MotorCycle Holdings Limited and its Controlled Entities

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

MotorCycle Holdings Limited
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DIRECTORS' REPORT

The directors present their report together with the financial report of MotorCycle Holdings Limited (the "Company") and its controlled entities (the "Group") for the year ended 30 June 2017 and the auditor's report thereon.

1. Directors

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

David Foster	Chairman, Independent Non-Executive Director
Appointed 8 March 2016 (NED) Appointed 22 July 2016 (Chairman)	David has over 25 years' experience in the financial services industry, with experience spanning across management, distribution, technology and marketing in retail banking. David is currently a non-executive director of Genworth Financial Limited, Thorn Group Limited, Kina Securities Limited and G8 Education and was previously CEO of Suncorp Bank. David has a Masters of Business Administration, a Bachelor of Applied Science, is a Senior Fellow with Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.
Committee Membership	Chairman Nomination and Remuneration Committee until 23 August 2016 Chairman Audit and Risk Committee until 30 August 2016
Current directorships of other listed entities	Kina Securities Limited (appointed May 2015) G8 Education (appointed January 2016) Genworth Financial Limited (appointed May 2016) Thorn Group Limited (appointed November 2014)
Directorships of listed entities over last 3 years	Nil

David Ahmet	Managing Director and Chief Executive Officer
Appointed 30 June 2011	David is the Founder, Managing Director and Chief Executive Office of MotorCycle Holdings. David has successfully led the expansion of MotorCycle Holdings since 1989 including its expansion from 1 location to 24 locations operating 34 franchises. David has over 27 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 manufacturers.
Current directorships of other listed entities	Nil
Directorships of listed entities over last 3 years	Nil

Warren Bee	Independent, Non-Executive Director
Appointed 30 June 2011	Warren has been a director of Motorcycle Holdings since June 2011 and from 2007 to 2011 chaired the Company's advisory board. Warren also currently serves on the boards of LEP Colour Printers and the Walz Group. Warren has also held chief executive officer and line management roles across a range of industries. Warren is a Fellow of the Institute of Chartered Accountants Australia and a member of the Australian Institute of Company Directors.
Committee Membership	Member Nomination and Remuneration Committee. Appointed Chairman of Nomination and Remuneration Committee 23 August 2016 Member Audit and Risk Committee
Current directorships of other listed entities	Nil
Directorships of listed entities over last 3 years	Nil

Rick Dennis	Independent, Non-Executive Director
Appointed 23 August 2016	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 from 2014. Rick established and led EY Australia's China Business Group in 2005 and was CFO and Deputy COO in Asia-Pacific from 2010-13. Rick sat on the firm's inaugural Asia-Pacific executive board and a number of EY global boards and committees. Rick is currently non-executive director of listed entities, Omni Market Tide Limited and Apiam Animal Health Limited and a non-executive Director of Springfield Land Corporation Pty Ltd, Vesta Living Communities Limited, Gold Coast Private Health Network and a member of the Queensland Advisory Board for Australian Super and EWM Group.
Committee membership	Chairman Audit and Risk Committee from 1 September 2016 Member Nomination and Remuneration Committee from 23 August 2016
Current directorships of other listed entities	Omni Market Tide Limited Apiam Animal Health Limited
Directorships of listed entities over last 3 years	Nil

Peter Henley	Independent, Non-Executive Director
Appointed 1 March 2017	Peter Henley, FAIM, MAICD, has a long and distinguished career in financial services and in particular consumer and commercial finance. Mr. Henley 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, Mr. Henley has been an Independent Non-Executive Director of Adtrans Group Ltd, MTA Insurance Ltd, Thorn Group Ltd and more recently APEagers Ltd where he has served on the Audit and Risk committees since 2006. Mr. Henley is a Fellow of the Australian Institute of Management and a Member of the Australian Institute for Company Directors.
Committee Membership	Member Nomination and Remuneration Committee | Appointed 1 March 2017 Member Audit and Risk Committee | Appointed 1 March 2017
Current directorships of other listed entities	Nil
Directorships of listed entities over last 3 years	AP Eagers Ltd, Thorn Group Ltd, MTA Insurance Limited

Former Directors	
Scott Greck	Former Non-executive Director, Appointed 12 April 2011 and Resigned 24 April 2017 Scott has been a managing partner of Archer Growth Funds since 2006 and a director of Motorcycle Holdings since April 2011. Prior to joining Archer Growth Funds, Scott was a Partner with Henderson Global Investors, Singapore. Scott currently also serves on the boards of Laser Clinics Australia, Skinstitut and Homyped. Scott has a Masters of Business (Finance) and a Bachelor of Commerce. As indicated in the Company's prospectus, Scott remained on the Board for 12 months from the date it listed on the ASX.
Robert Thorn	Former Chairman and Independent Non-executive Director, Appointed 8 March 2016 and Resigned 22 July 2016. Bob joined the Company prior to the IPO and led the Company to a successful listing in April 2016. Bob resigned from the Board on 22 July 2016 driven by a change in his business commitments.

2. Company Secretary

Lisa Dalton (B. App Sc, M. App Sc. LLB (Hons), FAICD, FCIS) was appointed as Company Secretary on 8 March 2016. Lisa is an experienced governance professional having been company secretary of a number of listed and unlisted companies over the past 17 years.

3. 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[1]	10	10	1	1	2	2
David Ahmet[2]	10	10	-	-	-	-
Warren Bee	10	10	3	3	4	4
Rick Dennis[3]	7	7	2	2	2	2
Peter Henley[4]	4	4	1	1	1	1
Scott Greck[5]	8	8	-	-	-	-
Bob Thorn[6]	-	-	-	-	-	-

1. David Foster was Chairman of the ARC up until 30 August 2016 and Chairman of the NRC up until 23 August 2016
2. David Ahmet attended all committee meetings by invitation
3. Rick Dennis was appointed to the Board and NRC on 23 August 2016, and as Chairman of ARC effective 1 September 2016
4. Peter Henley was appointed to the Board, the ARC and the NRC on 1 March 2017
5. Scott Greck resigned on 24 April 2017 and was not a member of the committees
6. Robert Thorn resigned on 22 July 2016

4. 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 and warranty products as well as service and repair.

Other than items outlined in the Operating and Financial review (in Section 5), there were no significant changes in the nature of the activities of the Group during the year.

5. Operating and financial review

In its first full year of operations as a listed company, MotorCycle Holdings Limited has achieved record unit sales, record revenues and record profits, and has rewarded shareholders with a final dividend of 7.5 cents per share (fully franked), taking the full year dividend to 15 cents per share.

The Company recorded a net profit of $9.3 million for the 12 months, up 66% compared with the statutory profit of $5.6 million for the year to June 2016.

Overall motorcycle sales increased by 17% to 16,310 units for the year, with growth more pronounced in the first half.

Growth was strongest in the new motorcycle segment, where sales increased 21% to 9,089 units, compared with market growth of approximately 2%. The Company secured approximately 8% of national new bike sales during the 12 months to June, compared with 6.8% in the prior year. Used motorcycle sales grew by 13% to 7,221 units, which compared with market growth estimated at 0.2% in our main market in Queensland.

Revenue for the year totaled $235.3 million, which was up 12% from $209.3 million in 2016.

The strength in sales was partly due to the acquisition of three dealerships in the second half of the year, which together contributed approximately $8.7 million in additional sales. The dealerships were Evolution Motorcycles in Epping, Victoria, and Action Motorcycles on the Gold Coast in Queensland, which were acquired in March, and Sunshine Coast Harley-Davidson, in Kunda Park, Queensland, acquired in May. The acquisitions increased MotorCycle Holdings' dealership network to 27 locations spread across the eastern seaboard.

The increase in motorcycle sales underpinned increases in business across all divisions of the company, with revenues in Parts and Accessories increasing 8.2%, Service revenues up 6.6% and Finance and Insurance revenues 19.9% higher.

Operating costs increased 12% to $222 million, in line with sales.

After tax of $4 million, the result was a profit of $9.3 million.

A. Finance Products Sales Review

As previously advised, the Company’s insurance business partner, Swann Insurance, is withdrawing from selling Motorcycle insurance products through motorcycle dealerships, effective October 2017.

MotorCycle Holdings holds agencies with a number of alternative suppliers, and has made arrangements to ensure there will be no interruption to the sale of insurance products.

The Company is currently negotiating new arrangements with insurance suppliers, however it is likely that premiums and commission structures for various insurance products will be significantly reduced in future as an outcome of a review by ASIC into add-on insurance products. MotorCycle Holdings expects that this will lead to a reduction in after-tax profits in the current year of approximately $1.4 million.

