Motorcycle Holdings Pty Ltd and Controlled Entities

Special Purpose Financial Report

ACN 150 386 995

For the Year Ended

30 June 2013

Special Purpose Financial Report

Contents

Director's Report

Your directors present their report on the company for the financial year ended 30 June 2013:

Directors

The names and particulars of the directors of the company during or since the end of the financial year are:

David Ahmet
Warren Bee
Scott Greck
Jose Matosantos

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the company and its controlled entities during the financial year was the sale and service of motorcycles and related spare parts and accessories. There have been no significant changes in the nature of the group's principal activities during the financial year.

Review of Operations

The profit after tax amounted to $2,799,216 (2012: $2,097,122).

A review of the operations of the group during the financial year and the results of those operations found that the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

Likely Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations.

Significant Changes in State of Affairs

On 1 February 2013, Myway Services Pty Ltd and Shoreway Pty Ltd purchased the assets and business of Pro KI Pty Ltd, Promoto (QLD) Pty Ltd and Pro K Pty Ltd.

On 1 February 2013, Shoreway Pty Ltd purchased the assets and business of Pro K Gold Coast Pty Ltd.

Other than the above, there were no significant changes in the group's state of affairs occurred during the financial year.

Director's Report

Dividends

Dividends paid since the start of the financial year amounted to Nil (2012: Nil)

Indemnification of officers or auditors

During the financial year, the group paid a premium in respect of a contract insuring the directors of the group (as named above), and all executive officers of the group and of any related body corporate against a liability incurred as such a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

No Leave or Proceedings

No persons have applied for leave of Court to bring proceedings on behalf of the group or 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 any part of those proceedings.

The group was not a party to any such proceedings during the year.

Environmental Issues

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Auditor's Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2013 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Director

Sydney, 21 day of October 2013

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The Board of Directors
Suite 7, Pier 2/3
13 Hickson Road
Sydney NSW 2000

21 October 2013

Dear Directors

Motorcycle Holdings Pty Limited and Controlled Entities

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Motorcycle Holdings Pty Limited and Controlled Entities.

As lead audit partner for the audit of the financial statements of Motorcycle Holdings Pty Limited and Controlled Entities for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Stavroula Papadatos
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

	Note	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
Sales revenue	4	-	-	146,771,840	111,311,735
Interest received	4	-	-	49,292	84,710
Other revenue	4	-	-	10,871,678	8,220,565
Finance costs		(1,641,475)	(1,631,410)	(2,824,714)	(2,790,291)
Expenses excluding finance costs	5	-	-	(150,652,230)	(114,544,262)
Profit/(Loss) before income tax		**(1,641,475)**	**(1,631,410)**	**4,215,866**	**2,282,457**
Income tax benefit/(expense)	6	492,443	-	(1,416,650)	(185,335)
Profit/(Loss) for the year		**(1,149,032)**	**(1,631,410)**	**2,799,216**	**2,097,122**
Other comprehensive income		-	-	-	-
Total comprehensive income/(expense) for the year		**(1,149,032)**	**(1,631,410)**	**2,799,216**	**2,097,122**

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2013

	Note	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
ASSETS					
Current assets					
Cash and cash equivalents	7	-	-	3,633,707	1,385,920
Trade and other receivables	8	1,886,927	-	2,476,368	1,852,015
Inventories	9	-	-	31,762,468	27,138,715
Current Tax Receivable	16	-	-	-	351,758
Total current assets		1,886,927	-	37,872,543	30,728,408
Non-current assets					
Property, plant and equipment	10	-	-	4,959,070	4,670,300
Deferred tax assets	6	-	-	1,675,491	1,238,891
Goodwill	11	-	-	22,838,296	20,955,071
Investment in subsidiaries	12	27,475,540	27,475,540	-	-
Trade and other receivables	8	500,000	500,000	558,228	512,830
Total non-current assets		27,975,540	27,975,540	30,031,085	27,377,092
TOTAL ASSETS		29,862,467	27,975,540	67,903,628	58,105,500
LIABILITIES					
Current liabilities					
Trade and other payables	13	6,810,530	6,810,530	6,974,222	6,079,742
Short Term Borrowings	14	-	-	18,365,947	15,302,870
Current tax payable	15	1,394,484	-	1,394,484	-
Short-term provisions	16	-	-	2,415,116	2,234,938
Total current liabilities		8,205,014	6,810,530	29,149,769	23,617,550
Non-current liabilities					
Long-term borrowings	14	-	-	7,456,999	8,556,999
Deferred tax	15	-	-	1,265,876	732,368
Redeemable preference shares	18	13,421,371	11,779,896	13,421,371	11,779,893
Other long-term provisions	16	-	-	696,751	305,044
Total non-current liabilities		13,421,371	11,779,896	22,840,997	21,374,304
TOTAL LIABILITIES		21,626,385	18,590,426	51,990,766	44,991,854
NET ASSETS		8,236,082	9,385,114	15,912,862	13,113,646
EQUITY					
Share capital	17	11,148,485	11,148,485	11,148,485	11,148,485
Retained earnings (accumulated losses)		(2,912,403)	(1,763,371)	4,764,377	1,965,161
TOTAL EQUITY		8,236,082	9,385,114	15,912,862	13,113,646

