MotorCycle Holdings

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The Manager
ASX Market Announcements Office
20 Bridge Street
Sydney NSW 2000

27 February 2020

Dear Sir/Madam

Half Year Report and Accounts

We hereby provide the Appendix 4D (Half Year Report) and Interim Financial Report for the half year ended 31 December 2019 for MotorCycle Holdings Limited (ASX: MTO).

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

Regards,
MotorCycle Holdings Limited

Nicole Spink FCPA FCG(CS)
Company Secretary

MotorCycle Holdings Limited

ABN 29 150 386 995

Appendix 4D for the half year ended 31 December 2019

Reporting period: 1 July 2019 – 31 December 2019

Previous correspondence period: 1 July 2018 – 31 December 2018

Results for announcement to the market

Comparison to previous corresponding period		Change	To $A'000
Revenue from ordinary activities	Increase	3.1%	178,198
Profit from ordinary activities after tax attributable to members	Decrease	-7.7%	4,817
Net profit for the period attributable to members	Decrease	-7.2%	4,843

Dividends

Directors have decided not to declare an interim dividend to enable the company to take advantage of any acquisition opportunities that may arise in the current trading environment.

Overview of results

Six months ended ($m)	31 Dec 2019	31 Dec 2018	Change
Revenue from ordinary activities	178.2	172.8	3.1%
Cost of sales	(126.8)	(122.2)	3.8%
Gross profit	**51.4**	**50.7**	**1.4%**
Operating expenses	(36.6)	(40.3)	
EBITDA	**14.8**	**10.4**	
Lease and rental payments	(5.3)		
Acquisition expenses	0.4	0.0	
Underlying EBITDA	**9.9**	**10.4**	**(4.8%)**
Underlying EBITDA margin	5.6%	6.0%	
Net profit after tax	4.8	5.2	

Revenue for the half increased 3.1% to $178.2 million (2018: $172.8 million), as a result of recent acquisitions and increased motorcycle unit sales. Comparable store sales increased 0.4% over the period.

Underlying earnings before interest, tax and depreciation (EBITDA) decreased 4.8% to $9.9 million (2018: $10.4 million) while net profit after tax (NPAT) decreased 7.7% to $4.8 million (2018: $5.2 million). Earnings per share decreased 8.2% from 8.5 cents to 7.8 cents.

The underlying EBITDA percentage of sales achieved was 5.6% for the period (2018: 6.0%).

Overall motorcycle sales, including both new and used motorcycles, increased 3.5% to 10,198 units for the half year to 31 December 2019 (2018: 9,855 units).

New motorcycle sales increased 1.0% to 5,206 units (2018: 5,153 units), compared with a national market decline in new motorcycle sales of approximately 0.8%.

The Company secured approximately 11.1% of national new bike sales during the six months, compared with 10.9% for the corresponding period last year.

Used motorcycles sales increased 6.2% to 4,992 units (2018: 4,702 units).

Retail Accessories and Parts revenue decreased 1.3% to $37.8 million (2018: $38.3 million). Servicing and Repair revenue decreased 4.7% to $6.0 million (2018: $6.3 million).

Finance, Insurance and Warranty revenue increased 4.6% to $6.8 million (2018: $6.5 million).

Despite ongoing challenging market conditions, the company's strategy of growth through acquisitions and diversification has generated increased sales and revenue.

The company completed two dealership acquisitions in the second half of 2019, both of which are outperforming expectations, and has continued to grow both new and used motorcycle sales across all brands, including Harley Davidson.

Overall, Harley Davidson comparative sales increased by 15% (11.2% like for like), which has strongly contributed to increased revenue for the half.

Revenue from new motorcycle sales increased 4%, while gross profit was up 27%, largely on the back of increased Harley Davidson sales.

The company achieved volume growth in used motorcycles through a full contribution from five MCA stores, with an additional one expected to start trading by the end of the financial year.

The focus for the company in the second half of the financial year will be on improving productivity, reducing costs and increasing profitability of dealerships and retail stores, continuing to grow used motorcycle sales through existing dealerships, as well as maintaining revenue growth and improving margins in the wholesale business.

The company will continue to implement a product offering expansion to drive sales, with a focus on transitioning MCA stores towards a traditional dealership, through a broadened product offering to include new and used bikes and finance.