B. Outlook

Trading conditions within the motorcycle industry have been subdued during the past six months, however the Company’s growth rates remain strong due to improved operating performance, its comprehensive product range, excellent service and dedicated staff. The additional dealerships acquired late in the financial year will deliver further sales and profit growth in the current year, assisting in offsetting the negative impact of changes in insurance sales arrangements.

In addition, the Company is continuing to identify further expansion and acquisition opportunities to deliver increased sales and profitability.

6. Dividends

Dividends paid or declared by the Company during the Reporting Period were:

C. Declared and paid during the financial year

The following dividends were declared by the directors and paid during the financial year.

	Cents per share	Total amount $	Date of payment
Final 2016	-	-	-
Interim 2017	7.5	2,846,250	5 April 2017
Total amount		2,846,250	

D. Declared after the end of the financial year

The following dividends were declared by the directors since the end of the financial year.

	Cents per share	Total amount $	Date of payment
Final 2017 ordinary	7.5	2,846,250	4 October 2017
Total amount		2,846,250	

The financial effect of the final 2017 ordinary dividend has not been brought to account in the consolidated financial statements for the year end 30 June 2017 and will be recognised in subsequent financial reports. There is no Dividend Re-investment plan in operation.

7. Events subsequent to reporting date

The Board declared a final fully franked dividend of 7.5 cents per share on 30 August 2017. The financial effect of this dividend will be recognised in subsequent financial reports.

Other than the matters noted 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.

8. 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.

9. 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 breach of those environmental requirements as they apply to the Group during the period covered by this report.

10. Indemnification and insurance of officers and auditors

The Company has indemnified the Directors and Executives for costs incurred in their capacity as a Director or Executive, 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 Executives 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 or 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.

11. 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.

12. 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 remuneration of the auditor is disclosed in Note 23 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.

13. Auditor's independence declaration

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

14. Rounding of Amounts to Nearest Thousand Dollars

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 Class Order.

15. Remuneration report – audited

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

A. Key Management Personnel

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

KMP consist of:

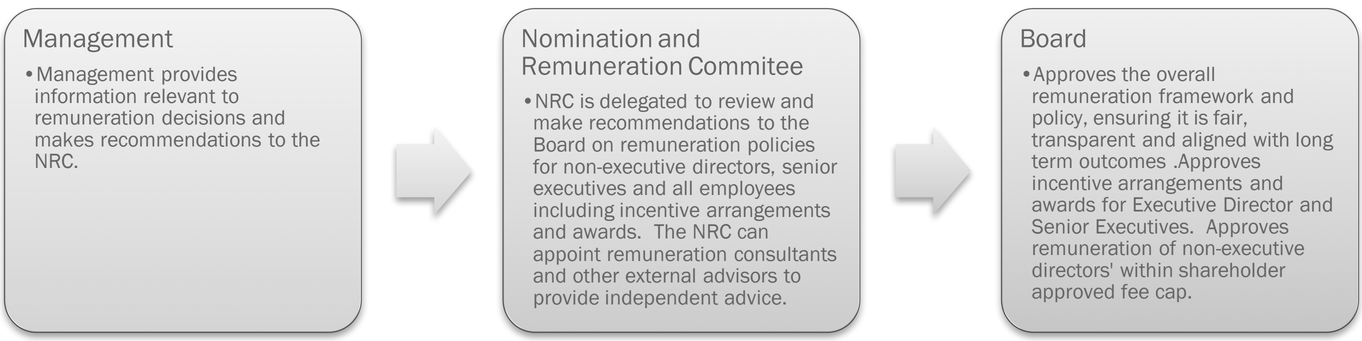
- non-executive directors; and
- executive directors and senior executives.

The table below summarises details of KMP of the Group for the financial year ended 30 June 2017, their roles and appointment / cessation dates.

Key Management Personnel during the Reporting Period		
Name	**Role**	**Appointment Date | (Cessation Date)**
Current Non-executive Directors		
David Foster	Chairman, Independent, Non-executive Director	8 March 2016
Warren Bee	Independent, Non-executive Director	30 June 2011
Rick Dennis	Independent, Non-executive Director	23 August 2016
Peter Henley	Independent, Non-executive Director	1 March 2017
Former Non-executive Directors		
Scott Greck	Former Non-executive Director	12 April 2011 | (24 April 2017)
Robert Thorn	Former Chairman, Independent Non-executive Director	8 March 2016 | (22 July 2016)
Executive Director and Senior Executives		
David Ahmet	Managing Director	30 June 2011
Bob Donovan	Chief Financial Officer	2 September 2002
Chris Chenoweth	General Manager	15 September 2008

B. 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:



C. Non-Executive Director Remuneration

i. Policy

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

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

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

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

ii. Remuneration of Non-Executive Directors

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

Non-Executive Directors	Board Member	Board Chairman	Audit & Risk Committee	Nomination & Remuneration Committee	Total Fees $
David Foster[1]	80,000	95,000	–	–	175,000
Warren Bee[2]	70,000	–	5,000	10,000	85,000
Rick Dennis[3]	70,000	–	10,000	5,000	85,000
Peter Henley	70,000	–	5,000	5,000	80,000
Total	**290,000**	**95,000**	**20,000**	**20,000**	**425,000**

1. David Foster was Chairman from 22 July 2016 and Chairman of both the Audit and Risk Committee (ARC) and Nomination and Remuneration Committee (NRC). From the time Mr Foster was appointed Chairman he has been remunerated as Chairman and has not taken fees for his role as Chairman of either the ARC and NRC.
2. Warren Bee was appointed Chairman of the NRC on 23 August 2016.
3. Rick Dennis was appointed to Chairman of ARC effective 1 September 2016.

D. Executive Director and Senior Executive Remuneration

i. Remuneration policy for Executive Director and Senior Executives

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

a. Provide for both fixed and performance based remuneration,

b. Provide a remuneration package based on an annual review of employment market conditions, the Group's performance and individual performance, and

c. Obtain independent external remuneration advice when required.

ii. Components of remuneration

The remuneration framework for senior executives comprises two elements:

a. Fixed remuneration; and

b. At risk remuneration which consists of either an annual bonus under the Group's short-term incentive plan or commission arrangements documented in contracts of employment.

Remuneration and other terms of employment for the Managing Director, Chief Financial Officer, and General Manager are formalised in agreements which have a provision for bonuses and other benefits which may be granted from time to time by the Board of Directors. Contracts with Executives may be terminated by either party with three or six months' notice as detailed in section 15H.

a. Fixed remuneration

Fixed remuneration is a function of size and complexity of the role, individual responsibilities, experience, 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 Managing Director and 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.

b. 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 not including superannuation) and conditional on the achievement of short-term financial and non-financial performance measures at a corporate and individual level. The short-term financial measures represent 70% of the maximum bonus payable. The measure is based on the profitability of the Group achieving the annual budget as approved by the Board. If actual profitability for the year is less than 85% of the approved budget, no short-term incentive is paid. The bonus is adjusted pro-rata where profitability is between 85% - 100% of the approved budget. The non-financial measures represent the remaining 30% of the cash bonus payable. The Board considers the executives' contribution towards the achievement of strategic initiatives of the Group, which include acquisitions and their integration into the business, when determining whether such bonuses will be awarded. For the year ended 30 June 2017, short-term incentive payments were made based on achievement of pre-determined key performance indicators.

- ***Commission Incentive***

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

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.

E. Cash bonuses included in remuneration

The Board awarded the Managing Director and senior executives a cash bonus for the Reporting Period as follows:

Employed at 30 June 2017	Position	Max potential Bonus % of Salary	Actual Amount of Bonuses included in FY17 remuneration $	% Max Bonus
David Ahmet	Managing Director	50%	300,000	100
Bob Donovan	Chief Financial Officer	50%	100,000	100
Chris Chenoweth	General Manager	Commission	207,138	N/A

F. 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. Approval of a longer term at risk reward in the form of a long-term incentive plan will be sought from shareholders at the 2017 Annual General Meeting.

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 in section D of the Remuneration report.

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 performance and affordability.