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Consolidated	Issued Capital	Retained Earnings	Total
	$	$	$
Balance at 30 June 2011	**10,148,485**	**(131,961)**	**10,016,524**
Issue of share capial	1,000,000	-	1,000,000
Profit for the year	-	2,097,122	2,097,122
Balance at 30 June 2012	**11,148,485**	**1,965,161**	**13,113,646**
Profit for the year	-	2,799,216	2,799,216
Balance at 30 June 2013	**11,148,485**	**4,764,377**	**15,912,862**

Parent	Issued Capital	Retained Earnings	Total
	$	$	$
Balance at 30 June 2011	**10,148,485**	**(131,961)**	**10,016,524**
Issue of share capial	1,000,000	-	1,000,000
Loss for the year	-	(1,631,410)	(1,631,410)
Balance at 30 June 2012	**11,148,485**	**(1,763,371)**	**9,385,114**
Loss for the year	-	(1,149,032)	(1,149,032)
Balance at 30 June 2013	**11,148,485**	**(2,912,403)**	**8,236,082**

Statement of Cash Flows

	Note	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	-	172,783,517	134,431,905
Payments to suppliers and employees		-	-	(165,770,726)	(129,609,118)
Interest received		-	-	49,292	84,710
Interest paid		-	-	(1,183,236)	(1,158,881)
Income taxes received/(paid)		-	-	481,013	(967,793)
Net cash provided by operating activities	20	-	-	6,359,860	2,780,823
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for fixed assets & leased assets		-	-	(797,780)	(1,032,908)
Proceeds from the sale of fixed assets		-	-	50,236	39,782
Payments to acquire business assets		-	-	(2,264,529)	-
Net cash used in investing activities		-	-	(3,012,073)	(993,126)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments by / amounts advanced to related parties		-	-	-	(131,961)
Repayment of borrowings		-	-	(1,100,000)	(1,058,308)
Proceeds from issue of ordinary shares		-	-	-	499,999
Net cash used in financing activities		-	-	(1,100,000)	(690,270)
Net increase in cash and cash equivalents		-	-	2,247,787	1,097,427
Cash and cash equivalents at start of year		-	-	1,385,920	288,493
Cash & cash equivalents at end of year	7	-	-	3,633,707	1,385,920

The accompanying notes form part of these financial statements.

1. General Information

Motorcycle Holdings Pty Limited and its Controlled Entities ("the Group") is a proprietary company limited by shares, incorporated and domiciled in Australia. The Parent and Ultimate Parent entity is Motorcycle Holdings Pty Limited. For the purposes of preparing financial statements, the group are for-profit entities.

2. Application of new and revised Accounting Standards

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'

AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement.

The amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

a) items that will not be redassified subsequently to profit or loss
b) items that may be reclassified subsequently to profit or loss

when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reported results or financial position.