There were indications the overall new motorcycle market had stabilised, with a national decline in new motorcycle sales of 0.8%, which was significantly lower than declines in recent periods.

Comparatively, retail stores increased new motorcycle sales by 1%, so have again outperformed the overall national market and continued to grow market share

NTA Backing

	31 Dec 2019	31 Dec 2018
Net tangible assets per ordinary security[1]	28 cents	14 cents

[1]Net tangible assets include $31.8m of lease ROU assets recognised in accordance with AASB 16 *Leases*

Details of associates and joint venture entities

The company holds a 50 percent (31 December 2018: 50 percent) interest in the joint venture, MotorCycle Finance Limited and accounts for this investment as an equity accounted investee.

MotorCycle Holdings Limited and its Controlled Entities

ABN 29 150 386 995

Interim Financial Report for the half year ended 31 December 2019

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Directors' Report

The directors present their report together with the consolidated interim financial statements of MotorCycle Holdings Limited (the "Company") and its controlled entities (the "Group") for the six months ended 31 December 2019 and the auditor report thereon.

Directors

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

David Foster Chairperson	Appointed 1 March 2016 (Non-Executive Director), Appointed 22 July 2016 (Chairperson)
David Ahmet Managing Director	Appointed 30 June 2011
Warren Bee Non-Executive Director	Appointed 30 June 2011
Rick Dennis Non-Executive Director	Appointed 23 August 2016
Peter Henley Non-Executive Director	Appointed 1 March 2017
Rob Cassen Non-Executive Director	Appointed 31 October 2017 (Executive Director), Appointed 22 December 2018 (Non-Executive Director)

Review of Operations

The Group recorded a net profit after tax (NPAT) of $4,817,000 for the December half year, a decrease of 7.7%, compared with the results for the six months to December 2018 ($5,220,000).

Revenue for the half increased 3.1% to $178,198,000 (2018: $172,812,000), as a result of recent acquisitions and increased motorcycle unit sales. Comparable store sales increased 0.4% over the period.

The NPAT percentage of sales achieved was 2.7% for the period (2018: 3.0%).

Overall motorcycle sales, including both new and used motorcycles, increased 3.5% to 10,200 units for the half year to 31 December 2019 (2018: 9,855 units).

New motorcycle sales increased 1.0% to 5,206 units (2018: 5,153 units), compared with a national market decline in new motorcycle sales of approximately 0.8%.

The Company secured approximately 11.1% of national new bike sales during the six months, compared with 10.9% for the corresponding period last year.

Used motorcycles sales increased 6.2% to 4,994 units (2018: 4,702 units).

Retail Accessories and Parts revenue decreased 1.5% to $37,769,000 (2018: $38,336,000). Servicing and Repair revenue decreased 6.2% to $5,952,000 (2018: $6,343,000).

Finance, Insurance and Warranty revenue increased 4.5% to $6,787,000 (2018: $6,493,000).

The company completed two dealership acquisitions in the second half of 2019, both of which are outperforming expectations, and has continued to grow both new and used motorcycle sales across all brands, including Harley Davidson.

Despite ongoing challenging market conditions, the company's strategy of growth through acquisitions and diversification had generated increased sales and revenue.

Dividends

Directors have decided not to declare an interim dividend to enable the company to take advantage of any acquisition opportunities that may arise in the current trading environment and to continue to reduce net gearing.

Subsequent Matters

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

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the six months ended 31 December 2019.

Rounding Off

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

Signed in accordance with a resolution of the directors:

David Foster	**David Ahmet**
Chairperson	**Managing Director**
27 February 2020	**27 February 2020**

KPMG

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

To the Directors of MotorCycle Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of MotorCycle Holdings Limited for the half-year ended 31 December 2019 there have been:

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

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
27 February 2020

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 31 December 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Sales revenue	6	170,562	165,414
Other income	6	7,636	7,397
Cost of goods sold		126,817	122,155
Employee benefits expense		27,066	26,702
Finance costs[1]		1,933	1,396
Depreciation and amortisation expense		6,422	1,846
Occupancy costs		1,301	6,089
Other expenses		7,747	7,126
Profit before tax		**6,912**	**7,497**
Income tax expense	7	2,095	2,277
Profit for the period		**4,817**	**5,220**
Other comprehensive income		26	-
Total comprehensive income for the period attributable to owners of the Company		**4,843**	**5,220**
		Cents	**Cents**
Earnings per share			
Basic earnings per share		7.8	8.5
Diluted earnings per share		7.8	8.5

[1]The Group has presented interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which is presented in the statement of profit or loss and other comprehensive income.