The table below summarises the Group's performance for FY2017 compared to FY2016 and correlates it to the total KMP remuneration for the respective financial year

Metric	2017	2016
Statutory EBITDA [1] ($000)	14,551	10,466
Statutory net profit after tax ($000s)	9,280	5,571
Change in share price[2]	46.5%	7.6%
Earnings per share	24.5 cents	18.7 cents
Total dividends paid ($)	2,846,250	-
KMP Remuneration ($)	2,098,125	1,512,949

1 EBITDA is calculated as earnings before interest (excluding bailment interest), tax, depreciation and amortisation

2 MotorCycle Holdings Limited listed on the ASX on 28 April 2016. Stock price on the day of first trade (29 April 2016) was $2.50. Closing price as at 30 June 2017 was $3.94 (2016: $2.69)

G. 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				Post-Employment benefits	Long-term benefits				Proportion of remune-ration perfor-mance related %
		Cash salary & fees $	Cash Bonus $	Non-cash benefit $	Total $	Super benefits $	Termination ben–efits $	Long service leave $	Share based bene-fits $	Total $	
Current Non-executive Directors Current											
David Foster[1] Chairman, Non-Executive Director	2017	153,846	–	–	153,846	14,615	–	–	–	168,461	–
	2016	26,554	–	–	26,554	2,522	–	–	–	29,076	–
Warren Bee Non-executive Director	2017	76,923	–	–	76,923	7,308	–	–	–	84,231	–
	2016	65,783	–	–	65,783	3,043	–	–	–	68,826	–
Rick Dennis[2] Non-executive Director	2017	63,294	–	–	63,294	6,012	–	–	–	69,306	–
	2016	–	–	–	–	–	–	–	–	–	–
Peter Henley[3] Non-executive Director	2017	12,082	–	–	12,082	14,282	–	–	–	26,364	–
	2016	–	–	–	–	–	–	–	–	–	–
Total Current Non-executive Directors	**2017**	**306,145**			**306,145**	**42,217**				**348,362**	**–**
	2016	**92,337**			**92,337**	**5,565**				**97,902**	**–**
Former Non-executive Directors											
Bob Thorn[4] Former Chairman, Non-executive Director	2017	17,745	–	–	17,745	1,685	–	–	–	19,430	–
	2016	74,531	–	–	74,531	4,826	–	–	–	79,357	–
Scott Greck[5] Non-executive Director	2017	–	–	–	–	–	–	–	–	–	–
	2016	–	–	–	–	–	–	–	–	–	–
Total Former Non-executive Directors'	2017	17,745			17,745	1,685				19,430	–
	2016	74,531			74,531	4,826				79,357	–
Total – Non-executive Directors' Remuneration	**2017**	**323,890**	**–**	**–**	**323,890**	**43,902**	**–**	**–**	**–**	**367,792**	
	2016	**166,868**	**–**	**–**	**166,868**	**10,391**	**–**	**–**	**–**	**177,259**	
Current Executive Director and senior executives											
David Ahmet Managing Director	2017	597,826	300,000	1,797	899,623	66,427	–	11,654	–	977,704	31%
	2016	485,612	101,408	491	587,511	45,254	–	7,939	–	640,704	16%
Bob Donovan Chief Financial Officer	2017	211,505	100,000	–	311,505	23,611	–	3,325	–	338,441	30%
	2016	186,807	37,032	–	223,839	18,696	–	2,906	–	245,441	15%
Chris Chenoweth General Manager	2017	171,345	207,138	764	379,247	29,726	–	5,215	–	414,188	50%
	2016	157,200	247,214	491	404,905	38,020	–	6,620	–	449,545	55%
Total – Executive Director and senior executives' Remuneration	**2017**	**980,676**	**607,138**	**2,561**	**1,590,375**	**119,764**	**–**	**20,194**	**–**	**1,730,333**	**–**
	2016	**829,619**	**385,654**	**982**	**1,216,255**	**101,970**	**–**	**17,465**	**–**	**1,335,690**	**–**
Total – KMP Remuneration	**2017**	**1,304,566**	**607,138**	**2,561**	**1,914,265**	**163,666**	**–**	**20,194**	**–**	**2,098,125**	**–**
	2016	**996,487**	**385,654**	**982**	**1,383,123**	**112,361**	**–**	**17,465**	**–**	**1,512,949**	**–**

1 Appointed 8 March 2016
2 Appointed 23 August 2016
3 Appointed 1 March 2017
4 Appointed 8 March 2016. Resigned 22 July 2016
5 Appointed 12 April 2011. Resigned 24 April 2017. Managing Partner of Archer Growth Funds. Elected to take no director fees during tenure

H. Other Information

i. Contract duration and termination requirements

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

Name	Position	Notice Period
Executive Director		
David Ahmet	Managing Director	6 months
Senior Executives		
Bob Donovan	Chief Financial Officer	3 months
Chris Chenoweth	General Manager	3 months

ii. Other transactions with Key Management Personnel

Members of the Group have entered into property leases for business premises with David Ahmet and entities associated with David Ahmet. The leases have been entered into on an arm's length basis and have conditions consistent with leases in the respective areas. A summary of the leases is set out in Note 25.

iii. Shareholdings of Key Management Personnel

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

Name		Shareholdings of KMP			
	Opening Balance 1 July 2016	Shares acquired during the year	Shares disposed of during the year	Other changes	Closing Balance 30 June 2017
Non-executive Directors					
David Foster	12,500	8,527	–	–	21,027
Warren Bee	25,000	–	–	–	25,000
Rick Dennis	–	–	–	–	–
Peter Henley	–	–	–	–	–
Executive Directors and senior executives					
David Ahmet[1]	8,356,635	50,000	–	–	8,406,635
Bob Donovan[2]	549,053	10,000	–	–	559,053
Chris Chenoweth[3]	574,053	20,947	–	–	595,000
Former Directors					
Robert Thorn[4]	150,000	–	–	–	150,000[6]
Scott Greck[5]	3,902,293	–	–	–	3,902,293[6]

1. 581,596 Shares owned directly by David Ahmet and 7,825,039 shares owned by Kenlake Pty Ltd, a company controlled by David Ahmet. 8,356,635 shares subject to escrow until 23 March 2018
2. 499,053 shares subject to escrow until 23 March 2018
3. 499,053 shares subject to escrow until 23 March 2018
4. Resigned 22 July 2016
5. Resigned 24 April 2017
6. Represents number of shares held at date of resignation

I. Remuneration consultants

To ensure the Nomination and Remuneration Committee is fully informed on remuneration matters it engages with external remuneration advisors. The terms of engagement 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 2017:

Pricewaterhouse Coopers- Executive remuneration benchmarking.

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

J. Employee Share Plans

There were no employee share plans in place during the Reporting Period.

K. Voting and comments made at the company's 2016 Annual General Meeting

The Company received more than 75% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the 2016 AGM on its remuneration report.

This Directors' report is made with a resolution of the directors:

David Foster Chairman	David Ahmet Managing Director
Dated at Brisbane, this 30th day of August 2017	Dated at Brisbane, this 30th day of August 2017

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 2017 there have been:

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

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
30 August 2017

FINANCIAL STATEMENTS

For the Year ended 30 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Sales Revenue	3	**216,596**	**191,493**
Other revenue	4	**18,698**	**17,796**
Changes in inventories of finished goods and work in progress		**8,189**	2,210
Raw materials and consumables used		**164,844**	152,598
Employee benefits expense		**34,702**	29,598
Finance costs	5	**774**	2,232
Depreciation and amortisation expense		**846**	823
Other expenses	5	**12,652**	13,981
Profit before tax		**13,290**	**7,847**
Income tax expense	6	**4,010**	2,276
Profit for the year attributable to owners of the Company		**9,280**	**5,571**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year attributable to owners of the Company		**9,280**	**5,571**

		Cents	Cents
Earnings per share:			
Basic earnings per share	26	**24.5**	18.7
Diluted earnings per share	26	**24.5**	18.7

