of underlying EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Statutory profit for the period	28,299	(9,120)
Income tax expense	11,954	6,702
<b>Statutory profit before tax</b>	<b>40,253</b>	<b>(2,418)</b>
Adjustments for:		
Net finance costs (excluding bailment, interest on lease liabilities)	426	1,529
Depreciation (excluding depreciation on RoU assets)	1,705	1,720
Amortisation	2,067	2,067
Impairment charge on goodwill	-	24,296
Acquisition expenses	-	423
<b>Underlying EBITDA</b>	<b>44,451</b>	<b>27,617</b>

## 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 28 of the Financial Report.

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

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

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

	<b>30 June 2021</b>
	<b>\$</b>
Services other than audit and review of financial statements:	
Tax compliance services	62,000
Indirect tax compliance services	10,000
Other compliance services	11,000
<b>Total non-audit services</b>	<b>83,000</b>

## DIRECTORS' REPORT (continued)

### Lead Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is attached on page 26 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* at the date of this report is as follows:

Name	Ordinary Shares	Rights Over Ordinary Shares
David Ahmet	11,438,994	551,522
Warren Bee	43,958	-
Rob Cassen	3,413,833	-
Rick Dennis	10,000	-
David Foster	49,151	-
Peter Henley	75,539	-

### Remuneration Report - Audited

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 MotorCycle Holdings Limited.

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 2021, their roles and appointment dates.

### Key Management Personnel during the Reporting Period

Name	Role	Appointment Date
<b>Non-Executive Directors</b>		
David Foster	Chair, Independent, Non-Executive Director	8 March 2016
Warren Bee	Independent, Non-Executive Director	30 June 2011
Rick Dennis	Independent, Non-Executive Director	23 August 2016
Peter Henley	Independent, Non-Executive Director	1 March 2017
Rob Cassen	Non-Independent, Non-Executive Director	21 December 2018
<b>Executive Directors and Senior Executives</b>		
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 provides information relevant to remuneration decisions and makes recommendations to the Nomination and Remuneration Committee (NRC).



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.



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

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

## DIRECTORS' REPORT (continued)

### 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
	<b>360,000</b>	<b>95,000</b>	<b>25,000</b>	<b>25,000</b>	<b>10,000</b>	<b>515,000</b>

### Executive Director and Senior Executive Remuneration

#### Policy

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

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

Remuneration and other terms of employment for Senior Executives are formalised in agreements which have a provision for bonuses and other benefits which may be granted from time to time by the Board of Directors. Contracts with Executives may be terminated by either party with 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. Fixed remuneration is reviewed annually following performance reviews at the end of the financial year and takes into account role and accountabilities, relevant market benchmarks and attraction, retention and motivation of executives in the context of the talent market.

## Performance Linked Remuneration

### Short Term Annual Cash Bonus

The Managing Director and 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 Nomination and Remuneration Committee and approved by the Board. The Board retains an overall discretion on whether to pay all, a portion of, or no annual cash bonus.

Under the short-term incentive plan, participants have an opportunity to receive Cash Bonuses included in Remuneration. The short-term financial and non-financial performance measures established by the Board at the commencement of the financial year were both achieved, and the Board awarded short-term incentive payments to participants in the short-term incentive plan.

The board's approval of the short-term incentives in relation to the FY20 period occurred after the board's approval of the 2020 annual report. Accordingly, short-term incentives for FY20 are classified as FY21 remuneration, and Actual Amount of Bonuses included in FY21 Remuneration includes short-term incentive bonuses awarded in relation to both the FY20 and FY21 periods.

<b>Name</b>	<b>Position</b>	<b>Max Potential Bonus % of Salary</b>	<b>Actual Amount of Bonuses Included in FY21 Remuneration \$</b>	<b>% Max Bonus</b>
<b>Key Management Personnel Performance-Linked Remuneration Payments in relation to FY21</b>				
David Ahmet	Managing Director	50%	328,500	100%
Bob Donovan	Chief Financial Officer	50%	130,000	100%
<b>Key Management Personnel Performance-Linked Remuneration Payments in relation to FY20</b>				
David Ahmet	Managing Director	50%	328,500	100%
Bob Donovan	Chief Financial Officer	50%	130,000	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.

## DIRECTORS' REPORT (continued)

### Performance criteria

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

#### *(1) Relative total shareholder return ("TSR"):*

50% of the Performance Rights are subject to relative TSR assessed over a three-year performance period commencing 1 July 2020 and ending 30 June 2023, compared to a peer group of 12 ASX listed companies. Vesting will occur based on the Company's positioning in the peer group. This is designed to focus executives on delivering sustainable long-term shareholder returns.

#### **Peer Companies**

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%

#### *(2) 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 2020 and ending 30 June 2023, on a compound annual growth rate ("CAGR") basis. Vesting will occur based on the following performance:

#### **The Company's EPS CAGR over the Performance Period**

#### **Proportion of the Tranche 2 Awards that satisfy the EPS Vesting Condition**

EPS CAGR is less than or equal to 10%	0%
EPS CAGR is greater than 10% and less than or equal to 12%	Between 50% and 100% (as determined on a straight-line basis)
EPS CAGR is equal to or greater than 12%	100%

The Managing Director and Chief Financial Officer were eligible to participate in the Group's long-term incentive plan during the year, comprising grants of performance rights over the Company's ordinary shares. The LTIP scheme was approved by shareholders at the 2020 AGM and the notice of meeting lodged with ASX contains further details on the performance rights. Actual performance rights granted, forfeited and outstanding in the reporting period are set out below.

Description of Rights	Opening Balance of Rights	Numbers of Rights Granted in FY21	Fair Value per Right at Grant Date		Grant Date	Performance Period	Number of Rights Forfeited in FY21	Value of Rights Forfeited <sup>1</sup>	% of Remuneration Granted as Rights During the Reporting Period	Closing Balance of Rights
			TSR Component	EPS Component						
<b>David Ahmet, Managing Director</b>										
FY18 LTIP	86,905	-	\$1.60	\$3.01	24 April 2018	1 July 2017 to 30 June 2020	86,905	200,316	9%	-
FY19 LTIP	96,618	-	\$0.20	\$1.24	27 June 2019	1 July 2018 to 30 June 2021	-	-	6%	96,618
FY20 LTIP	262,800	-	\$1.41	\$1.65	26 June 2020	1 July 2019 to 30 June 2022	-	-	21%	262,800
FY21 LTIP	-	192,104	\$1.63	\$2.19	22 March 2021	1 July 2020 to 30 June 2023	-	-	22%	192,104
<b>Bob Donovan, Chief Financial Officer</b>										
FY18 LTIP	13,758	-	\$1.60	\$3.01	24 April 2018	1 July 2017 to 30 June 2020	13,758	31,712	4%	-
FY19 LTIP	15,294	-	\$0.20	\$1.24	27 June 2019	1 July 2018 to 30 June 2021	-	-	2%	15,294
FY20 LTIP	41,600	-	\$1.41	\$1.65	26 June 2020	1 July 2019 to 30 June 2022	-	-	9%	41,600
FY21 LTIP	-	30,408	\$1.63	\$2.19	22 March 2021	1 July 2020 to 30 June 2023	-	-	9%	30,408

<sup>1</sup> Performance rights issued in relation to the FY18 year were forfeited as the performance hurdles were not met.

## Company Performance and Remuneration Outcomes

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

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

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

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

The table below summarises the Group's financial performance for FY21 compared to prior periods and correlates it to the total KMP remuneration for the respective financial years.