Accounting Standards and Interpretations Issued but not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards and Interpretations that apply to the Company is not expected to have material impacts to the financial report, nor significantly effect the disclosures presently made in relation to the company's financial report:

2. Application of new and revised Accounting Standards continued

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard	Effective for annual reporting periods beginning on or	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits'(2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures'(2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014

2. Application of new and revised Accounting Standards continued

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard	Effective for annual reporting periods beginning on or	Expected to be initially applied in the financial year ending
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015

3. Statement of significant accounting policies

a) Financial reporting framework

The financial report is a special purpose financial report prepared to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity, because in the opinion of the directors, there are unlikely to exist users of the financial report who are unable to command the preparation of reports, tailored so as to satisfy specifically all of their information needs.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. Any changes in accounting policies compared to the previous financial year have been disclosed in the Notes to the Financial Statements.

b) Basis of preparation

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations, and the disclosure requirements of the following Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1054	Australian Additional Disclosures

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which fair value basis of accounting has been applied. All amounts have been stated in Australian dollars.

c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated at the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquitted and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively.

c) Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the equity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets,' as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, the reflect the new information obtained about the facts and circumstances that existed as of the acquisition date that, if known, would have affection the amounts recognised as of that date.

d) Principles of consolidation

The consolidated financial statements comprise all controlled entities in which the parent company holds more than half of the issued ordinary share capital. A list of these controlled entities is contained in note 26 of the financial statements.

e) Inventories

Stock on hand has been valued as follows:

New bikes - at the lower of cost and net realisable value.

Spare parts and accessories - at the lower of cost price and net realisable value.

Demonstrator and used bikes - at the lower of cost and net realisable value on a unit by unit basis.

New bike accessories, petrol, oil and work in progress - at the lower of cost and net realisable value.

f) Plant and equipment

(i) Plant and equipment

Plant and equipment is measured initialy at cost. Costs includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include 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:

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 indications of impairment. If any such indications 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 a 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.

g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3(c) above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for the goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

h) Financial instruments

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

h) Financial instruments continued

(v) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

(vi) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Motorcycle stock and related bailment

Motorcycles secured under bailment plans are provided to the company under a bailment agreement between the floorplan loan provider and the company. The company obtains title to the vehicles immediately prior to sale.

Motorcycles financed under bailment plan held by the company are treated as trading stock with the corresponding liability shown as owing to the floorplan provider.

(viii) Classification as debit or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i) Impairment

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation reserve relates to that asset.

Impairment testing is performed at least annually for goodwill and intangible assets with indefinite useful lives, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assesments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised imediately in profit or loss. A reversal of an impairment loss, other than goodwill is recognised as income in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal is recognised as a revaluation increase.

j) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the nominal value.

k) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

(i) Provision for warranties

Provision is made in respect of the company'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 company's history of warranty claims.

l) Income tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

l) Income tax continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination the tax effect is included in the accounting for the business combination.

Motorcycle Holdings Pty Ltd and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Motorcycle Holdings Pty Ltd is responsible for recognising the current tax assets and liabilities for the tax consolidated group. The group formed as an income tax consolidated group on 1 July 2011. The tax consolidated group has entered into a tax sharing agreement where each company in the group contributes to the income tax payable in proportion to their tax payable.

m) Revenue

(i) Sales revenue

Revenue from sale of goods is recognised when the buyer has accepted the risks and rewards of ownership by taking delivery of the goods.

(ii) Service revenue

Service work on customers' motor vehicles is carried out under instruction from the customer. Service revenue is recognised based upon the percentage completion of the work requested. The percentage completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for the service performed. Revenue arising from the sale of parts fitted to customers' vehicles during service is recognised upon delivery of the fitted parts to the customer upon completion of the service.

(iii) Interest revenue

Interest revenue from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.

(iv) Finance and Insurance revenue

Finance and insurance revenue is recognised when the right to receive finance and insurance revenue has been established. Other revenue is recognised when the right to receive the revenue has been established.

(v) Unearned Income

Unearned income represents amounts received or receivable from suppliers in respect of vehicles in stock at the year end or contracted exclusivity bonuses. These amounts are progressively brought to income as the vehicles are sold or as per the terms of the contract.