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	7	**4,516**	4,226
Trade and other receivables	8	**2,867**	1,541
Inventories	9	**45,225**	37,036
Other assets		**-**	4
Total current assets		**52,608**	**42,807**
Non-current assets			
Property, plant and equipment	10	**7,528**	7,004
Deferred tax assets	6	**1,768**	1,394
Goodwill	11	**29,357**	25,904
Other assets		**109**	56
Total non-current assets		**38,762**	**34,358**
Total assets		**91,370**	**77,165**
Current liabilities			
Trade and other payables	12	**8,981**	6,962
Short term borrowings	13	**23,097**	19,243
Current tax liabilities		**1,215**	784
Provisions	14	**4,425**	3,618
Total current liabilities		**37,718**	**30,607**
Non-current liabilities			
Long term borrowings	15	**11,000**	11,000
Provisions	14	**517**	363
Total non-current liabilities		**11,517**	**11,363**
Total liabilities		**49,235**	**41,970**
Net assets		**42,135**	**35,195**
EQUITY			
Contributed equity	16	**30,141**	29,635
Retained earnings		**11,994**	5,560
Total equity attributable to owners of the Company		**42,135**	**35,195**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Issued capital $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2015		11,198	(11)	11,187
Profit for the year		-	5,571	5,571
Other comprehensive income		-	-	-
Total comprehensive income for the year		**-**	**5,571**	**5,571**
Transactions with owners in their capacity as owners				
Issue of shares		20,132	-	20,132
Transaction costs (net of tax)		(1,695)	-	(1,695)
		18,437	-	18,437
Balance at 30 June 2016		**29,635**	**5,560**	**35,195**
Profit for the year		-	9,280	9,280
Other comprehensive income		-	-	-
Total comprehensive income for the year		**-**	**9,280**	**9,280**
Transactions with owners in their capacity as owners				
Dividends paid	28	-	(2,846)	(2,846)
Transaction costs (net of tax)		506	-	506
		506	(2,846)	(2,340)
Balance at 30 June 2017		**30,141**	**11,994**	**42,135**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**257,484**	230,989
Payments to suppliers and employees (inclusive of GST)		**(244,821)**	(218,402)
Interest and other costs of finance paid		**(774)**	(2,232)
Income taxes paid		**(3,445)**	(2,086)
Interest received		**16**	10
Net cash (used)/provided by operating activities	27	**8,460**	**8,279**
Cash flows from investing activities			
Payment for acquisition of businesses	20	**(4,592)**	-
Payments for property, plant and equipment		**(775)**	(604)
Proceeds from sale of property, plant and equipment		**43**	43
Net cash used in investing activities		**(5,324)**	**(561)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	20,132
Costs of issue of ordinary shares		**-**	(1,695)
IPO Costs (inclusive of GST) not capitalised		**-**	(2,444)
Repayment of shareholder loans		**-**	(8,117)
Proceeds from borrowings		**-**	643
Repayment of Redeemable Preference Shares		**-**	(13,941)
Dividend paid		**(2,846)**	-
Net cash (used)/provided by financing activities		**(2,846)**	**(5,422)**
Net increase/(decrease) in cash and cash equivalents		**290**	**2,296**
Cash and cash equivalents at the beginning of the financial year		**4,226**	1,930
Cash and cash equivalents at the end of the financial year	7	**4,516**	**4,226**

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

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information

MotorCycle Holdings Limited (the Company) is a publicly listed company domiciled in Australia. Its registered office is at 68 Moss Street, Slacks Creek, Qld, 4127. The consolidated financial statements for the year ended 30 June 2017 comprise the Company and its subsidiaries (the Group) and were authorised for issue by the Board of Directors on 31 August 2017.

The entity's principal activities consists of the ownership and operation of motorcycle dealerships engaging in the sale of new motorcycles, used motorcycles, accessories and parts, finance, insurance and warranty products as well as service and repair. MotorCycle Holdings also owns and operates a rider training school and a motorcycle repair business which performs smash repair work for insurers.

(i) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

(ii) 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.

(iii) 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.

(c) Operating segments

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 has one operating segment being Motorcycle Retailing.

All revenue of the Group is from external customers. 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

(d) Revenue

Revenue is recognised at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other such allowances.

(i) *Sales of goods*

Revenue from the sales of motorcycles and parts is recognised when the buyer has accepted the risks and rewards of ownership, generally by taking delivery of the goods.

(ii) *Service revenue*

Service work on customers' motorcycles is carried out under instructions from the customer. Service revenue is recognised once the requested work has been completed. Revenue arising from the sale of parts fitted to customers' motorcycles during service is recognised upon completion of the service.

(iii) *Interest revenue*

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

(iv) *Commission revenue*

Commissions are recognised in the period in which the related sale of goods or rendering of service is recognised.

(e) Finance costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

(f) Taxes

(i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction, 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.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or is part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

(h) 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 unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. 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 11).

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.

(i) Impairment of long lived assets (excluding goodwill)

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units "CGU") and these cash flows are discounted using the estimated weighted average cost of capital of the asset/CGU. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case, the reversal of the impairment loss is treated as a revaluation increase.

(j) 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.

(k) Receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for doubtful debts are recognised in profit or loss when there is objective evidence that the receivable may not be recoverable.

(l) Inventories

Stock on hand has been valued as follows:

- New and demonstrator motorcycles are stated at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification.
- Used motorcycles are stated at the lower of cost and net realisable value on a unit by unit basis. Net realisable value has been determined by reference to the likely net realisable value given the age of the motorcycle at year end. Costs are assigned on the basis of specific identification.
- Spare parts and accessories are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost.
- Work in progress is stated at cost. Cost includes labour incurred to date and consumables utilised during the service. Costs are assigned to individual customers on the basis of specific identification.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is determined based on market expectations of future interest rates.

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.

(n) Property, plant and equipment

(i) 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 30 - 32 years
- Plant and equipment 3 - 15 years
- Furniture and fittings 3 - 15 years
- Motor vehicles 4 - 8 years

The carrying amount of plant and equipment is reviewed annually by directors for indicators of impairment. If any such indicators exist, an impairment test is carried out, and any impairment losses on the assets recognised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

(ii) Depreciation

The depreciable amount of all fixed assets is depreciated on either a straight line or diminishing value basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.
The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(o) 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 cash-generating units for the purpose of impairment testing (refer Note 11).

(p) Trade and other payables

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

(q) 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.

(r) New motorcycle stock and related bailment

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.

(s) 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.

(i) Provision for Warranties

Provision is made in respect of the Group's estimated liability on all products and services under warranty at balance sheet date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Group's history of warranty claims.

(t) 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.

(u) 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.

(v) Earnings per share

(i) 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.

(ii) 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.

(w) Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied all the amendments to AASBs issued by the Australian Accounting Standards Board ("AASB") that are mandatorily effective for an accounting period that begins on or after 1 July 2016, and therefore relevant for the current year end.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(x) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

- AASB 9 Financial Instruments was issued in December 2014 and addresses recognition and measurement requirements for financial assets and financial liabilities, and changes to impairment requirements and general hedge accounting. This standard becomes mandatory for the Group's 30 June 2019 financial statements. The actual impact of adopting AASB 9 on the Group's financial statements is not known and cannot be reliably estimated because it will be dependent on the financial instruments held at that time and the accounting elections and judgements made in the future. Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 30 June 2017, would have a material impact on its accounting for financial assets, being trade and other receivables which will continue to be measured at amortised cost. The Group has not yet finalised the impairment methodologies that will it apply under the forward-looking expected loss model to trade and other receivables under AASB 9. The Group has not designated any financial liabilities at fair value through profit and loss and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if AASB 9's requirements regarding the classification of financial liabilities were applied at 30 June 2017. The Group also currently does not apply hedge accounting.

- AASB 15 Revenue from Contracts with Customers was issued in December 2014 and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures about revenue. It replaces AASB 118 Revenue and related interpretations. This standard will become mandatory for the Group's 30 June 2019 financial statements. Whilst still assessing the potential impact, the Group does not anticipate any significant impacts for the majority of the Group's revenue streams resulting from the application of AASB 15.

- AASB 16 Leases was issued in February 2016 and introduces changes to lessee accounting. It requires a lessee to recognise a right-of-use asset representing its right to use the underlying lease asset and a lease liability representing its obligations to make lease payments other than short-term leases or leases of low-value assets on the statement of financial position. This will replace the operating and finance lease distinction and accounting requirements in AASB 117 Leases. This standard will become mandatory for the Group's 30 June 2020 financial statements. The adoption of the standard will result in a material right of use asset and lease liability being recognised on the Group's statement of financial position, reflecting the Group's occupancy leases disclosed in note 22. The full extent of the impact and transition options are currently being assessed by management.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates, assumptions, judgements, and key sources of estimation uncertainty

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:

(i) Recoverability of goodwill

Goodwill with a carrying value of $29.4m (2016: $25.9m) is tested annually for impairment, based on estimates made by directors. The recoverable amount of the intangibles is based on the greater of 'Value in use' or 'Fair value less costs of disposal'. Value in use is assessed by the directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and cost of capital. Fair value less costs to dispose is assessed by the directors based on their knowledge of the industry and recent market transactions. Further information on the intangibles impairment test can be found in Note 11. For the purpose of impairment testing conducted for the current year ended 30 June 2017 the recoverable amount has been based on Value in use.