Metric	FY21	FY20	FY19	FY18	FY17
Statutory Net Profit/(Loss) After Tax (\$'000)	<b>28,299</b>	(9,120)	8,345	8,539	9,280
Change in Share Price	<b>55.6%</b>	60.5%	(65.5%)	(10.3%)	46.5%
Earnings per Share	<b>45.9 cents</b>	(14.8) cents	13.5 cents	15.6 cents	24.5 cents
Total Dividends Paid (\$)	<b>9,256,007</b>	-	4,010,940	6,240,124	2,846,250
KMP Remuneration (\$)	<b>2,681,494</b>	1,589,465	2,371,480	1,984,461	2,098,125

## DIRECTORS' REPORT (continued)

### Key Management Personnel Remuneration

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

Name & Role	Year	Short Term Employee Benefits				Total
		Cash Salary & Fees	FY20 Cash Bonus	FY21 Cash Bonus	Non-Cash Benefits	
		\$	\$	\$	\$	\$
Non-Executive Directors						
<b>David Foster</b> Chair, Non-Executive Director	2021	159,817	-	-	-	159,817
	2020	157,973	-	-	-	157,973
<b>Warren Bee</b> Non-Executive Director	2021	77,626	-	-	-	77,626
	2020	76,730	-	-	-	76,730
<b>Rick Dennis</b> Non-Executive Director	2021	77,626	-	-	-	77,626
	2020	76,730	-	-	-	76,730
<b>Peter Henley</b> Non-Executive Director	2021	65,000	-	-	-	65,000
	2020	63,953	-	-	-	63,953
<b>Rob Cassen</b> Non-Executive Director	2021	73,059	-	-	-	73,059
	2020	72,217	-	-	-	72,217
<b>Total Non-Executive Director Remuneration</b>	<b>2021</b>	<b>453,128</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>453,128</b>
	<b>2020</b>	<b>447,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>447,603</b>
Executive Directors and Senior Executives						
<b>David Ahmet</b> Managing Director	2021	635,996	328,500 <sup>1</sup>	328,500 <sup>1</sup>	-	1,292,996
	2020	598,747	-	-	-	598,747
<b>Bob Donovan</b> Chief Financial Officer	2021	237,443	130,000 <sup>1</sup>	130,000 <sup>1</sup>	-	497,443
	2020	230,594	-	-	-	230,594
<b>Total Executive Directors and Senior Executive Remuneration</b>	<b>2021</b>	<b>873,439</b>	<b>458,500</b>	<b>458,500</b>	<b>-</b>	<b>1,790,439</b>
	<b>2020</b>	<b>829,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>829,341</b>
<b>Total KMP Remuneration</b>	<b>2021</b>	<b>1,326,567</b>	<b>458,500</b>	<b>458,500</b>	<b>-</b>	<b>2,243,567</b>
	<b>2020</b>	<b>1,276,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,276,944</b>

<sup>1</sup> Due to the timing of approval by the Board of KMP's short-term incentive bonuses relating to the FY20 period the Actual Amount of Bonuses included in FY21 Remuneration includes short-term incentive bonuses awarded in relation to both the FY20 and FY21 periods.

<sup>2</sup> Cash Bonus payments related to FY20 that are included in FY21 remuneration are excluded from the calculation of Proportion of Remuneration Performance Related for FY21.

Post Employment Benefits	Long Term Employee Benefits			Share Based Benefits	Total	Proportion of Remuneration Performance Related <sup>2</sup>
	Superannuation Benefits	Termination Benefits	Long Service Leave			
\$	\$	\$	\$	\$	\$	
15,183	-	-	-	-	175,000	-
15,008	-	-	-	-	172,981	-
7,374	-	-	-	-	85,000	-
7,289	-	-	-	-	84,019	-
7,374	-	-	-	-	85,000	-
7,289	-	-	-	-	84,019	-
25,000	-	-	-	-	90,000	-
25,008	-	-	-	-	88,961	-
6,941	-	-	-	-	80,000	-
6,861	-	-	-	-	79,078	-
<b>61,872</b>	-	-	-	-	<b>515,000</b>	-
<b>61,455</b>	-	-	-	-	<b>509,058</b>	-
21,003	-	16,075	267,891	1,597,965		37%
20,349	-	9,979	168,342	797,417		21%
22,557	-	6,124	42,405	568,529		30%
21,906	-	3,843	26,648	282,991		9%
<b>43,560</b>	-	<b>22,199</b>	<b>310,296</b>	<b>2,166,494</b>		
<b>42,255</b>	-	<b>13,822</b>	<b>194,990</b>	<b>1,080,408</b>		
<b>105,432</b>	-	<b>22,199</b>	<b>310,296</b>	<b>2,681,494</b>		
<b>103,710</b>	-	<b>13,822</b>	<b>194,990</b>	<b>1,589,466</b>		

## DIRECTORS' REPORT (continued)

### Other Information

#### Contract Duration and Termination Requirements

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

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

#### Other Transactions with Key Management Personnel

Subsidiaries of the Group have entered into property leases for business premises with David Ahmet and Rob Cassen, including associated entities. The leases have been entered into on an arm's length basis and have terms and conditions consistent with leases in the respective areas. The aggregate amount of transactions with key management personnel are as follows:

- (i) The Group has entered into leases in respect to properties that are controlled by David Ahmet, Managing Director and Chief Executive Officer, or that are part-owned by entities 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 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 are subject to a formal market review at each option renewal. The market review is currently underway.

Total rental payments (excluding outgoings) payable to related parties for the year ended 30 June 2021 was \$1,925,000 (year ended 30 June 2020: \$2,011,000).

Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2021 in respect to the 11 properties that are owned by entities controlled by David Ahmet was \$9,549,000 (2020: \$1,924,000).

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

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 option to renew the lease term expiring on 30 June 2021 has been exercised for a further 10 years. The leases are subject to a formal market review at each option renewal, and the parties have agreed the market rent for the renewed term.

Total rental payments (excluding outgoings) payable to related parties for the year ended 30 June 2021 was \$2,649,000 (2020: \$2,584,000).

Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2021 in respect to the three properties that are owned by entities controlled by Rob Cassen was \$15,839,000 (2020: \$3,922,000).

## 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:

<b>Shareholdings of KMP</b>						
<b>Name</b>	<b>Opening Balance 1 July 2020</b>	<b>Shares acquired during the year</b>	<b>Shares disposed of during the year</b>	<b>Received on vesting of rights to deferred shares</b>	<b>Other changes</b>	<b>Closing Balance 30 June 2021</b>
<b>Non-Executive Directors</b>						
Warren Bee	38,958	5,000	-	-	-	<b>43,958</b>
Rob Cassen	3,363,833	50,000	-	-	-	<b>3,413,833</b>
Rick Dennis	-	10,000	-	-	-	<b>10,000</b>
David Foster	44,949	4,202	-	-	-	<b>49,151</b>
Peter Henley	25,534	50,005	-	-	-	<b>75,539</b>
<b>Executive Directors and Senior Executives</b>						
David Ahmet	11,288,994	150,000	-	-	-	<b>11,438,994</b>
Bob Donovan	598,052	5,000	-	-	-	<b>603,052</b>

## Remuneration Consultants

To ensure the Nomination and Remuneration Committee is fully informed on remuneration matters it engages with external remuneration advisors. The terms of engagements outline the advisors' access to, and independence from, the Group and management. Any advice sought is used as a guide and does not serve as a substitute for the committee's consideration of remuneration matters. The following external advisors provided information and assistance during 2021:

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

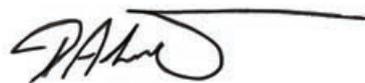
These advisors did not provide any remuneration recommendations and they were not "remuneration consultants" to the Group as defined in the *Corporation Act 2001*.

Signed in accordance with a resolution of the directors:



**David Foster**  
Chair

30 August 2021



**David Ahmet**  
Managing Director

30 August 2021



## 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 2021 there have been:

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



KPMG



Simon Crane  
Partner

Brisbane  
30 August 2021

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## FINANCIAL STATEMENTS (continued)

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

#### For the Year Ended 30 June 2021

	Note	30 June 2021 \$'000	30 June 2020 \$'000
Sales revenue <sup>1</sup>	5	<b>430,692</b>	361,883
Share of profit of equity accounted investee, net of tax	16	<b>885</b>	(195)
Other income <sup>2</sup>	5	<b>8,099</b>	8,001
Cost of sales		<b>305,438</b>	261,616
Employee benefits expense	6	<b>59,689</b>	52,828
Finance costs	7	<b>1,752</b>	3,880
Depreciation and amortisation expense		<b>13,413</b>	13,188
Impairment expense		-	24,296
Occupancy costs		<b>2,745</b>	2,509
Other expenses	6	<b>16,386</b>	13,790
<b>Profit before tax</b>		<b>40,253</b>	(2,418)
Income tax expense	8	<b>11,954</b>	6,702
<b>Profit for the year</b>		<b>28,299</b>	(9,120)
Other comprehensive income - equity accounted investee		<b>207</b>	(181)
<b>Total comprehensive income for the year attributable to owners of the company</b>		<b>28,506</b>	(9,301)

		Cents	Cents
<b>Earnings per share</b>			
Basic earnings per share	9	<b>45.9</b>	(14.8)
Diluted earnings per share	9	<b>45.7</b>	(14.8)

<sup>1</sup> Finance and insurance income has been reclassified as sales revenue in the Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income and was previously reported as other income. See Note 5.