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 3.

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

Consolidated Interim Statement of Financial Position

As At 31 December 2019

	Note	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents		9,635	9,175
Trade and other receivables		7,800	8,179
Inventories	9	91,275	84,396
Current tax assets		261	2,095
Other assets		22	12
Total current assets		**108,993**	**103,857**
Non-current assets			
Property, plant and equipment	10	43,443	11,546
Deferred tax assets		1,204	653
Goodwill and other intangible assets	11	120,106	119,684
Interest in equity accounted investees		3,595	3,539
Other assets		148	117
Total non-current assets		**168,496**	**135,539**
Total assets		**277,489**	**239,396**
Current liabilities			
Trade and other payables		12,353	12,457
Loans and borrowings		44,561	30,550
Current tax liabilities		-	-
Provisions		5,783	5,692
Contract liabilities		2,498	2,988
Total current liabilities		**65,195**	**51,687**
Non-current liabilities			
Loans and borrowings	12	67,107	46,815
Deferred tax liabilities		-	-
Provisions		1,729	1,448
Contract liabilities		4,804	4,209
Total non-current liabilities		**73,640**	**52,472**
Total liabilities		**138,835**	**104,159**
Net assets		138,654	135,237
Equity			
Contributed equity		120,081	120,081
Share-based payments reserve		177	177
Retained earnings		18,396	14,979
Total equity		**138,654**	**135,237**

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 3.

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

Consolidated Interim Statement of Changes in Equity

For the Six Months Ended 31 December 2019

	Note	Issued Capital $'000	Retained Earnings $'000	Share-Based Payments Reserve $'000	Total Equity $'000
Balance as at 30 June 2019 as previously reported		120,081	14,979	177	135,237
Impact of adoption of AASB 16 (net of tax)		-	(1,426)	-	(1,426)
Restated balance at 1 July 2019	3	120,081	13,553	177	133,811
Comprehensive income for the period					
Profit for the period		-	4,817	-	4,817
Other comprehensive income		-	26	-	26
Total comprehensive income for the period		-	4,843	-	4,843
Transactions with owners in their capacity as owners					
Dividends paid		-	-	-	-
Equity settled share-based payments		-	-	-	-
Issue of shares		-	-	-	-
Issue of shares related to business combinations		-	-	-	-
Transaction costs (net of tax)		-	-	-	-
Total transactions with owners in their capacity as owners		-	-	-	-
Balance at 31 December 2019		120,081	18,396	177	138,654
Balance as at 1 July 2018		120,081	11,208	88	131,377
Comprehensive income for the period					
Profit for the period		-	5,220	-	5,220
Other comprehensive income		-	-	-	-
Restated total comprehensive income for the period		-	5,220	-	5,220
Transactions with owners in their capacity as owners					
Dividends paid		-	(4,011)	-	(4,011)
Equity settled share-based payments		-	-	44	44
Issue of shares		-	-	-	-
Issue of shares related to business combinations		-	-	-	-
Transaction costs (net of tax)		-	-	-	-
Total transactions with owners in their capacity as owners		-	(4,011)	44	(3,967)
Balance at 31 December 2018		120,081	12,417	132	132,630

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 3.

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

Consolidated Interim Statement of Cash Flows

For the Six Months Ended 31 December 2019

	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	196,461	189,593
Payments to suppliers and employees (inclusive of GST)	(185,505)	(172,832)
Interest and other costs of finance paid	(1,933)	(1,396)
Income taxes paid	(119)	(3,742)
Interest received	8	7
Net cash (used)/provided by operating activities	**8,912**	**11,630**
Cash flows from investing activities		
Payment for acquisition of businesses (net of cash acquired)	(2,581)	-
Investment in equity accounted investees	-	(2,750)
Payments for property, plant and equipment	(518)	(1,525)
Proceeds from sale of property, plant and equipment	48	74
Net cash (used)/provided by investing activities	**(3,051)**	**(4,201)**
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	-	-
Costs of issue of ordinary shares	-	-
Repayments of borrowings	(833)	(833)
Repayments of lease principal	(4,568)	-
Dividend paid	-	(4,011)
Net cash (used)/provided by financing activities	**(5,401)**	**(4,844)**
Net increase/(decrease) in cash and cash equivalents	460	2,585
Cash and cash equivalents at the beginning of the period	9,175	2,469
Cash and cash equivalents at the end of the period	**9,635**	**5,054**

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 3.