(ii) Provisions for warranties

A provision for warranties of $0.6m (2015: $0.5m) has been recognised for extended warranties provided for the Group's retail new and used motorcycle sales. This provision has been estimated based on past experience and confirmation of future costs by the administrators of the warranty programmes. Further information on the provision for warranties can be found in Note 4.

(iii) Carrying amount of inventories

New motorcycles are stated at the lower of cost or net realisable value. 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 or 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 motorcycles at year end. This is effected through the application of a specific provision percentage against the cost of motorcycles based on age. Costs are assigned on the basis of specific identification.

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. Net Realisable value has been determined by reference to the likely net realisable value given the age of the item at year end. This is effected through the application of a specific provision percentage against the cost of items based on age.

3 SALES REVENUE

	2017 $'000	2016 $'000
New motorcycles	**107,384**	89,627
Used motorcycles	**63,439**	59,236
Parts	**34,818**	32,186
Service	**10,222**	9,585
Other	**733**	859
	216,596	**191,493**

4 OTHER REVENUE

	2017 $'000	2016 $'000
Interest	**16**	10
Commissions	**16,137**	12,028
Other	**2,545**	5,758
	18,698	**17,796**

5 EXPENSES

	2017 $'000	2016 $'000
(a) Profit before income tax includes the following specific expenses:		
Finance costs		
Vehicle bailment	**357**	447
Interest expense	**417**	435
Redeemable preference shares interest	**-**	1,350
Total finance expense	**774**	**2,232**
Rental expense relating to operating leases	**4,540**	4,126
Professional fees	**665**	2,636
Motor vehicle expenses	**980**	902
Advertising	**1,026**	936
Electricity and water	**746**	600
Bank fees	**556**	563
Insurance	**396**	520
Other expenses	**3,743**	3,698
Total other expenses	**12,652**	**13,981**

6 INCOME TAX

(a) Income tax expense

	2017 $'000	2016 $'000
Current income tax expense	**3,845**	2,736
Adjustment for current tax of prior years	**-**	(94)
Deferred income tax expense/(benefit)	**165**	(365)
	4,010	**2,276**

NOTES TO THE FINANCIAL STATEMENTS

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2017 $'000	2016 $'000
Profit before income tax expense	**13,290**	7,847
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	**3,987**	2,354
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	**23**	16
Under/(over) provision in prior year	**-**	(94)
Income tax expense	**4,010**	**2,276**

(c) Deferred tax

	2017 $'000	2016 $'000
Deferred tax assets	**2,509**	2,562
Deferred tax liabilities	**(741)**	(1,168)
	1,768	**1,394**

The balance comprises temporary differences attributable to:

	2017 $'000	2016 $'000
Amounts recognised in profit or loss		
Property, plant and equipment	**201**	139
Inventory valuation	**(740)**	(445)
IPO costs capitalised for tax purposes	**106**	348
Provisions		
- Doubtful debts	**29**	29
- Employee benefits	**1,196**	995
- Warranties	**211**	199
Other	**226**	129
	1,229	**1,394**
Amounts recognised directly in equity		
Other	**509**	-
	509	-
Amounts recognised directly in Goodwill		
Acquired employee entitlements	**30**	-
	30	-
Net deferred tax assets	**1,768**	**1,394**

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

	2017 $'000	2016 $'000
Opening balance at 1 July	**1,394**	792
Charged/(credited) to profit and loss	**(165)**	365
Deferred tax recognised directly in equity	**509**	142
Deferred tax recognised directly in goodwill	**30**	-
Under / (over) provision in prior year	**-**	95
Closing balance at 30 June	**1,768**	**1,394**

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.

7 Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	**4,408**	3,498
Short term deposits	**108**	728
	4,516	**4,226**

8 Trade and other receivables

	2017 $'000	2016 $'000
Trade and other receivables	**2,964**	1,638
Provision for doubtful receivables	**(97)**	(97)
	2,867	**1,541**

The ageing of trade receivables at 30 June 2017 is detailed below:

	2017		2016	
	Gross $'000	Provision $'000	Gross $'000	Provision $'000
Not past due	**1,469**	**-**	906	-
Past due 0-30 days	**259**	**-**	154	-
Past due 31 days plus	**206**	**(97)**	115	(97)
	1,934	**(97)**	**1,175**	**(97)**

The maximum credit period on trade sales is 30 days. No interest is charged on the trade receivables from the date of invoice or when past due. The Group has provided fully for all receivables identified by management as being specifically doubtful. The Group's provision policy is based on an assessment of changes in credit quality and historical experience.

Included in the Group's trade receivables balance are debtors with a carrying amount of $465,000 (2016: $269,000), which are past due at the reporting date, of this balance the Group has provided $97,000 (2016: $97,000) for these balances. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

9 Inventories

	2017 $'000	2016 $'000
New and demonstrator motorcycles - bailment stock - at cost	**24,889**	19,861
Less: Write-down to net realisable value	**(142)**	(142)
	24,747	**19,719**
Used motorcycles - at cost	**10,599**	8,775
Less: Write-down to net realisable value	**(169)**	(136)
	10,430	**8,639**
Parts, accessories, and other consumables - at cost	**13,514**	10,994
Less: Write-down to net realisable value	**(3,466)**	(2,316)
	10,048	**8,678**
	45,225	**37,036**

10 Property, plant and equipment

	2017 $'000	2016 $'000
Leasehold improvements		
Gross value	**7,107**	6,413
Accumulated depreciation	**(1,828)**	(1,439)
	5,279	**4,974**
Motor Vehicles		
Gross value	**1,178**	1,020
Accumulated depreciation	**(761)**	(646)
	417	**374**
Plant and equipment		
Gross value	**3,756**	3,161
Accumulated depreciation	**(2,671)**	(2,220)
	1,085	**941**
Furniture, Fixtures and Fittings		
Gross value	**1,012**	923
Accumulated depreciation	**(526)**	(469)
	486	**454**
Other fixed assets		
Gross value	**1,122**	931
Accumulated depreciation	**(861)**	(670)
	261	**261**
Total property, plant and equipment	**7,528**	**7,004**

NOTES TO THE FINANCIAL STATEMENTS

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:

2017	Leasehold Improvements $'000	Motor Vehicles $'000	Plant and equipment $'000	Furniture, Fixture & Fittings $'000	Other fixed assets $'000	Total $'000
Carrying amount at the start of the year	4,974	374	941	454	261	**7,004**
Additions	648	188	398	90	102	**1,426**
Disposals/transfers	-	(48)	(6)	(1)	(1)	**(56)**
Depreciation expense	(343)	(97)	(248)	(57)	(101)	**(846)**
Carrying amount at end of year	**5,279**	**417**	**1,085**	**486**	**261**	**7,528**
2016						
Carrying amount at the start of the year	5,117	376	952	506	315	**7,266**
Additions	182	135	217	10	56	**600**
Disposals/transfers	-	(38)	-	-	(1)	**(39)**
Depreciation expense	(325)	(99)	(228)	(62)	(108)	**(823)**
Carrying amount at end of year	**4,974**	**374**	**941**	**454**	**261**	**7,004**

11 Goodwill

	Notes	2017 $'000	2016 $'000
Goodwill		**29,357**	25,904
		29,357	**25,904**
Movement - Goodwill			
Balance at the beginning of the financial year		**25,904**	25,904
Additional amounts recognised:			
- from business combinations during the year	**20**	**3,453**	-
Balance at the end of the financial year		**29,357**	**25,904**

Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to the consolidated entity's cash generating unit (CGU), being motorcycle retailing, which is consistent with the Group's reportable segments.

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 ended 30 June 2017 the recoverable amount has been based on value in use. The value in use assessment is conducted using a discounted cash flow (DCF) methodology requiring the directors to estimate the future cash flows expected to arise from the cash generating units and then applying a discount rate to calculate the present value.

The DCF model adopted by the directors was based on the 2018 financial budget approved by the Board. The key assumptions used in the estimate of the recoverable amount include:

- Post-tax discount rate of 12.5% (2016: 12.5%);
- Perpetual growth rate of 2.5% (2016: 2.5%);
- Budgeted EBITDA growth rate of 5% per annum (2016: 5%).

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 30% at a market interest rate of 5.5%.

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 EBITDA was estimated taking into account past experience. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume for the next five years, at gross margins consistent with the current financial year.

The Directors' assessment in 2017 determined that goodwill was not impaired. The estimated recoverable amount of the CGU based on its value in use, exceeded its carrying amount by $137 million.