<sup>2</sup> Other income includes JobKeeper payments, see Note 5.

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

## FINANCIAL STATEMENTS (continued)

### Consolidated Statement of Financial Position

As At 30 June 2021

	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents	10	4,668	39,494
Trade and other receivables	11	8,572	7,592
Inventories	12	86,237	74,425
Current tax assets		-	-
Other assets		308	-
<b>Total current assets</b>		<b>99,785</b>	121,511
<b>Non-current assets</b>			
Right of use assets	13	43,208	28,795
Property, plant and equipment	14	11,546	11,464
Deferred tax assets	8	800	488
Goodwill and other intangible assets	15	92,505	94,571
Interest in equity accounted investees	16	4,506	3,164
Other assets		80	146
<b>Total non-current assets</b>		<b>152,645</b>	138,628
<b>Total assets</b>		<b>252,430</b>	260,139
<b>Current liabilities</b>			
Trade and other payables	17	17,075	12,652
Short term borrowings	18	22,513	30,602
Lease liabilities	23	10,430	11,100
Current tax liabilities	8	3,203	2,057
Provisions	19	7,681	6,459
Contract liabilities		3,245	2,444
<b>Total current liabilities</b>		<b>64,147</b>	65,314
<b>Non-current liabilities</b>			
Borrowings	20	5,000	44,623
Lease liabilities	23	34,879	20,227
Deferred tax liabilities	8	-	-
Provisions	19	675	582
Contract liabilities		3,479	4,804
<b>Total non-current liabilities</b>		<b>44,033</b>	70,236
<b>Total liabilities</b>		<b>108,180</b>	135,550
<b>Net assets</b>		<b>144,250</b>	124,589
<b>Equity</b>			
Contributed equity	21	120,081	120,081
Share-based payment reserve		665	254
Retained earnings		23,504	4,254
<b>Total equity</b>		<b>144,250</b>	124,589

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

## FINANCIAL STATEMENTS (continued)

### Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2021

	Issued Capital \$'000	Retained Earnings \$'000	Share-Based Payment Reserve \$'000	Total Equity \$'000
<b>Balance at 30 June 2019</b>	<b>120,081</b>	<b>14,979</b>	<b>177</b>	<b>135,237</b>
Adjustment on initial application of AASB 16 (net of tax)	-	(1,424)	-	(1,424)
<b>Restated Balance at 1 July 2019</b>	<b>120,081</b>	<b>13,555</b>	<b>177</b>	<b>133,813</b>
<b>Comprehensive income for the year</b>				
Loss for the year	-	(9,120)	-	(9,120)
Other comprehensive income	-	(181)	-	(181)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(9,301)</b>	<b>-</b>	<b>(9,301)</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid	-	-	-	-
Equity settled share-based payment	-	-	77	77
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>77</b>
<b>Balance at 30 June 2020</b>	<b>120,081</b>	<b>4,254</b>	<b>254</b>	<b>124,589</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	28,299	-	28,299
Other comprehensive income	-	207	-	207
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>28,506</b>	<b>-</b>	<b>28,506</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid	-	(9,256)	-	(9,256)
Equity settled share-based payment	-	-	411	411
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>(9,256)</b>	<b>411</b>	<b>(8,845)</b>
<b>Balance at 30 June 2021</b>	<b>120,081</b>	<b>23,504</b>	<b>665</b>	<b>144,250</b>

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

# FINANCIAL STATEMENTS (continued)

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		<b>480,288</b>	406,906
Payments to suppliers and employees (inclusive of GST)		<b>(438,255)</b>	(356,438)
Interest and other costs of finance paid		<b>(1,752)</b>	(3,880)
Income taxes paid		<b>(11,120)</b>	(1,693)
Interest received		-	9
<b>Net cash (used)/provided by operating activities</b>	30	<b>29,161</b>	44,904
<b>Cash flows from investing activities</b>			
Payment for acquisition of businesses (net of cash acquired)		-	(2,581)
Investment in equity accounted investees		<b>(250)</b>	-
Payments for property, plant and equipment		<b>(2,102)</b>	(1,213)
Proceeds from sale of property, plant and equipment		<b>316</b>	66
<b>Net cash (used)/provided by investing activities</b>		<b>(2,036)</b>	(3,728)
<b>Cash flows from financing activities</b>			
Repayments of borrowings		<b>(47,622)</b>	(1,167)
Proceeds from borrowings		<b>5,000</b>	-
Repayments of lease principal		<b>(10,073)</b>	(9,690)
Dividend paid	21	<b>(9,256)</b>	-
<b>Net cash (used)/provided by financing activities</b>		<b>(61,951)</b>	(10,857)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(34,826)</b>	30,319
Cash and cash equivalents at the beginning of the period		<b>39,494</b>	9,175
<b>Cash and cash equivalents at the end of the period</b>	10	<b>4,668</b>	39,494

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

# FINANCIAL STATEMENTS (continued)

## Notes to and Forming Part of the Consolidated Financial Statements

### 1. Reporting Entity

MotorCycle Holdings Limited (the "Company") is a publicly listed company domiciled in Australia. Its registered office is at 68 Moss Street, Slacks Creek, Queensland, 4127. The consolidated financial statements as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and were authorised for issue by the Board of Directors on 30 August 2021.

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

### 2. Significant Accounting Policies

#### A. General Information

##### Statement of Compliance

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

##### Basis of Preparation

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

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

##### Accounting Policies

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

#### B. Basis of Consolidation

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

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

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

##### Interest in Equity-Accounted Investees

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

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

##### Business Combinations

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

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

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

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

### C. Revenue

#### Sales Revenue

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

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

#### Service Revenue

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

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

#### Mechanical Protection Plan Revenue

Revenue from the sale of mechanical protection plans (MPP) is recognised over time based on when the performance obligation is satisfied (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. 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.

# FINANCIAL STATEMENTS (continued)

## Notes to and Forming Part of the Consolidated Financial Statements

### 2. Significant Accounting Policies (continued)

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.

#### 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 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

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 16).

### 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.

# FINANCIAL STATEMENTS (continued)

## Notes to and Forming Part of the Consolidated Financial Statements

### 2. Significant Accounting Policies (continued)

#### 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.

#### 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.

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 \$77,499,000 (2020: \$77,499,000) is tested annually for impairment, based on estimates made by directors. Further information on the intangibles impairment test can be found in Note 15. For the purpose of impairment testing conducted for the current year ended 30 June 2021 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.