n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the balance sheet are inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

o) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the leasee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a stright line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

p) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
4 Revenue				
Operating activities				
- Sales of goods and services	-	-	146,771,840	111,311,735
- Interest received	-	-	49,292	84,710
- Other revenue	-	-	10,871,678	8,220,565
Total Revenue	-	-	157,692,810	119,617,010
5 Expenses (excluding finance costs)				
Cost of sales	-	-	118,563,499	89,107,234
Depreciation	-	-	622,571	543,033
Employee benefits expense	-	-	20,501,908	15,850,166
Other expenses from ordinary activities	-	-	10,964,252	9,043,829
	-	-	150,652,230	114,544,262
6 Income tax				
i) Prima facie tax on profit from ordinary activities				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	(492,443)	(489,423)	1,264,760	684,737
Tax effect of:				
- Other non-assessable items	-	-	18,853	77,952
- Recognised deferred tax assets/liabilities	-	489,423	55,203	(577,354)
- Prior year tax adjustment	-	-	77,834	-
Income tax expense	(492,443)	-	1,416,650	185,335
ii) Tax assets				
Deferred tax asset	-	-	1,675,491	1,238,891
7 Cash and cash equivalents				
Cash at bank and on hand	-	-	3,633,707	1,385,920
	-	-	3,633,707	1,385,920

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
8 Trade and other receivables				
Current				
Trade receivables	-	-	1,713,434	1,259,616
GST receivable	-	-	276,012	312,753
Inter group tax loan	1,886,927	-	-	-
	1,886,927	-	1,989,446	1,572,369
Other Receivables	-	-	486,922	279,646
Total Current Receivables	1,886,927	-	2,476,368	1,852,015
Non Current				
Other Receivables	500,000	500,000	500,000	500,000
Deposits paid	-	-	58,228	12,830
Total Non Current Receivables	500,000	500,000	558,228	512,830
Total Trade and Other Receivables	2,386,927	500,000	2,976,368	2,352,015

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
9 Inventories				
Motorcycles	-	-	24,183,024	21,277,686
Accessories	-	-	5,694,286	4,381,535
Spare Parts	-	-	1,885,158	1,479,494
	-	-	31,762,468	27,138,715

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
10 Property, plant and equipment				
Leasehold improvements at cost	-	-	3,531,475	3,271,003
Less: accumulated depreciation	-	-	(674,221)	(539,361)
Total leasehold improvements	-	-	2,857,254	2,731,642
Motor Vehicles at cost	-	-	887,492	727,448
Less: accumulated depreciation	-	-	(421,176)	(381,719)
Total Motor Vehicles	-	-	466,316	345,729
Plant and equipment at cost	-	-	2,612,682	2,261,302
Less: accumulated depreciation	-	-	(1,650,880)	(1,417,263)
Total plant and equipment	-	-	961,802	844,039
Furniture, Fixtures and Fittings at cost	-	-	728,866	710,089
Less: accumulated depreciation	-	-	(306,391)	(259,627)
Total Furniture, Fixtures and Fittings	-	-	422,475	450,462
Low value pool assets at cost	-	-	645,533	574,420
Less: accumulated depreciation	-	-	(394,310)	(275,992)
Total low value pool assets	-	-	251,223	298,428
Total Plant and Equipment	-	-	4,959,070	4,670,300
11 Goodwill				
Goodwill	-	-	22,838,296	20,955,071
12 Other financial assets				
Shares in controlled entities at cost	27,475,540	27,475,540	-	-
13 Trade and other payables				
Unsecured liabilities				
Trade payables	-	-	4,316,915	3,767,450
Other payables and accruals	-	-	2,657,307	2,312,292
Amount payable to related entities	6,810,530	6,810,530	-	-
Total trade and other payables	6,810,530	6,810,530	6,974,222	6,079,742

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
14 Borrowings				
CURRENT				
Secured liabilities				
a) Bank loan	-	-	1,100,000	1,100,000
b) Floorplan finance facilities	-	-	17,265,947	14,202,870
	-	-	18,365,947	15,302,870
NON-CURRENT				
Secured liabilities				
a) Bank loan	-	-	7,456,999	8,556,999
Total secured liabilities	-	-	7,456,999	8,556,999
ASSETS PLEDGED AS SECURITY (excludes intangible assets and deferred tax assets)				
Total assets pledged as security	29,862,467	27,975,540	43,389,841	35,911,538

a) Floorplan financiers are secured by a charge over the vehicles subject to bailment agreements and various levels of security and indemnitites.

b) Interest bearing loans from the Commonwealth Bank of Australia is secured on a fixed and floating charge over the assets and undertakings of the controlled entities of the company only.