12 Trade and other payables

	2017 $'000	2016 $'000
Trade payables (1)	**5,519**	4,366
Other payables	**3,462**	2,596
	8,981	**6,962**

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

NOTES TO THE FINANCIAL STATEMENTS

13 Short term borrowings

	2017 $'000	2016 $'000
Bailment finance	**23,097**	19,243
	23,097	**19,243**

Bailment finance is provided on a motorcycle by motorcycle basis by various finance providers, the interest rate ranges from 5 -12% p.a. applicable at 30 June 2017 (2016: 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.

14 Provisions

	2017 $'000	2016 $'000
Employee benefits	**3,573**	2,953
Warranties	**705**	563
Other provisions	**147**	102
Current provisions	**4,425**	**3,618**
Employee benefits - long service leave	**517**	363
Non current provisions	**517**	**363**

Movement in Warranty provision

Movements in the warranty provision during the financial year is set out below:

Warranties	2017 $'000	2016 $'000
Carrying amount at the start of the year	**563**	457
Additional provisions recognised	**341**	361
Payments charged against provisions	**(199)**	(255)
Carrying amount at end of year	**705**	**563**

An estimate is made based on past experience, and confirmation of future costs by the administrator of the warranty program, of the expected expenditure on new and used motorcycles in terms of warranties on these motorcycles.

15 Long term borrowings

	2017 $'000	2016 $'000
Bank loan	**11,000**	11,000
	11,000	**11,000**

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.

Financing arrangements

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

	2017 $'000	2016 $'000
Total facilities		
Cash Advance Facility (i)	**16,060**	16,060
Multi Option Facility (ii)	**5,845**	5,845
Revolving loan facility (iii)	**4,000**	-
Bailment finance (iv)	**35,394**	32,875
	61,299	**54,780**
Used at balance date		
Cash Advance Facility (i)	**11,000**	11,000
Multi Option Facility (ii)	**2,340**	2,004
Revolving loan facility (iii)	**-**	-
Bailment finance (iv)	**23,097**	19,243
	36,437	**32,247**
Unused at balance date		
Cash Advance Facility (i)	**5,060**	5,060
Multi Option Facility (ii)	**3,505**	3,841
Revolving loan facility (iii)	**4,000**	-
Bailment finance (iv)	**12,297**	13,632
	24,862	**22,533**

(i) Facility at balance date was provided on a interest only basis subject to compliance with specific covenants for a fixed term.

Facility is available to the purpose of funding capital expenditure and permitted acquisitions;

(ii) Facility is available to the purpose of funding general corporate and working capital purposes.

The facility may also be utilised to obtain letters of credit and bank guarantees. At balance date, the portion of the facility used relates solely to bank guarantees obtained.

(iii) Facility is available for the purpose of refinancing Floor Plan Financing Arrangements

(iv) Bailment facilities are used to finance the acquisition of new motorcycle trading stock. These facilities include a combination of fixed term and open ended arrangements and are subject to review periods ranging from quarterly to annual. These facilities generally include short term termination notice periods and are disclosed as current liabilities in the Statement of Financial Position.

16 Contributed equity

Ordinary shares confer on their holders the right to participate in dividends declared by the Board and to vote at general meetings of the Company.

Movements in ordinary share:

Date	Details	Number of shares	Issue price $	$'000
1 July 2015	Opening balance	11,174,868	1.00	11,198
23 March 2016	Share split	16,709,364	-	-
22 April 2016	Issuance of shares	10,065,768	2.00	20,132
22 April 2016	Costs of share issue			(1,695)
30 June 2016	**Closing balance**	**37,950,000**		**29,635**
1 July 2016	Opening balance	**37,950,000**	-	29,635
30 June 2017	Costs of share issue			506
30 June 2017	**Closing balance**	**37,950,000**		**30,141**

17 Financial instruments

Overview

The consolidated entity has exposure to the following key risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk (interest rate risk)

This note presents information about the consolidated entity'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 will provide regular reports to the Board of Directors on its activities.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Further, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

The consolidated entity establishes an allowance for doubtful debts that represents its estimate of incurred losses in respect of trade and other receivables and investments.

With respect to credit risk arising from financial assets of the Group comprised of cash, cash equivalents and receivables, the Group's maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date is in the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

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.

(i) Exposure to Credit Risk

The carrying amount of financial assets (as per Note 8) represents the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

	2017 $'000	2016 $'000
Trade and other receivables	**2,964**	1,638
Less: Provision for doubtful receivables	**(97)**	(97)
	2,867	**1,541**

(ii) Impairment Losses

The ageing of trade receivables at reporting date is detailed in Note 8.

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 15.

NOTES TO THE FINANCIAL STATEMENTS

MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, will affect the consolidated entity'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.

(i) Interest rate risk

The Group is exposed to interest rate risk as a consequence of its financing facilities as set out in Notes 13 and 15. The Group's policy is to manage its interest cost using variable rate debt.

As at 30 June 2017, 0% (2016: 0%) of the Group's borrowings were at a fixed rate of interest, with all funds borrowed at floating rates. There is no history of fixing interest rates and MotorCycle Holdings has no intention of fixing interest rates in the immediate future.

(ii) Interest rate sensitivity

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's net profit after tax would increase/decrease by $71,000 (2016: $58,000) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

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 consolidated entity's approach to capital management during the period.

NOTES TO THE FINANCIAL STATEMENTS

FAIR VALUE MEASUREMENTS

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

Maturity profile

The below table provides a maturity profile for the Group's financial instruments 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.

Contractual maturities	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**	**Total**	**Interest Rate**
At 30 June 2017	**$'000**	**$'000**	**$'000**	**$'000**	
Financial assets					
Cash and cash equivalents	**4,516**	**-**	**-**	**4,516**	
Trade debtors	**2,867**	**-**	**-**	**2,867**	
	7,383	**-**	**-**	**7,383**	
Financial liabilities					
Bailment (current)	**23,097**	**-**	**-**	**23,097**	**5 - 12 %**
Borrowings	**382**	**382**	**11,032**	**11,796**	**3.47%**
Trade and other payables	**8,981**	**-**	**-**	**8,981**	
	32,460	**382**	**11,032**	**43,874**	
At 30 June 2016					
Financial assets					
Cash and cash equivalents	4,226	-	-	4,226	
Trade debtors	1,541	-	-	1,541	
	5,767	**-**	**-**	**5,767**	
Financial liabilities					
Bailment (current)	19,243	-	-	19,243	**5 - 12%**
Borrowings	406	406	11,441	12,253	**3.70%**
Trade and other payables	6,962	-	-	6,962	
	26,611	**406**	**11,441**	**38,458**	

NOTES TO THE FINANCIAL STATEMENTS

18 Investment in subsidiaries

Name of entity	Place of incorporation	Equity holding 2017 %	Equity holding 2016 %
Motorcycle Holdings Operations Pty Ltd	Australia	100	100
Motorcycle Holdings IDS Pty Ltd	Australia	100	100
Motorcycle Holdings Unit Co Pty Ltd	Australia	100	100
Motorcycle Holdings Group Unit Co Pty Ltd	Australia	100	100
Team Moto Pty Limited	Australia	100	100
Netpark Pty Ltd	Australia	100	100
Shoreway Pty Ltd	Australia	100	100
Pushgate Pty Ltd	Australia	100	100
Stanbay Pty Ltd	Australia	100	100
Myway Services Pty Ltd	Australia	100	100
Motorcycle Riding School Pty Ltd	Australia	100	100
North Ride Pty Ltd	Australia	100	100
Motorcycle Holdings TCO Pty Ltd	Australia	100	100
TeamMoto Unit Trust	Australia	100	100
Motorcycle Holdings Group Unit Trust	Australia	100	100
Innovative Dealership Solutions Pty Ltd	Australia	100	100
Innovative Dealership Solutions Unit Trust	Australia	100	100
MW Motorcycles Pty Ltd	Australia	100	100
Trinder Avenue Motors Pty Ltd	Australia	100	-

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.

NOTES TO THE FINANCIAL STATEMENTS

Parent Entity

Information relating to MotorCycle Holdings Limited ('the parent entity') at 30 June 2017 is presented below , and is in line with the Group's accounting policies.

	2017 $'000	2016 $'000
Financial position		
Assets		
Current assets	-	-
Non-current assets	28,378	27,437
	28,378	27,437
Liabilities		
Current liabilities	1,215	784
Non-current liabilities	-	-
	1,215	784
Equity		
Issued capital	30,143	29,635
Retained earnings	(2,981)	(2,981)
Reserves	-	-
	27,162	26,654
Financial performance		
Profit/(loss) for the year	2,846	(2,385)
Total comprehensive income	2,846	(2,385)

19 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 guarantee 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 18 details the Group's corporate structure and those entities that are wholly-owned and form part of the Group's Deed of Cross Guarantee. There are no material differences in the financial statements for the amounts disclosed for the consolidated entity, and the aggregated amounts for all entities within the Deed of Cross Guarantee.