#### COVID-19 Global Pandemic

Judgement has been exercised in evaluating the impact of COVID-19 on the financial statements. In particular, we considered the impact on future cash flows included within our fair value less costs of disposal calculations used in impairment assessments and whether or not there are material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

## 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.

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 4. Operating Segment Information (continued)

	<b>Motorcycle Retailing</b>	<b>Motorcycle Accessories Wholesaling</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Sales to external customers and other income	398,346	40,445	-	438,791
Inter-segment sales	-	25,057	(25,057)	-
<b>Total revenue and other income</b>	<b>398,346</b>	<b>65,502</b>	<b>(25,057)</b>	<b>438,791</b>
<b>Segment result</b>				
Operating profit before interest and impairment	31,767	10,944	-	42,711
Impairment loss	-	-	-	-
External interest expense allocation	(1,262)	(638)	-	(1,900)
<b>Operating contribution</b>	<b>30,505</b>	<b>10,306</b>	<b>-</b>	<b>40,811</b>
Share of net profit of equity accounted investees	885	-	-	885
Business acquisition costs	-	-	-	-
<b>Segment profit</b>	<b>31,390</b>	<b>10,306</b>	<b>-</b>	<b>41,696</b>
Unallocated corporate expenses				(1,443)
<b>Profit before tax</b>				<b>40,253</b>
Income tax expense				(11,954)
<b>Net profit after tax</b>				<b>28,299</b>
Depreciation and amortisation	9,749	3,664	-	13,413
Write down of inventories to net realisable value	(416)	(402)	-	(818)
<b>Assets</b>				
Segment assets	174,127	78,303	-	252,430
<b>Liabilities</b>				
Segment liabilities	87,010	21,170	-	108,180
<b>Net Assets</b>	<b>87,117</b>	<b>57,133</b>	<b>-</b>	<b>144,250</b>
Goodwill	50,243	27,256	-	77,499
Acquisition of non-current assets	1,758	344	-	2,102

<b>Motorcycle Retailing</b>	<b>Motorcycle Accessories Wholesaling</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>30 June 2020</b>	<b>30 June 2020</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
334,847	34,842	-	369,689
-	18,975	(18,975)	-
<b>334,847</b>	<b>53,817</b>	<b>(18,975)</b>	<b>369,689</b>
22,312	5,868	-	28,180
-	(24,296)	-	(24,296)
(2,391)	(1,489)	-	(3,880)
19,921	(19,917)	-	4
(195)	-	-	(195)
(423)	-	-	(423)
<b>19,303</b>	<b>(19,917)</b>	<b>-</b>	<b>(614)</b>
			(1,804)
			<b>(2,418)</b>
			(6,702)
			<b>(9,120)</b>
9,408	3,780	-	13,188
1,670	308	-	1,978
183,774	76,365	-	260,139
95,301	40,249	-	135,550
<b>88,473</b>	<b>36,116</b>	<b>-</b>	<b>124,589</b>
50,243	27,256	-	77,499
1,097	117	-	1,214

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 5. Revenue and Other Income

##### Disaggregation of Revenue

	<b>Motorcycle Retailing</b>	<b>Motorcycle Accessories Wholesaling</b>	<b>Consolidated</b>	<b>Motorcycle Retailing</b>	<b>Motorcycle Accessories Wholesaling</b>	<b>Consolidated</b>
	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
New motorcycles	170,859	-	170,859	129,425	-	129,425
Used motorcycles	102,511	-	102,511	95,243	-	95,243
Parts and accessories	86,288	40,445	126,733	75,457	34,842	110,299
Service	15,650	-	15,650	13,184	-	13,184
Finance and insurance Income	14,063	-	14,063	13,295	-	13,295
Other revenue	876	-	876	437	-	437
<b>Revenue from contracts with customers</b>	<b>390,247</b>	<b>40,445</b>	<b>430,692</b>	<b>327,041</b>	<b>34,842</b>	<b>361,883</b>
At a point in time	386,359	40,445	426,804	323,436	34,842	358,278
Over time	3,888	-	3,888	3,605	-	3,605
	<b>390,247</b>	<b>40,445</b>	<b>430,692</b>	<b>327,041</b>	<b>34,842</b>	<b>361,883</b>
<b>Other income</b>						
Government grants - JobKeeper payment	5,760	-	5,760	5,977	-	5,977
Interest income	-	-	-	9	-	9
Proceeds from insurance claim	2,161	-	2,161	-	-	-
Other income	178	-	178	2,015	-	2,015
	<b>8,099</b>	<b>-</b>	<b>8,099</b>	<b>8,001</b>	<b>-</b>	<b>8,001</b>

## Contract Balances

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

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Receivables, included in trade and other receivables	<b>8,776</b>	7,798
Contract liabilities	<b>6,724</b>	7,248

## 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 2021.

<b>Financial Year Ending</b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2024</b>	<b>30 June 2025</b>	<b>30 June 2026</b>	<b>30 June 2027</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>or later</b>
Mechanical protection plans	3,245	2,094	991	301	85	9
	<b>3,245</b>	<b>2,094</b>	<b>991</b>	<b>301</b>	<b>85</b>	<b>9</b>

## 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.

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 6. Other Expenses

	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Other expenses</b>		
Advertising	2,568	2,404
Bank charges	1,143	992
Computers and software	1,247	955
Freight and cartage	1,189	1,253
Insurance	1,340	1,169
Assets impaired as result of insurance claim	2,161	-
Motor vehicle expenses	1,367	1,588
Professional fees	774	1,161
Other expenses	4,597	4,268
	<b>16,386</b>	13,790
<b>Employee benefits expense</b>		
Salaries and wages	46,208	41,573
Superannuation contributions	5,379	4,882
Equity settled share-based payments	411	77
Other employee benefits expense	7,691	6,296
	<b>59,689</b>	52,828

#### 7. Finance Costs

	30 June 2021	30 June 2020
	\$'000	\$'000
Vehicle bailment	112	835
Bank interest expense	426	1,529
Interest attributable to leases	1,362	1,243
Foreign currency (gain)/loss	(148)	273
	<b>1,752</b>	3,880

## 8. Income Taxes

	30 June 2021	30 June 2020		
	\$'000	\$'000		
<b>Income Tax Expense</b>				
Current income tax expense	12,266	5,845		
Deferred income tax expense/(benefit)	(312)	857		
	<b>11,954</b>	6,702		
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit/(loss) before income tax expense	40,253	(2,418)		
Tax at the Australian tax rate of 30% (2020: 30%)	12,076	(725)		
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non deductible expenses	(122)	7,397		
Derecognition of prior year deferred tax asset	-	30		
<b>Income tax expense</b>	<b>11,954</b>	6,702		
<b>Deferred tax</b>				
Deferred tax assets	18,263	15,188		
Deferred tax liabilities	(17,463)	(14,700)		
	<b>800</b>	488		
<b>Recognised deferred tax assets and liabilities:</b>				
	<b>Deferred tax assets</b>		<b>Deferred tax liabilities</b>	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	132	378	-	-
Intangible assets	-	-	(4,501)	(5,121)
Provisions - doubtful receivables	61	62	-	-
Provisions - employee benefits	2,493	2,266	-	-
Contract liabilities	2,017	2,174	-	-
Right of use assets	-	-	(12,962)	(8,639)
Lease liabilities	13,592	9,398	-	-
Other items	324	502	(356)	(940)
Tax losses carried forward	-	408	-	-
<b>Deferred tax assets/(liabilities) before set-off</b>	<b>18,619</b>	15,188	<b>(17,819)</b>	(14,700)
Set-off tax	(17,819)	(14,700)	17,819	14,700
<b>Net deferred tax assets/(liabilities)</b>	<b>800</b>	488	-	-

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 8. Income Taxes (continued)

The deferred tax expense included in income tax expense in respect of the above temporary differences resulted from the following movements:

	Deferred tax assets	
	30 June 2021	30 June 2020
	\$'000	\$'000
Opening balance at 1 July	488	653
Charged/(credited) to profit and loss	312	(93)
Deferred tax recognised directly in equity	-	(610)
Deferred tax recognised directly in goodwill	-	538
Closing balance at 30 June	800	488

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

#### 9. Earnings per Share

	30 June 2021	30 June 2020
	Cents	Cents
<b>Basic earnings per share</b>		
Earnings attributable to the ordinary equity holders of the Company	45.9	(14.8)
<b>Diluted earnings per share</b>		
Earnings attributable to the ordinary equity holders of the Company	45.7	(14.8)
<b>Reconciliation of earnings used in calculating earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Basic earnings per share</b>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	28,299	(9,120)
<b>Diluted earnings per share</b>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	28,299	(9,120)
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	226	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	61,933	61,707

## 10. Cash and Cash Equivalents

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	<b>4,668</b>	38,687
Short term deposits	-	807
	<b>4,668</b>	39,494

## 11. Trade and Other Receivables

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade and other receivables	<b>8,776</b>	7,798
Provision for doubtful receivables	<b>(204)</b>	(206)
	<b>8,572</b>	7,592