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

Notes to the Consolidated Interim Financial Statements

1. Reporting Entity

MotorCycle Holdings Limited (the "Company") is a company domiciled in Australia. These consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in 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. The Group also owns and operates a rider training school and a motorcycle repair business which performs smash repair work for insurers and a motorcycle accessories wholesaling business.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 are available upon request from the Company's registered office at 68 Moss Street, Slacks Creek, Queensland or at www.mcholdings.com.au.

2. Basis of Preparation

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

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

This is the first set of the Group's financial statements where AASB 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 3.

These interim financial statements were authorised for issue by the Company's Board of Directors on 27 February 2020.

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

3. Changes in Significant Accounting Policies

Except as described below the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report for the financial year ended 30 June 2019. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ending 30 June 2020.

The Group has initially adopted AASB 16 *Leases* from 1 July 2019. AASB 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a Lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining Whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease or lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a Lessee

The Group leases assets including properties and IT equipment. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assts and lease liabilities for most leases – i.e. these leases are on balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-values assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line bases over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment,' the same line as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Leased Right of Use Assets $'000
Balance at 1 July 2019	33,125
Balance at 31 December 2019	31,758

The Group presents lease liabilities in 'loans and borrowings' in the statement of financial position.

Significant Accounting Policies
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjustments for certain measurements of the lease liability.

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

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

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition
Previously, the Group classified property leases as operating leases under AASB 117. These include retail showroom and warehouse facilities. The leases typically run for a period of five years. All leases include options to renew the lease for additional periods of five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impacts on Financial Statements

Impacts on Transition
On transition to AASB 16, the Group recognised additional right-of-use assets, and additional lease liability, recognising the difference in retained earnings. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3.24%. The impact on transition is summarised below.

	1 July 2019 $'000
Right-of-use assets presented in property, plant and equipment	33,125
Deferred tax asset	610
Lease liabilities	35,161
Retained earnings	1,426

Impacts for the Period
As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $31,758,000 of right-of-use assets and $34,482,000 of lease liabilities as at 31 December 2019.

Also in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised $4,567,000 of depreciation charges and $633,000 of interest costs from these leases.

4. Use of Judgements and Estimates

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

5. Operating Segment Information

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

	Motorcycle Retailing		Motorcycle Accessories Wholesaling		Eliminations		Consolidated	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenues	161,113	156,149	17,085	16,662	-	-	178,198	172,811
Inter-segment revenue	-	-	10,723	10,000	(10,723)	(10,000)	-	-
Unallocated corporate expenses	-	-	-	-	(1,178)	(826)	(1,178)	(826)
Segment profit before tax	6,092	4,208	1,998	4,115	-	-	8,090	8,323
Net profit before tax							**6,912**	**7,497**

	Motorcycle Retailing		Motorcycle Accessories Wholesaling		Eliminations		Consolidated	
	31 Dec 2019	**30 Jun 2019**	**31 Dec 2019**	**30 Jun 2019**	**31 Dec 2019**	**30 Jun 2019**	**31 Dec 2019**	**30 Jun 2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment assets	173,865	133,792	103,624	105,604	-	-	277,489	239,396
Segment liabilities	107,215	68,290	31,620	35,869	-	-	138,835	104,159

6. Revenue

Disaggregation of Revenue

	Motorcycle Retailing 31 Dec 2019	Motorcycle Accessories Wholesaling 31 Dec 2019	Consolidated 31 Dec 2019	Motorcycle Retailing 31 Dec 2018	Motorcycle Accessories Wholesaling 31 Dec 2018	Consolidated 31 Dec 2018
	$'000	$'000	$'000	$'000	$'000	$'000
New motorcycles	61,882	-	61,882	59,384	-	59,384
Used motorcycles	47,432	-	47,432	44,458	-	44,458
Parts and accessories	37,769	17,297	55,066	38,336	16,630	54,966
Service	5,952	-	5,952	6,343	-	6,343
Other	230	-	230	263	-	263
	153,265	**17,297**	**170,562**	**148,784**	**16,630**	**165,414**
Other income						
Finance and insurance Income	6,786	-	6,786	6,493	-	6,493
Interest income	8	-	8	1	6	7
Income from equity accounted investees	30	-	30	-	-	-
Other income	1,024	(212)	812	871	26	897
	7,848	**(212)**	**7,636**	**7,365**	**32**	**7,397**
At a point in time	159,981	17,085	177,066	155,184	16,662	171,846
Over time	1,132	-	1,132	965	-	965
	161,113	**17,085**	**178,198**	**156,149**	**16,662**	**172,811**