NOTES TO THE FINANCIAL STATEMENTS

20 BUSINESS COMBINATIONS

During the year ended 30 June 2017, the Group completed the following business combinations as part of its growth strategy:

Date	Name	Type	Location
3 March 2017	Action Motorcycles	Certain business assets & liabilities	Gold Coast
17 March 2017	Evolution Motorcycles	Certain business assets & liabilities	Melbourne
2 May 2017	Trinder Avenue Motors	Acquisition of company	Sunshine Coast

The business combinations contributed revenue of $8,702,852 and net loss after tax of $229,765 for the year ended 30 June 2017 from their dates of acquisition. It is expected that the Group would have reported $263,017,589 in consolidated revenue and $9,469,805 in consolidated net profit after tax for the year ended 30 June 2017 had the business combinations occurred at the beginning of the reporting period.

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

	Total $'000
Inventory – motorcycles (net of bailment)	100
Inventory – parts and accessories	725
Property, plant and equipment	631
Other assets	109
Total assets acquired	**1,565**
Trade and other payables	345
Employee entitlements	81
Total liabilities assumed	**426**
Net identifiable assets acquired	**1,139**
Goodwill recognised	3,453
Net assets acquired	**4,592**
Total purchase consideration – cash	**4,592**

The goodwill recognised is attributable to the workforce, profitability of the acquired business and the expected operational synergies with the Group's existing motorcycle dealerships. The goodwill is only deductible for tax purposes upon any future sale of these businesses.

There is no contingent consideration or contingent liabilities associated with these acquisitions.

The fair value of acquired receivables is $12,718 and represent the gross contractual amounts receivable and no amounts are considered unrecoverable.

NOTES TO THE FINANCIAL STATEMENTS

21 Contingent liabilities

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 2017 no subsidiary was in default in respect of any arrangement guaranteed by the parent entity.

22 Commitments for expenditure

Operating Lease Commitments

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

	2017 $'000	2016 $'000
Within one year	**4,371**	2,165
Later than 1 year but not later than 5 years	**11,515**	4,164
Later than 5 years	**1,186**	1,726
	17,072	**8,055**

The Group leases property under non-cancellable operating leases with expiry dates between 2017 - 2027.

Leases generally provide for a right of renewal at which time the lease is renegotiated. Lease rental payments comprise a base amount plus an incremental contingent rental based on movements in the consumer price index or a fixed percentage increase.

23 Remuneration of auditor

KPMG was appointed lead auditor at the AGM on 28 October 2016. Deloitte was the lead auditor for the year ended 30 June 2016.

Amounts received or due and receivable by KPMG for:

	2017 $
- audit or review of the financial report	**160,000**
- other services	**58,150**
	218,150

Amounts received or due and receivable by Deloitte Touche Tomatsu (“Deloitte”) for:

	2016 $
- audit or review of the financial report	187,000
- other services	457,800
	644,800

Of the $457,800 of other services paid in 2016, $318,313 relate to professional services fees paid in relation to the preparation of the Investigative Accountants Report associated with the issuance of the prospectus.

24 Subsequent events

There has not been any matter or circumstances occurring subsequent to the end of the financial year that significantly affected, or may significantly affect, the operations of the group or the state of affairs of the group in future financial years.

25 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.

(a) Compensation of key management personnel

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

	2017 $	2016 $
Short term	**1,914,265**	1,383,123
Long term	**-**	-
Post employment benefits	**183,860**	129,826
	2,098,125	**1,512,949**

There are no loans to key management personnel.

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

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

David Ahmet is a lessor in relation to the leases of Triumph Virginia and Moorooka Service Centre. Kenlake Pty Ltd (ACN 075 880 867), as trustee for the Ahmet Family Trust, is a lessor in relation to the leases of Triumph Springwood, Honda Springwood, Advanced Spray Painting and Decals, TeamMoto Virginia, TeamMoto Moorooka, Yamaha Gold Coast, TeamMoto North Coast, and TeamMoto Blacktown.

The terms of these leases were negotiated on commercial arms’ length basis in 2016 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 current lease term expired on the 30 June 2016 and options have been exercised for the first of the three 5 year options to extend the lease period to 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

Location	**Address**	**Rental expense 2017 $**	**2016 $**	**Increase per annum**	**Current lease period**
Triumph Virginia	1924 Sandgate Rd. Virginia, QLD 4014	**138,680**	133,346	4%	1 July 2016 - 30 June 2021
Moorooka Service Centre	5 & 11 Kensal St, Moorooka, QLD 4105	**87,926**	84,546	4%	1 July 2016 - 30 June 2021
Triumph Springwood	61 Moss St. Springwood, QLD 4127	**106,001**	101,924	4%	1 July 2016 - 30 June 2021
Honda Springwood	68 Moss St. Springwood, QLD 4127	**264,488**	254,316	4%	1 July 2016 - 30 June 2021
Advanced Spray Painting and Decals	1&2/3369 Pacific Hwy, Springwood, QLD 4127	**105,394**	101,340	4%	1 July 2016 - 30 June 2021
Advanced Spray Painting and Decals	3367 Pacific Hwy, Springwood, QLD 4128	**116,682**	112,194	4%	1 July 2016 - 30 June 2021
TeamMoto Virginia	1916-1920 Sandgate Rd. Virginia, QLD 4014	**327,966**	327,966	0%	1 July 2016 - 30 June 2021
TeamMoto Moorooka	971 Ipswich Road, Moorooka, QLD 4105	**82,732**	79,550	4%	1 July 2016 - 30 June 2021
Yamaha Gold Coast	31 Lawrence Dr. Nerang, QLD 4211	**148,303**	148,303	0%	1 July 2016 - 30 June 2021
TeamMoto North Coast	22 Maroochydore Rd, Maroochydore, QLD 4558	**134,525**	129,351	4%	1 July 2016 - 30 June 2021
TeamMoto Blacktown	1 Sunnyholt Rd, Blacktown, NSW 2148	**135,230**	130,030	4%	1 July 2016 - 30 June 2021
		1,647,927	**1,602,866**		

NOTES TO THE FINANCIAL STATEMENTS

26 Earnings per share

(a) Basic earnings per share

	2017 Cents	2016 Cents
Earnings attributable to the ordinary equity holders of the Company	**24.5**	18.7

(b) Diluted earnings per share

Earnings attributable to the ordinary equity holders of the Company	**24.5**	18.7

(c) Reconciliation of earnings used in calculating earnings per share

	2017 $'000	2016 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**9,280**	5,571
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**9,280**	5,571

	2017 '000	2016 '000
Weighted average number of ordinary shares outstanding during the year	**37,950**	29,787
Adjustments for calculation of diluted earnings per share – performance rights and options	**-**	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	**37,950**	29,787

27 Reconciliation of cash flows from operating activities

	2017 $'000	2016 $'000
Net profit after tax	**9,280**	5,571
Add items classified as financing activities		
IPO Costs (inclusive of GST) not capitalised	**-**	2,444
Repayment of shareholder loans	**-**	8,117
Add/(less) non-cash movements		
Depreciation and amortisation	**846**	823
(Increase)/decrease in assets		
Receivables	**(1,384)**	784
Inventories	**(8,189)**	(2,210)
Deferred tax assets	**642**	(602)
Increase/(decrease) in liabilities		
Payables	**2,019**	(9,083)
Bailment finance liability	**3,854**	1,243
Provisions	**961**	403
Taxes payable	**431**	789
Net cash inflow from operating activities	**8,460**	**8,279**

28 Dividends

Dividends paid to shareholders during the financial year were as follows:

	2017		2016	
Dividends on ordinary shares	**Cents per share**	**$'000**	**Cents per share**	**$'000**
2016 final dividend (2016: 2015 final dividend)	**-**	**-**	-	-
2017 interim dividend (2016: 2016 interim dividend)	**7.5**	**2,846**	-	-
Total Dividends on ordinary shares	**7.5**	**2,846**	**-**	**-**

Since the end of the financial year, the directors have declared a fully-franked final dividend of 7.5 cents per ordinary share, payable on 4 October 2017. The aggregate amount of dividend will be $2.846 million. This amount has not been recognised in the consolidated statement of financial position.