## 12. Inventories

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
New and demonstrator motorcycles (at cost)	<b>29,821</b>	30,375
Less: write-down to net realisable value	<b>(194)</b>	(285)
New and demonstrator inventory	<b>29,627</b>	30,090
Used motorcycles (at cost)	<b>14,126</b>	6,701
Less: write-down to net realisable value	<b>(138)</b>	(118)
Used inventory	<b>13,988</b>	6,583
Parts, accessories and other consumables (at cost)	<b>52,429</b>	48,306
Less: write-down to net realisable value	<b>(9,807)</b>	(10,554)
Parts, accessories and other consumable inventory	<b>42,622</b>	37,752
<b>Total inventories</b>	<b>86,237</b>	74,425

## FINANCIAL STATEMENTS (continued)

### 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.

#### 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.

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July	<b>28,795</b>	33,125
Depreciation charge for the year	<b>(9,641)</b>	(9,401)
Additions to right-of-use assets	<b>24,054</b>	5,071
<b>Balance at 30 June</b>	<b>43,208</b>	28,795

#### Amounts recognised in profit or loss

Interest on lease liabilities	<b>1,362</b>	1,243
Expenses relating to leases of low-value assets	<b>37</b>	-
	<b>1,399</b>	1,243

#### Amounts recognised in statement of cash flows

<b>Total cash outflow for leases</b>	<b>11,434</b>	10,933
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#### 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.

## 14. Property, Plant and Equipment

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Leasehold improvements</b>		
Gross value	<b>10,550</b>	9,939
Accumulated depreciation	<b>(3,705)</b>	(3,172)
	<b>6,845</b>	6,767
<b>Motor vehicles</b>		
Gross value	<b>2,369</b>	2,632
Accumulated depreciation	<b>(1,631)</b>	(1,595)
	<b>738</b>	1,037
<b>Plant and equipment</b>		
Gross value	<b>8,261</b>	7,402
Accumulated depreciation	<b>(5,744)</b>	(5,191)
	<b>2,517</b>	2,211
<b>Furniture, fixtures and fittings</b>		
Gross value	<b>3,715</b>	3,431
Accumulated depreciation	<b>(2,405)</b>	(2,178)
	<b>1,310</b>	1,253
<b>Other fixed assets</b>		
Gross value	<b>1,296</b>	1,344
Accumulated depreciation	<b>(1,160)</b>	(1,148)
	<b>136</b>	196
<b>Total property, plant and equipment</b>	<b>11,546</b>	11,464

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 14. Property, Plant and Equipment (continued)

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:

<b>30 June 2021</b>	<b>Leasehold Improvements \$'000</b>	<b>Motor Vehicles \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Furniture, Fixtures &amp; Fittings \$'000</b>	<b>Other Fixed Assets \$'000</b>	<b>Total \$'000</b>
Carrying amount at the start of the period	6,769	1,036	2,211	1,253	196	11,465
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	<b>6,845</b>	<b>738</b>	<b>2,517</b>	<b>1,310</b>	<b>136</b>	<b>11,546</b>

<b>30 June 2020</b>	<b>Leasehold Improvements \$'000</b>	<b>Motor Vehicles \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Furniture, Fixtures &amp; Fittings \$'000</b>	<b>Other Fixed Assets \$'000</b>	<b>Total \$'000</b>
Carrying amount at the start of the period	6,632	1,036	2,136	1,489	254	11,547
Additions	547	120	403	132	11	1,213
Acquired from business combinations	99	207	119	65	2	492
Disposals/transfers	-	(32)	145	(179)	-	(66)
Depreciation expense	(509)	(295)	(592)	(254)	(71)	(1,721)
Carrying amount at end of period	<b>6,769</b>	<b>1,036</b>	<b>2,211</b>	<b>1,253</b>	<b>196</b>	<b>11,465</b>

## 15. Intangible Assets and Goodwill

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

<b>30 June 2021</b>	<b>Goodwill \$'000</b>	<b>Trademarks \$'000</b>	<b>Customer contracts and relationships \$'000</b>	<b>Other intangibles \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>					
Balance at beginning of period	101,795	5,603	15,000	2,000	124,398
Acquired through business combinations	-	-	-	-	-
Balance at end of period	<b>101,795</b>	<b>5,603</b>	<b>15,000</b>	<b>2,000</b>	<b>124,398</b>
<b>Accumulated amortisation and impairment</b>					
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	<b>(24,296)</b>	<b>-</b>	<b>(6,130)</b>	<b>(1,467)</b>	<b>(31,893)</b>
<b>Carrying amounts</b>					
Balance at beginning of period	77,499	5,603	10,537	933	94,572
Balance at end of period	<b>77,499</b>	<b>5,603</b>	<b>8,870</b>	<b>533</b>	<b>92,505</b>
<b>30 June 2020</b>					
	<b>Goodwill \$'000</b>	<b>Trademarks \$'000</b>	<b>Customer contracts and relationships \$'000</b>	<b>Other intangibles \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>					
Balance at beginning of period	100,545	5,603	15,000	2,000	123,148
Acquired through business combinations	1,250	-	-	-	1,250
Balance at end of period	<b>101,795</b>	<b>5,603</b>	<b>15,000</b>	<b>2,000</b>	<b>124,398</b>
<b>Accumulated amortisation and impairment</b>					
Balance at beginning of period	-	-	(2,797)	(667)	(3,464)
Impairment charge	(24,296)	-	-	-	(24,296)
Amortisation expense	-	-	(1,667)	(400)	(2,067)
Balance at end of period	<b>(24,296)</b>	<b>-</b>	<b>(4,464)</b>	<b>(1,067)</b>	<b>(29,827)</b>
<b>Carrying amounts</b>					
Balance at beginning of period	100,545	5,603	12,203	1,333	119,684
Balance at end of period	<b>77,499</b>	<b>5,603</b>	<b>10,536</b>	<b>933</b>	<b>94,571</b>

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 15. Intangible Assets and Goodwill (continued)

##### Impairment Tests for Goodwill

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

Goodwill of \$50,244,000 (2020: \$50,244,000) is allocated to the Motorcycle Retailing CGU and Goodwill of \$27,255,000 (2020: \$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 2022 financial budget approved by the Board. The key assumptions used in the estimate of the recoverable amount include:

	Retail CGU		Wholesale CGU	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Pre-tax discount rate	<b>13.2%</b>	13.2%	<b>14.5%</b>	14.5%
Post-tax discount rate	<b>9.5%</b>	9.5%	<b>10.5%</b>	10.5%
Perpetual growth rate	<b>2.5%</b>	2.5%	<b>2.5%</b>	2.5%
Budgeted 0-1 year EBITDA growth rate	<b>(46.0%)</b>	(19.5%)	<b>5.3%</b>	5.4%
Budgeted 1-2 year EBITDA growth rate	<b>5.0%</b>	(29.5%)	<b>5.0%</b>	(0.8%)
Budgeted 3-5 year EBITDA growth rate	<b>5.0%</b>	5.0%	<b>5.0%</b>	5.0%

The discount rate was a post-tax measure estimated based on the historical industry weighted average cost of capital, with a possible debt leveraging of 10% for the Wholesale CGU and 20% for the Retail CGU at a market interest rate of 4.8%. The discount rates used remain the same as those used in 2020.

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 FY22 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 FY21, with particular emphasis on second half results. New motorcycle sales are projected to fall slightly, while used motorcycle sales are expected to improve;
- Other departments were projected to rise modestly, in line with total motorcycle sales volume;
- Expenses were projected to increase as short-term reductions made during COVID are reversed, and investment in growth is made.

FY23 to FY26 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 \$50,682,000.

The estimated recoverable amount of the retail CGU exceeded its carrying amount by \$80,693,000.