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
15 Tax payable				
CURRENT				
Current tax payable / (receivable)	1,394,484	-	1,394,484	(351,758)
NON-CURRENT				
Deferred tax	-	-	1,265,876	732,368
16 Provisions				
CURRENT				
Employee benefits	-	-	1,830,357	1,660,301
Other	-	-	584,759	574,637
	-	-	2,415,116	2,234,938
NON-CURRENT				
Employee benefits	-	-	445,201	180,174
Other	-	-	251,550	124,870
	-	-	696,751	305,044

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
17 Share capital				
Paid-up capital	11,148,485	11,148,485	11,148,485	11,148,485

11,148,485 (2012: 11,148,485) Ordinary shares.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued issued shares do not have a par value.

Fully paid ordinary shares carry voting rights and dividend entitlements.

18 Redeemable non-cumulative preference shares

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
Redeemable preference shares	13,421,371	11,779,896	13,421,371	11,779,893

10,148,485 15% redeemable non-cumulative preference shares were issued by the Company on 30 June 2011. The redeemable non-cumulative preference shares have been classified as a liability. The redeemable preference shares have accumulated interest of $1,641,475 in the current financial year.

19 Auditor's remuneration

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
Remuneration of the auditor for:				
- Auditing and reviewing the financial report	-	-	107,700	92,660
- Other services	-	-	17,500	17,340
	-	-	125,200	110,000

20 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
Net profit/(loss) for the year	(1,149,032)	(1,631,410)	2,799,216	2,356,961
Non-cash flows in profit from ordinary activities				
Depreciation	-	-	622,571	543,033
Changes in assets and liabilities				
(Increase)/ Decrease in trade receivables and other receivables	(1,886,927)	-	(669,751)	37,226
Decrease/(increase) in deferred tax assets	-	-	96,908	733,316
Decrease/(increase) in inventories	-	-	(4,406,246)	(7,044,628)
Increase/(decrease) in floorplan	-	-	3,063,077	2,702,282
Increase/(decrease) in payables	-	-	894,480	2,862,447
Increase/(decrease) in tax payable	1,394,484	-	1,746,242	-
Increase/(decrease) in provisions	1,641,475	1,631,410	2,213,363	590,186
	-	-	6,359,860	2,780,823

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $

21 Capital and leasing commitments

Lease commitments

Non-cancellable property leases contracted for but not capitalised in the financial statements:

	Parent 2013 $	Parent 2012 $	Consolidated 2013 $	Consolidated 2012 $
Payable				
- Not longer than 1 year	-	-	3,503,190	2,702,098
- Longer than 1 year but not longer than 5 years	-	-	6,917,850	10,568,974
Minimum property lease payments	-	-	10,421,040	13,271,072

22 Economic Dependence

The company is economically dependent on several franchisors for the supply of new motorcycles and their trade-related services. These franchisors include:

BMW Australia Ltd
Harley-Davidson Motor Company
Honda Australia Pty Ltd
Kawasaki Motors Pty Ltd
KTM Australia Pty Limited
Kymco Pty Ltd
Motorsport Importers Pty Limited (Megelli, QJ)
Peter Stevens Importers Pty Ltd (Triumph, Hyosung)
Suzuki Australia Pty Ltd
Yamaha Motor Australia Pty Ltd

23 Segment Reporting

The company operates wholly in the motorcycle industry in Australia.

24 Subsequent events

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

25 Company Details

Registered office and principal place of business

The registered office of the company is:
Motorcycle Holdings Pty Limited
Suite 7, Pier 2/3
13 Hickson Road
SYDNEY NSW 2000

The principal place of business is:
Motorcycle Holdings Pty Limited
68 Moss Street
SPRINGWOOD QLD 4127

26 Subsidiaries

	Place of Incorporation	Parent Company's Investment % 2013	2012
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

Director's Declaration

As detailed in Note 3 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this "special purpose financial report" has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Director

Dated this 21 day of October 2013

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Motorcycle Holdings Pty Limited and Controlled Entities

We have audited the accompanying financial report, being a special purpose financial report, of Motorcycle Holdings Pty Limited and Controlled Entities, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year, as set out on pages 4 to 26.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.* We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Motorcycle Holdings Pty Limited and Controlled Entities would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Motorcycle Holdings Pty Limited and Controlled Entities is in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 3, and the *Corporations Regulations 2001.*

Basis of Accounting

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001.* As a result, the financial report may not be suitable for another purpose.

DELOITTE TOUCHE TOHMATSU

Stavroula Papadatos
Partner
Chartered Accountants
Sydney, 21 October 2013