Contract Balances

	31 Dec 2019	30 Jun 2019
	$'000	$'000
Receivables, included in trade and other receivables	8,007	8,387
Contract liabilities	7,300	7,195

Transaction Price Allocated to Remaining Performance Obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at 31 December 2019.

12 Months Ending	31 December 2020	31 December 2021	31 December 2022	31 December 2023	31 December 2024	31 December 2025 or later
	$'000	$'000	$'000	$'000	$'000	$'000
Mechanical protection plans	3,126	2,223	1,252	530	160	9
	3,126	**2,223**	**1,252**	**530**	**160**	**9**

7. Tax Expense

The Group's consolidated effective tax rate in respect of the continuing operations for the six months ended 31 December 2019 was 30 percent (for the six months ended 31 December 2018: 30 percent).

8. Financial Instruments

The financial instruments held by the Group at 31 December 2019 relate to cash and cash equivalents, trade receivables and payables, and borrowings.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

9. Inventories

During the six months ended 31 December 2019 the Group wrote-down its inventory to net realisable value by $2,867,000. (six months ended 31 December 2018: $676,000) This relates to stock obsolescence and was determined using the same principles adopted for the year ended 30 June 2019.

	31 Dec 2019 $'000	30 Jun 2019 $'000
New and demonstrator motorcycles (at cost)	32,191	30,985
Less: write-down to net realisable value	(300)	(301)
New and demonstrator inventory	**31,891**	**30,684**
Used motorcycles (at cost)	11,848	12,268
Less: write-down to net realisable value	(166)	(204)
Used inventory	**11,682**	**12,064**
Parts, accessories and other consumables (at cost)	54,598	46,285
Less: write-down to net realisable value	(6,896)	(4,637)
Parts, accessories and other consumable inventory	**47,702**	**41,648**
Total inventories	**91,275**	**84,396**

10. Property, Plant and Equipment

During the six months ended 31 December 2019, the Group acquired assets with a cost of $1,009,000 (six months ended 31 December 2018: $1,525,000). This amount excludes capitalised borrowing costs. $492,000 of these assets were acquired through business combinations (six months ended 31 December 2018: $nil). $33,125,000 of right-of-use assets were recognised on adoption of AASB 16 on 1 July 2018 (see Note 3).

During the six months ended 31 December 2019, the Group entered into lease arrangements for use of premises associated with the two business combinations (refer Note 15). On the respective completion dates, the Group recognised a total of $2,879,000 of right-of use assets and $2,879,000 lease liabilities.

Assets with a carrying amount of $48,000 were disposed of during the six months ended 31 December 2019 (six months ended 31 December 2018: $74,000), resulting in a loss on disposal of $1,000 (six months ended 31 December 2018: loss of $36,000), and included in 'other expenses' in the consolidated statement of profit or loss and other comprehensive income.

11. Intangible Assets and Goodwill

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

31 Dec 2019	Goodwill	Trademarks	Customer contracts and relationships	Other intangibles	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost					
Balance at beginning of period	100,545	5,603	15,000	2,000	**123,148**
Acquired through business combinations	1,455	-	-	-	**1,455**
Balance at end of period	**102,000**	**5,603**	**15,000**	**2,000**	**124,603**
Accumulated amortisation					
Balance at beginning of period	-	-	2,797	667	**3,464**
Amortisation expense	-	-	833	200	**1,033**
Balance at end of period	**-**	**-**	**3,630**	**867**	**4,497**
Carrying amounts					
Balance at beginning of period	100,545	5,603	12,203	1,333	119,684
Balance at end of period	**102,000**	**5,603**	**11,370**	**1,133**	**120,106**

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

Impairment Tests for Goodwill

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

Goodwill of $50,449,000 (30 June 2019: $48,993,000) is allocated to the Motorcycle Retailing CGU and Goodwill of $51,551,000 (30 June 2019: $51,551,000) is allocated to the Motorcycle Accessories Wholesaling CGU.