## 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.

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest in joint venture	<b>4,506</b>	3,164
	<b>4,506</b>	3,164

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

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

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

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Cash and cash equivalents	<b>3,815</b>	3,244
Loans and receivables	<b>21,165</b>	12,513
Other current assets	<b>110</b>	299
Non-current assets	<b>53,158</b>	49,942
	<b>78,248</b>	65,998
<b>Liabilities</b>		
Current liabilities	<b>21,441</b>	14,910
Non-current liabilities	<b>47,795</b>	44,761
	<b>69,236</b>	59,671
<b>Net assets (100%)</b>	<b>9,012</b>	6,327
Group's share of net assets (50%)	<b>4,506</b>	3,164
<b>Carrying amount of interest in joint venture</b>	<b>4,506</b>	3,164
Finance income	<b>4,787</b>	6,028
Other revenue	<b>1,637</b>	339
Interest expense	<b>(1,535)</b>	(2,253)
Other expense	<b>(2,360)</b>	(4,671)
Income tax benefit/(expense)	<b>(759)</b>	167
Profit/(loss) after tax	<b>1,770</b>	(390)
Other comprehensive income/(loss)	<b>415</b>	(361)
Total comprehensive income (100%)	<b>2,185</b>	(751)
<b>Group's share of total comprehensive income (50%)</b>	<b>1,093</b>	(376)

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 17. Trade and Other Payables

	30 June 2021	30 June 2020
	\$'000	\$'000
Trade payables <sup>1</sup>	7,807	6,698
Other Payables	9,268	5,954
	<b>17,075</b>	12,652

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

#### 18. Loans and Borrowings – Current

	30 June 2021	30 June 2020
	\$'000	\$'000
Bailment finance	22,513	27,602
Bank loan	-	3,000
	<b>22,513</b>	30,602

Bailment finance is provided on a motorcycle-by-motorcycle basis by various finance providers and currently bears interest at a rate from 4-10% p.a. (2020: 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 2021	30 June 2020
	\$'000	\$'000
Employee benefits	7,607	6,380
Other provisions	74	79
<b>Current provisions</b>	<b>7,681</b>	6,459
Employee benefits	675	582
Other provisions	-	-
<b>Non-current provisions</b>	<b>675</b>	582

#### 20. Loans and Borrowings – Non-Current

	30 Jun 2021	30 Jun 2020
	\$'000	\$'000
Bank loan	5,000	44,623
<b>Total long term borrowings</b>	<b>5,000</b>	44,623

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 January 2023. The weighted average interest rate as at 30 June 2021 was 1.86%.

## Financing arrangements

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

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total facilities</b>		
Bank facilities	<b>20,000</b>	51,973
Bailment finance	<b>64,109</b>	55,025
	<b>84,109</b>	106,998
<b>Used at balance date</b>		
Bank facilities	<b>5,000</b>	47,623
Bailment finance	<b>22,513</b>	27,602
	<b>27,513</b>	75,225
<b>Unused at balance date</b>		
Bank facilities	<b>15,000</b>	4,350
Bailment finance	<b>41,596</b>	27,423
	<b>56,596</b>	31,773

## 21. Capital and Reserves

### Ordinary Shares

<b>Movements in ordinary shares</b>		<b>Number of shares</b>	<b>Issue Price \$</b>	<b>\$'000</b>
<b>Date</b>	<b>Details</b>			
01 July 2019	Opening balance	61,706,710		120,081
<b>30 June 2020</b>	<b>Closing balance</b>	<b>61,706,710</b>		<b>120,081</b>
<b>30 June 2021</b>	<b>Closing balance</b>	<b>61,706,710</b>		<b>120,081</b>

### Dividends

The following dividends were declared and paid by the Company:

	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
	<b>Cents per share</b>	<b>\$'000</b>	<b>Cents per share</b>	<b>\$'000</b>
<b>Dividends on ordinary shares</b>				
2020 final dividend (2020: 2019 final dividend)	-	-	-	-
2020 special dividend (2020: 2019 special dividend)	5.0	3,085	-	-
2021 interim dividend (2020: 2020 interim dividend)	10.0	6,171	-	-
Total dividends on ordinary shares	<b>15.0</b>	<b>9,256</b>	-	-

Directors have declared a final dividend of 10 cents per share amounting to \$6,171,000 payable on 29 September 2021 with a record date of 8 September 2021.

The amount of franking credits available at the 30% tax rate as at 30 June 2021 to frank dividends for subsequent financial years, is \$49,177,000 (2020: \$40,878,000).

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 22. Share-Based Payment Arrangements

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

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

Tranche	Grant Date	Number of Performance Rights Issued	Vesting Conditions <sup>1</sup>	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
		<b>824,626</b>		

<sup>1</sup> Further details of the vesting conditions are disclosed in the Remuneration Report.

#### 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:

	2021 Tranche 1	2021 Tranche 2	2020 Tranche 1	2020 Tranche 2
Fair value at grant date	\$1.63	\$2.19	\$1.41	\$1.65
Share price at grant date	\$2.50	\$2.50	\$1.75	\$1.75
Expected volatility	50%	50%	45%	45%
Annual dividend yield	5.00%	5.00%	2.41%	2.41%
Risk-free interest rate	0.20%	0.20%	0.75%	0.75%
Test date	31 August 2023	31 August 2023	31 August 2022	31 August 2022

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:

	<b>Number of Performance Rights</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
Opening balance	<b>622,095</b>	212,575
Granted during the year	<b>303,194</b>	409,520
Forfeited during the year	<b>(100,663)</b>	-
Exercised during the year	-	-
<b>Closing balance</b>	<b>824,626</b>	622,095

## Recognised share-based payments expense

The value of performance rights expensed during the year was \$411,000 (2020: \$77,000). Of this amount, \$311,000 is attributable to key management personnel remuneration (2020: \$25,000).

## 23. Financial Instruments – Fair Value and Risk

### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

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

The Group's principal financial instruments comprise bank loans, bailment finance, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for and fund the Group's operations. The Group has various other financial instruments such as trade 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.

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 23. Financial Instruments – Fair Value and Risk (continued)

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

	Retail Segment		Wholesale Segment	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	4,105	2,640	4,671	5,158
Provision for doubtful receivables	(97)	(97)	(107)	(109)
	<b>4,008</b>	<b>2,543</b>	<b>4,564</b>	<b>5,049</b>

##### 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 \$630,000 (2020: \$898,000), which are past due at the reporting date. Of this balance the Group has provided \$204,000 (2020: \$206,000) 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 2021 0% (2020: 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 \$25,000 (2020: \$217,000) 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 so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the period.

## Fair Value Measurements

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

## Maturity Profile

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

	Less Than 1 Year \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years	Total \$'000	Interest Rate
<b>As at 30 June 2021</b>						
<b>Financial liabilities</b>						
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	50,656	
Forward exchange contracts						
- outflow	(2,993)	-	-	-	-	
- inflow	2,993	-	-	-	-	
Trade and other payables	17,075	-	-	-	-	
	<b>50,402</b>	<b>14,348</b>	<b>20,400</b>	<b>10,237</b>	<b>78,311</b>	
<b>As at 30 June 2020</b>						
<b>Financial liabilities</b>						
Bailment (current)	27,602	-	-	-	27,602	5-12%
Borrowings	4,127	4,081	44,934	-	53,142	2.40%
Lease liabilities	11,255	6,850	11,700	4,349	34,154	
Forward exchange contracts						
- outflow	4,025	-	-	-	4,025	
- inflow	(3,768)	-	-	-	(3,768)	
Trade and other payables	12,652	-	-	-	12,652	
	<b>55,893</b>	<b>10,931</b>	<b>56,634</b>	<b>4,349</b>	<b>127,807</b>	

## FINANCIAL STATEMENTS (continued)

### 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 2021 %	Equity Held 30 June 2020 %
Cassons Pty Ltd	Australia	100	100
Innovative Dealership Solutions Pty Ltd	Australia	100	100
Motor Cycle 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 (see Note 26).

## 25. Parent Entity

Information relating to MotorCycle Holdings Limited ('the parent entity') at 30 June 2021 is presented below and is in line with the Group's accounting policies.