After fully franking the final dividend, the amount of franking credits available, at the 30% tax rate as at 30 June 2017 to frank dividends for subsequent financial years, is $7,040,254 (2016: $5,635,172). This figure is based on the franking accounts of the Company as at 30 June 2017, adjusted for franking credits that will arise from the payment of income tax payable and franking debits that will arise from the payment of dividends proposed.

DIRECTORS' DECLARATION

The Directors' make the following Directors' Declaration for the year ended 30 June 2017*:*

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 15 to 47 and the Remuneration report in section 15 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 2017 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 18 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 2017.

4. The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

____

David Ahmet
Managing Director

Dated at Brisbane this 30th day of August 2017

____

David Foster
Chairman

Dated at Brisbane this 30th day of August 2017

KPMG

Independent Auditor's Report

To the shareholders of MotorCycle Holdings Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 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 2017
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

- Recoverability of goodwill
- Recoverable amount of inventory

Key Audit Matters are those matters that, in our professional judgment, 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.

KPMG

Recoverability of goodwill ($29.4m)

Refer to Note 11 *Goodwill* to the Financial Report

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The carrying value of goodwill is a Key Audit Matter due to:

the size of the balance (comprising 32% of total assets); and
the level of judgement required by us in evaluating management's assessment of recoverability as contained in their value-in-use (VIU) model.

The Group's VIU model is internally developed, and uses a range of internal and external data as inputs. Forward-looking assumptions may be prone to greater risk for potential bias, error and inconsistent application. Significant judgement is involved in establishing these assumptions.
These judgements included:

the determination of cash generating units (CGUs); and
forecast cash flows, discount rate and the assumptions inherent in determining forecast growth and terminal growth rates.

In assessing this key audit matter, we involved senior members of the audit team and internal valuation specialists who collectively understand the Group's business, industry and the economic environment in which it operates.
</td><td>
Our procedures included, amongst others:

Critically evaluated the Group's determination of one CGU based on our understanding of the nature of the Group's business. We analysed the impact of the acquisitions in the year and the Group's internal reporting to assess how results are monitored and reported and the implications to CGU identification in accordance with accounting standards.
Evaluated the appropriateness of the VIU model against accounting standard requirements.
Assessed the historical accuracy of previous Group forecasts to inform our evaluation of current Board approved forecasts incorporated in the VIU model.
Working with our valuation specialists, we used our knowledge of the Group and the automotive industry to assess the key assumptions used in the Group's VIU model, such as:

Forecast cash flows
Discount rate
Forecast and terminal growth rates

In evaluating the discount rate, forecast growth and terminal growth rates, we benchmarked the rates applied against published market and industry trends.
Assessed the recoverable amount of the Group's total goodwill against the market capitalisation of the Group at 30 June 2017, to inform the focus of our testing on the judgements used by management in the VIU model.
Evaluated the accuracy and adequacy of the related disclosures in the financial report in accordance with applicable accounting standards.

</td></tr>
</table>

KPMG

<table>
<tr><th colspan="2">Valuation of inventory ($45.2m)</th></tr>
<tr><td colspan="2">Refer to Note 9 Inventories to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The valuation of new and used motorcycle inventory and parts and accessories inventory is a Key Audit Matter due to:
• the size of the balance (comprising 49% of total assets); and
• the high level of judgement required by us in evaluating management's assessment of recoverability based on age, brand, condition and historical sales data.
These judgements included the assumptions underlying the provision for inventory obsolescence calculations and determination of net realisable value across each class of inventory with reference to the abovementioned attributes, amongst others.
In assessing this key audit matter, we involved senior members of the audit team who collectively understand the Group's business, industry and the economic environment in which it operates.</td><td>Our procedures included, amongst others:
• Assessing the appropriateness of inventory valuation accounting policies applied by the Group against the requirements of accounting standards.
• Developed an understanding of management's processes and judgements adopted in calculating the provisions for obsolescence for each class of inventory.
• Validated the age and cost, on a sample basis, of the classes of inventory at 30 June 2017 as key inputs into management's calculation of provisions for obsolescence.
• Assessed the adequacy of management's judgements in estimating net realisable value through the following:
    • compared the carrying value of new and used motorcycles and parts and accessories, on a sample basis, to current sales values;
    • assessed the level of provisioning for new and used motorcycles and parts and accessories, on a sample basis, with reference to historical sales data and write-offs.
• Evaluated the accuracy and adequacy of the related disclosures in the financial report in accordance with applicable accounting standards.</td></tr>
</table>

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.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report including Remuneration Report, Additional Information as at 25 August 2017 and Corporate Directory.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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
- assessing the Group and Company's ability to continue as a going concern. 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 this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.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 2017, 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 paragraphs 15A to 15K of the Directors' Report for the year ended 30 June 2017.

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
30 August 2017

ADDITIONAL INFORMATION AS AT 25 AUGUST 2017

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number
MotorCycle Holdings Limited (shares held by employees and their Associates under voluntary escrow arrangements	10,851,899
David Ahmet and Associates	**8,406,635**
Citicorp Nominees Pty Ltd	7,459,361
Archer Capital VCLP GF 1.LP	3,902,293
HSBC Custody Nominees (Australia) Limited	2,655,285

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	Number of Holders	Number of Ordinary Shares	% of Issued Capital
1 - 1,000	263	159,631	0.42
1,001 - 10,000	972	3,943,216	10.39
10,001 - 100,000	127	3,737,887	9.85
100,001 - 500,000	15	4,757,997	12.54
500,001 - 1,000,000	3	1,695,543	4.47
>1,000,000	5	23,655,726	62.33
Total	**1,385**	**37,950,000**	

The number of shareholders holding less than a marketable parcel of ordinary shares is 37.

Escrowed Shares

10,851,899 ordinary shares are subject to voluntary escrow from the date of listing to 23 March 2018.

Securities Exchange

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

Other information

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

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders

Rank	Name	Units	% of Units
1.	KENLAKE PTY LIMITED (Associate of David Hedley Ahmet)	7,775,039	20.49
2.	CITICORP NOMINEES PTY LIMITED	7,459,361	19.66
3.	ARCHER CAPITAL VCLP	3,902,293	10.28
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,655,285	7.00
5.	NATIONAL NOMINEES LIMITED	1,714,874	4.52
6.	DAVID HEDLEY AHMET	581,596	1.53
7.	CHRISTOPHER ANDREW CHENOWETH	499,053	1.32
8.	KAREN ANN COOKSLEY	499,053	1.32
9.	ROBERT BRUCE TINLIN	499,053	1.32
10.	MR ROBERT JOHN DONOVAN & MS CORINA LEE TROY <DONOVAN FAMILY S/F A/C>	499,053	1.32
11.	BNP PARIBAS NOMS PTY LTD <DRP>	491,018	1.29
12.	UBS NOMINEES PTY LTD	474,182	1.25
13.	J P MORGAN NOMINEES AUSTRALIA LIMITED	448,701	1.18
14.	AMP LIFE LIMITED	370,828	0.98
15.	ARGO INVESTMENTS LIMITED	300,000	0.79
16.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	249,577	0.66
17.	MARTIN JOHN POCOCK & MICHELLE JUNE HACKETT	249,526	0.66
18.	MUSGROVE INVESTMENTS PTY LTD <SHANE MUSGROVE S/F A/C>	249,526	0.66
19.	DR DAVID JOHN RITCHIE + DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	200,000	0.53
20.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	152,884	0.40
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		29,270,902	77.13
Total Remaining Holders Balance		8,679,098	22.87

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. 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.

The terms of these leases were negotiated on commercial arms’ length basis in 2011 and contain customary terms and conditions including an initial lease term of 5 years, with options to renew for a further 15 years (comprising 3 options for 5 year periods). Options to renew were exercised on 1 July 2016. The annual value of the rent under the leases is set out in Note 19 to the Financial Statements.

CORPORATE DIRECTORY

Registered Office	MotorCycle Holdings Limited 68 Moss Street Springwood, 4127 Queensland Tel: +61 7 3380 2204 Email: cfo@mcholdings.com.au
ASX Ticker Code	MTO
Directors	David Foster David Ahmet Warren Bee Rick Dennis Peter Henley
Chief Financial Officer	Bob Donovan
Company Secretary	Lisa Dalton
Auditor	KPMG Level 16 Riparian Plaza 71 Eagle Street Brisbane Qld 4000
Location of Share Registry	Computershare Investor Services Pty Ltd 117 Victoria Street West End, 4101 Queensland Tel (within Australia): 1300 850 505 Tel (outside Australia): +61 3 9415 4000 Website: computershare.com.au
Website	www.mcholdings.com.au