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

For the purpose of impairment testing conducted for the current period, the recoverable amount has been determined on a fair value less cost of disposal basis, which represents level 3 in the fair value hierarchy. The value in use assessment is conducted using a discounted cash flow (DCF) methodology requiring the directors to estimate the future cash flows expected to arise from the cash generating units and then applying a discount rate to calculate the present value. The DCF model adopted by the directors was based on the 2020 financial budget approved by the Board. The key assumptions used in the estimate of the recoverable amount include:

	Retail CGU		Wholesale CGU	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
Post-tax discount rate	9.0%	9.0%	10.0%	10.0%
Perpetual growth rate	2.5%	2.5%	2.5%	2.5%
Budgeted EBITDA growth rate from FY21	5.0%	2-5%	5.0%	2.5%

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 10% for the Wholesale CGU and 20% for the Retail CGU at a market interest rate of 4.8%. The discount rates used are the same as those adopted in the 30 June 2019 financial statements.

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.

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

The Directors have determined that goodwill was not impaired for the six months ended 31 December 2019. The estimated recoverable amount of the CGU based on its value in use, exceeded its carrying amount by:

- Wholesale CGU – $5,397,000 (30 June 2019: $2,726,000)
- Retail CGU – $35,604,000 (30 June 2019: $11,349,000)

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

	Change required for the carrying amount to equal the recoverable amount			
	Retail		Wholesale	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
Post-tax discount rate	+2.9%	+1.0%	+0.5%	+0.2%
Perpetual growth rate	-7.0%	-2.1%	-0.6%	-0.3%
Budgeted EBITDA growth rate	-15.3%	-6.4%	-1.8%	-0.8%

12. Loans and Borrowings

	31 Dec 2019 $'000	30 Jun 2019 $'000
Non-current		
Opening balance	46,815	50,290
Amounts drawn down	-	-
Long term lease payments on adoption of AASB 16	22,169	-
Changes to repayments schedule	(1,333)	-
Repayments	(833)	(3,667)
Amortisation of deferred borrowing costs	289	192
Total long term borrowings	**67,107**	**46,815**

13. Dividends Paid and Declared

The following dividends were declared and paid by the Company:

	For the six months ended 31 Dec 2019 $'000	For the six months ended 31 Dec 2018 $'000
No final dividend payable (2018: 6.5 cents)	-	4,011
No interim dividend payable (2018: nil)	-	-

14. Business Combinations

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

Date	Name	Type	Location
18 October 2019	Northside Harley-Davidson	Certain business assets and liabilities	Brunswick, Victoria
1 November 2019	Canberra Motorcycle Centre	Certain business assets and liabilities	Canberra, ACT

The business combinations contributed revenue of $2,736,000 and net profit after tax of $96,000 for the six months ended 31 December 2019 from their dates of acquisition. The Group would have reported $185,704,000 in consolidated revenue and $5,008,000 in consolidated net profit after tax for the six months ended 31 December 2019 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 these business combinations:

	Total $'000
Inventory – motorcycles (net of bailment)	299
Inventory – parts and accessories	1,198
Property, plant and equipment	492
Other assets	27
Total assets acquired	**2,016**
Trade and other payables	94
Employee entitlements	396
Total liabilities assumed	**490**
Net identifiable assets acquired	**1,526**
Goodwill recognised	1,455
Net assets acquired	**2,981**
Purchase consideration – cash	**2,581**
Purchase consideration – deferred	**400**
Total purchase consideration – cash	**2,981**

15. Subsequent Events

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

Directors' Declaration

In the opinion of the directors of MotorCycle Holdings Limited ("the Company"):

1. the consolidated interim financial statements and notes set out on pages 4 to 17 are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, for the six-month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the directors:

David Ahmet
Managing Director

Dated at Brisbane this 27th day of February 2020

KPMG

Independent Auditor's Review Report

To the shareholders of MotorCycle Holdings Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated Interim Statement of Financial Position as at 31 December 2019;
- Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income, Consolidated Interim Statement of Changes in Equity and Consolidated Interim Statement of Cash Flows for the half-year ended on that date;
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

KPMG

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of MotorCycle Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
27 February 2020