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial position</b>		
<b>Assets</b>		
Current assets	-	-
Non-current assets	<b>125,457</b>	123,235
	<b>125,457</b>	123,235
<b>Liabilities</b>		
Current liabilities	<b>3,412</b>	2,057
Non-current liabilities	-	-
	<b>3,412</b>	2,057
<b>Equity</b>		
Issued capital	<b>120,083</b>	120,083
Retained earnings	<b>1,297</b>	841
Reserves	<b>665</b>	254
	<b>122,045</b>	121,178
<b>Financial performance</b>		
Profit/(loss) for the year	<b>9,712</b>	(54)
Total comprehensive income	<b>9,712</b>	(54)

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 26. Deed of Cross Guarantee

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

The table in Note 24 details the Group's corporate structure and those entities that are wholly owned and form part of the Group's Deed of Cross Guarantee. Financial statements for the entities within the Deed of Cross Guarantee are set out below.

#### Consolidated condensed statement of profit or loss

	Note	30 June 2021 \$'000	30 June 2020 \$'000
Revenue and other income		417,536	349,687
Share of profit/(loss) of equity accounted investee net of tax		885	(195)
Expenditure		(376,532)	(323,931)
Impairment expense		-	(24,296)
Finance costs		(1,636)	(3,683)
<b>Profit/(loss) before tax</b>		<b>40,253</b>	<b>(2,418)</b>
Income tax expense		(11,954)	(6,702)
<b>Profit/(loss) for the year</b>		<b>28,299</b>	<b>(9,120)</b>
Other comprehensive income - equity accounted investee		207	(181)
<b>Total comprehensive income for the year</b>		<b>28,506</b>	<b>(9,301)</b>

#### Consolidated Statement of Financial Position

	30 June 2021 \$'000	30 June 2020 \$'000
<b>Current assets</b>		
Cash and cash equivalents	4,537	36,650
Trade and other receivables	8,454	9,249
Inventories	81,683	71,244
Current tax assets	-	-
Other assets	312	273
<b>Total current assets</b>	<b>94,986</b>	<b>117,416</b>
<b>Non-current assets</b>		
Right of use assets	42,185	27,916
Property, plant and equipment	10,726	10,540
Deferred tax assets	800	488
Goodwill and other intangible assets	92,505	94,571
Investment in subsidiaries	17,579	15,216
Interest in equity accounted investees	4,506	3,164
Other assets	76	144
<b>Total non-current assets</b>	<b>168,377</b>	<b>152,039</b>
<b>Total assets</b>	<b>263,363</b>	<b>269,455</b>

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Trade and other payables	<b>31,210</b>	25,840
Short term borrowings	<b>20,893</b>	29,379
Lease liabilities	<b>10,386</b>	11,058
Current tax liabilities	<b>3,203</b>	2,057
Provisions	<b>7,069</b>	5,841
Contract liabilities	<b>3,412</b>	2,583
<b>Total current liabilities</b>	<b>76,173</b>	76,758
<b>Non-current liabilities</b>		
Borrowings	<b>5,000</b>	44,750
Lease liabilities	<b>33,819</b>	19,208
Deferred tax liabilities	-	-
Provisions	<b>642</b>	(654)
Contract liabilities	<b>3,479</b>	4,804
<b>Total non-current liabilities</b>	<b>42,940</b>	68,108
<b>Total liabilities</b>	<b>119,113</b>	144,866
Net assets	<b>144,250</b>	124,589
<b>Equity</b>		
Contributed equity	<b>120,081</b>	120,081
Share-based payment reserve	<b>665</b>	254
Retained earnings	<b>23,504</b>	4,254
<b>Total equity</b>	<b>144,250</b>	124,589

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 27. Contingencies

##### Parent Entity

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial and trade arrangements entered into by its subsidiaries. It is not anticipated that the parent entity will become liable for any amount in respect thereof. At 30 June 2021 no subsidiary was in default in respect of any arrangement guaranteed by the parent entity.

#### 28. Auditor's Remuneration

Auditors of the Group - KPMG	30 June 2021	30 June 2020
	\$	\$
Audit or review of the financial report - Group	312,000	343,600
Other services:		
- tax compliance services	62,000	72,100
- indirect tax compliance services	10,000	11,000
- other compliance services	11,000	-
	<b>83,000</b>	83,100

#### 29. Related Parties

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

##### Compensation of key management personnel

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

	30 June 2021	30 June 2020
	\$	\$
Short term employee benefits	2,243,567	1,276,943
Share-based payments	310,296	194,990
Post employment benefits	105,432	103,710
Other long term benefits	22,199	13,822
	<b>2,681,494</b>	1,589,465

There are no loans to key management personnel.

##### Other transactions of directors and director related entities

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

Subsidiaries of the Group have entered into property leases for business premises with David Ahmet and Rob Cassen, including associated entities. The leases have been entered into on an arm's length basis and have terms and conditions consistent with leases in the respective areas. The aggregate amount of transactions with key management personnel are as follows:

- (i) The Group has entered into leases in respect to properties that are controlled by David Ahmet, Managing Director and Chief Executive Officer, or that are part-owned by entities 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 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 are subject to a formal market review at each option renewal. The market review is currently underway.

Total rental payments (excluding outgoings) payable to related parties for the year ended 30 June 2021 was \$1,925,000 (year ended 30 June 2020: \$2,011,000).

Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2021 in respect to the 11 properties that are owned by entities controlled by David Ahmet was \$9,549,000 (2020: \$1,924,000).

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

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 option to renew the lease term expiring on 30 June 2021 has been exercised for a further 10 years. The leases are subject to a formal market review at each option renewal, and the parties have agreed the market rent for the renewed term.

Total rental payments (excluding outgoings) payable to related parties for the year ended 30 June 2021 was \$2,649,000 (2020: \$2,584,000).

Total undiscounted liabilities recognised in lease liabilities under AASB 16 as at 30 June 2021 in respect to the three properties that are owned by entities controlled by Rob Cassen was \$15,839,000 (2020: \$3,922,000).

#### 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 2020 was \$2,268,000 (2020: \$2,194,000), of which \$157,000 (2020: \$127,000) was receivable at year end.

### 30. Reconciliation of Cash Flows from Operating Activities

	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Net profit after tax</b>	<b>28,299</b>	(9,120)
<b>Add/(less) non-cash movements</b>		
Depreciation and amortisation	13,413	13,188
Impairment expense	-	24,296
(Profit)/loss from equity-accounted investee	(885)	195
Equity settled share-based payment	411	77
<b>(Increase)/decrease in assets</b>		
Receivables	(1,292)	626
Inventories	(12,994)	11,468
Deferred tax assets	(311)	775
<b>Increase/(decrease) in liabilities</b>		
Payables	(5,534)	(329)
Bailment finance liability	(5,089)	(1,281)
Provisions	792	775
Taxes payable	12,351	4,234
<b>Net cash inflow from operating activities</b>	<b>29,161</b>	44,904

## FINANCIAL STATEMENTS (continued)

### Notes to and Forming Part of the Consolidated Financial Statements

#### 31. Subsequent Events

There continues to be ongoing uncertainty relating to the future impacts of the pandemic. There has been no significant impact of the pandemic on the Group's operations subsequent to 30 June 2021, but management continues to monitor the potential impacts on the Group.

Other than the matter set out 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.

#### Directors' Declaration

The Directors make the following Directors' Declaration for the year ended 30 June 2021:

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 64 and the Remuneration report in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
    - I. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
    - II. complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.
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 30th day of August 2021*



**David Foster**  
Chair

*Dated at Brisbane this 30th day of August 2021*



# 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 2021 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 2021;
- 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.

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### 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.

#### Recoverability of goodwill (\$77,499,000)

Refer to Note 15 to the Financial Report

##### The key audit matter

A key audit matter for us was the Group’s annual testing of goodwill for impairment, given the size of the balance (being 31% of total assets) and the estimation uncertainty related to future customer demand patterns from the impact of the COVID-19 global pandemic. We focused on the significant forward-looking assumptions the Group applied in their fair value less costs of disposal models, including:

- Forecast operating cash flows, growth rates and terminal growth rates – the Group has experienced unusual trading conditions driven by government stimulus policies associated with COVID-19. This impacted the Group through increased demand for products, however there is uncertainty in how long increased demand will continue. These conditions increase the risk of inaccurate forecasts or 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.

The Group’s impairment models use adjusted historical performance and a range of internal and external sources as inputs to the assumptions. Modelling, using forward-looking assumptions, tends to be prone to greater risk for potential

##### How the matter was addressed in our audit

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.
- Assessing the integrity of the fair value less costs of disposal models used, including the accuracy of the underlying calculation formulas.
- Meeting with management to understand the impact of COVID-19 on the Group and the impact of government response programs to the FY21 results.
- Comparing the forecast cash flows contained in the models to Board approved forecasts.
- Assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We noted previous trends where constrained market conditions existed and how they impacted the business, for use in further testing.
- 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.
- Working with our valuation specialists, we challenged the Group’s forecast cash flow and growth assumptions in light of current uncertain trading conditions. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We



bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

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 reasonably 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 (\$86,237,000)	
Refer to Note 3 and Note 12 to the Financial Report.	
The key audit matter	How the matter was addressed in our audit
<p>The valuation of new and used motorcycle inventory and parts and accessories inventory is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The size of the balance (comprising 34% of total assets); and</li> <li>• The high level of judgement required by us in evaluating the Group’s assessment of recoverability based on age, brand, condition and historical sales data, estimation uncertainty related to future customer demand patterns from the impact of the COVID-19 global pandemic.</li> </ul> <p>These judgements impact the assumptions underlying the write down to net realisable value. We focused on consistency across each class of inventory with reference to the above mentioned attributes, amongst others.</p> <p>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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Considering the appropriateness of inventory valuation accounting policies applied by the Group against the requirements of accounting standards and our understanding of the business.</li> <li>• Developing an understanding of the Group’s processes and judgements adopted in determining the provisions for obsolescence for each class of inventory.</li> <li>• Checking the age and cost of inventory at 30 June 2021, 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.</li> <li>• Assessing the Group’s judgements in estimating net realisable value through the following: <ul style="list-style-type: none"> <li>– Comparing the carrying value of new and used motorcycles and parts and accessories, for a sample, to current sales values; and</li> <li>– Assessing the level of write downs for new and used motorcycles and parts and accessories, for a sample, against historical sales data and write-offs for historical patterns, against recent demand data for current customer expectations, against current sales values for quantum, and together using our understanding of the industry and economic environment in which it operates.</li> </ul> </li> </ul>

## 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](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 2021, 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 16 to 25 of the Directors' Report for the year ended 30 June 2021.

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

KPMG

Simon Crane  
Partner

Brisbane  
30 August 2021

## FINANCIAL STATEMENTS (continued)

### Additional Information as at 19 August 2021

#### Corporate Governance Statement

The Company's Corporate Governance Statement can be found at [www.mcholdings.com.au/corporate-governance-policies](http://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 11,438,994 shares or 18.54% of the total issued capital.
2. Bennelong Australian Equity Partners Ltd (Bennelong Funds Management Group) holding 8,365,486 shares or 13.56% of the total issued capital.
3. Auscap Asset Management Limited holding 4,900,000 shares or 7.94% of the total issued capital.
4. Mitsubishi UFJ Financial Group, Inc. holding 4,009,752 shares or 6.50% of the total issued capital.
5. Robert Nigel Laurence Cassen holding 3,413,833 shares or 5.53% of the total issued capital.
6. Freda Cassen holding 3,231,451 shares or 5.24% 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	391	176,625	0.29
1,001 - 5,000	644	1,805,080	2.93
5,001 - 10,000	268	2,073,566	3.36
10,001 - 100,000	273	8,155,562	13.22
100,001 Over	40	49,495,877	80.21
Rounding			(0.01)
<b>Total</b>	<b>1,616</b>	<b>61,706,710</b>	<b>100.00</b>

#### Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$ 3.0200 per unit	166	89	2,679

#### 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.

## FINANCIAL STATEMENTS (continued)

### Additional Information as at 19 August 2021

#### Twenty Largest Shareholders

Rank	Name	Units	% Units
1	CITICORP NOMINEES PTY LIMITED	17,534,226	28.42
2	GREENSLIDE PTY LTD	6,300,000	10.21
3	KENLAKE PTY LIMITED	4,179,394	6.77
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,351,640	5.43
5	FREDA CASSEN	3,181,819	5.16
5	R CASSEN PTY LTD (R CASSEN FAMILY A/C)	3,181,819	5.16
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,958,724	3.17
8	NATIONAL NOMINEES LIMITED	1,288,871	2.09
9	MR BRUCE ROLAND COLLINS	839,610	1.36
10	MR ROBERT JOHN DONOVAN &	603,052	0.98
11	DAVID HEDLEY AHMET	581,596	0.94
12	MRS KAREN ANN COOKSLEY	485,001	0.79
13	MR ROBERT BRUCE TINLIN	449,785	0.73
14	MR MARTIN JOHN POCOCK &	385,291	0.62
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (NT-COMNWLTH SUPER CORP A/C)	349,650	0.57
16	HANCROFT PTY LTD	342,646	0.56
17	D & G RITCHIE SUPER PTY LTD (D & G RITCHIE SUPER FUND A/C)	340,000	0.55
18	KENLAKE PTY LIMITED (THE AHMET FAMILY A/C)	305,087	0.49
19	BANJO SUPERANNUATION FUND PTY LTD (P D EVANS PSF A/C)	256,354	0.42
20	W A ANDREWS MEDICAL PTY LTD	249,394	0.40
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>46,163,959</b>	<b>74.81</b>
<b>Total Remaining Holders Balance</b>		<b>15,542,751</b>	<b>25.19</b>

## Leases with Related Parties

Certain MotorCycle Holdings Group entities have entered into leases in respect of properties that are part-owned by David Ahmet (Managing Director) or that are part-owned by entities owned and controlled by David Ahmet. ("Ahmet Leases")

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

- i. Summaries of the material terms of the Ahmet Leases are made in each annual report of the Company during the life of the Ahmet Leases.
- ii. Any material variation to the terms of the Ahmet Leases is subject to shareholder approval.
- iii. Renewal of the Ahmet Leases, including the exercise of any subsequent option to renew the Ahmet

Leases for a further term of 5 years after the completion of the First Renewal Period, will be subject to shareholder approval, should listing rule 10.1 apply at that time.

Options to renew were exercised on 1 July 2016. The annual value of the rent under the leases is set out in Note 31 to the Financial Statements.

The term of these Leases expired on 30 June 2021, and the Company has exercised its options for a further 5 year term. The leases contain one further 5 year option. The leases are subject to a formal market review at each option renewal. The market review is currently underway.

ASX typically assesses whether or not a lease is a 'substantial asset' by reference to whether the rent over the term (including any options to renew) exceeds 5% of the Company's equity interests as set out in the most recent accounts lodged with ASX.

The rent payable under each individual Leases over the new term and the option term does not exceed 5% of the Company's equity interests. However, in aggregate, the rent does exceed 5% of the equity interests. If ASX forms the view that they form part of the same commercial transaction and so should be aggregated, shareholder approval will be sought under Listing Rule 10.1 for the Company to ratify the exercise the options for these leases at the 2021 AGM.

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

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 option to renew the lease term expiring on 30 June 2021 for the Cassons Warehouse ("Cassons Warehouse Lease") has been exercised for a further 10 years.

The total rent for this lease over its term exceeds 5% of the equity interests, and so shareholder approval is required for the exercise of these leases. As shareholder approval was not sought at the AGM prior to the option being exercised, shareholder approval will be sought under LR10.1 for the Company to ratify the exercise of the option at the 2021 AGM.

## CORPORATE DIRECTORY

<b>Registered Office</b>	MotorCycle Holdings Limited 68 Moss Street Slacks Creek QLD 4127 Tel: +61 7 3380 2235 Email: nicole.spink@mcholdings.com.au
<b>ASX Ticker Code</b>	MTO
<b>Directors</b>	David Foster David Ahmet Warren Bee Rick Dennis Peter Henley Rob Cassen
<b>Chief Financial Officer</b>	Bob Donovan
<b>Company Secretary</b>	Nicole Spink
<b>Auditor</b>	KPMG Level 16 Riparian Plaza 71 Eagle Street Brisbane QLD 4000
<b>Location of Share Registry</b>	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
<b>Website</b>	<a href="http://www.mcholdings.com.au">www.mcholdings.com.au</a>



