

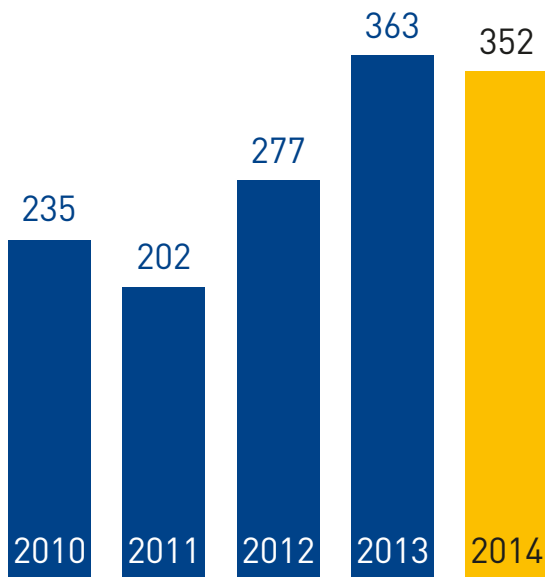


# BUILT STRONG

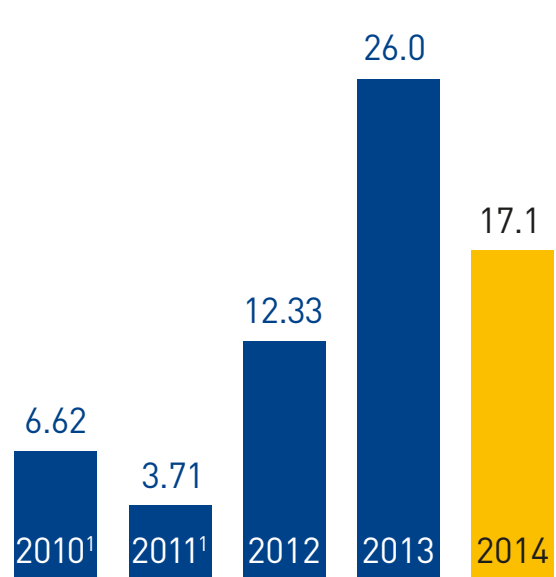
MAXITRANS  
INDUSTRIES  
LIMITED  
ANNUAL  
REPORT  
2014

# 2014 FINANCIAL OVERVIEW

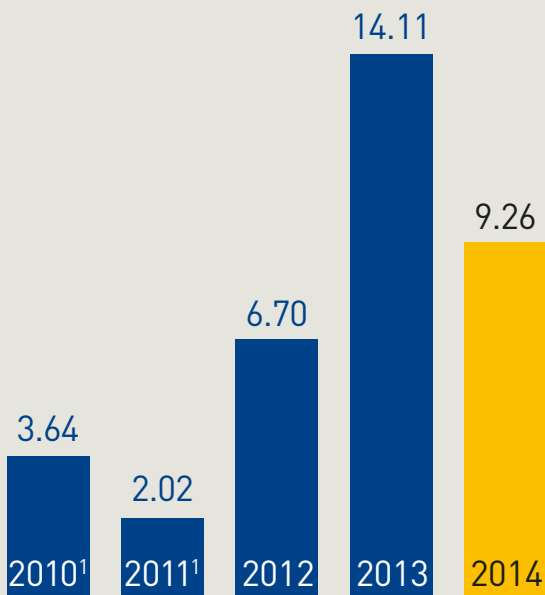
Revenue (\$M)



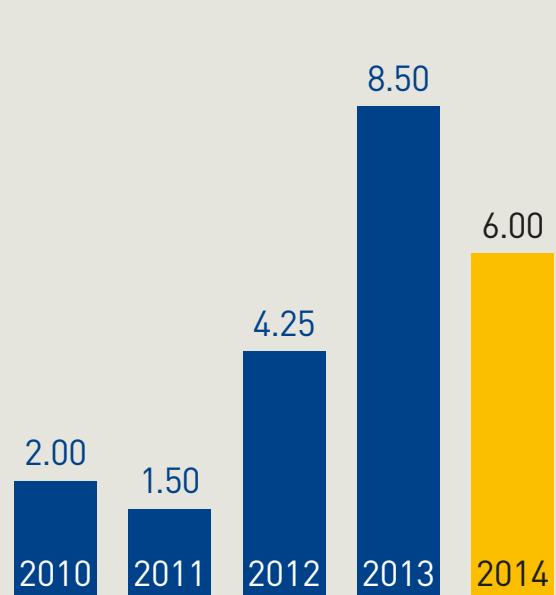
Net Profit After Tax (\$M)<sup>2</sup>



Earning Per Share (Basic) (cents)



Ordinary Dividends Declared Per Share (Cents)



<sup>1</sup> Excludes impairment charges and restructuring costs

<sup>2</sup> Underlying NPAT attributable to Equity Holders

➤ Revenue \$352m

➤ NPAT \$17m (attributable to MXI shareholders)

➤ Performance adversely affected in FY14 by cyclically soft markets

➤ Strong financial position maintained

➤ Business model remains strong to capitalise on future market growth

This is Ivan Tarrant. Since joining the Company 48 years ago, Ivan has personally engineered thousands of trailers and arguably knows more about trailer design than anyone else in Australia. He is just one of a team of highly experienced and dedicated people at MaxiTRANS who have trailers in their DNA. MaxiTRANS trailers are “Built Together” by this team.

**BUILT  
TOGETHER**

# CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

Despite soft and challenging market conditions, MaxiTRANS has delivered a solid result with revenue of \$352 million representing only a 3% reduction from the previous record year. Profit of \$17 million was in line with the trading update provided to the market in April 2014.

Conditions in the transport equipment industry are influenced by cyclical demand factors across a range of industries and, following record results in FY13, a cyclical downturn was evident in FY14. This was reflected in reduced demand for our products in both the Australian Trailer and the Parts and Service businesses. Intense competition across the industry resulted in significant margin decline.

The Board believes MaxiTRANS' strategy will continue to create value for shareholders through the cycle by:

## **Increasing the contribution of the Parts & Service business:**

This activity is ongoing and, during the financial year, included the acquisition of three retail parts stores and the opening of a new store in key geographic areas of NSW. Furthermore, the opening of two greenfield stores in FY14 in Mackay, north Queensland and Darwin in the Northern Territory will capitalise on the growth in those regions.

The Board and Management will continue to identify and critically examine other acquisition opportunities.

## **China expansion**

The opening of a new, substantially larger panel manufacturing plant in China in November 2013 has now placed the business in a strong position to meet increasing Chinese domestic and export demand for its products.

## **Optimising manufacturing efficiency:**

To optimise manufacturing efficiency, the four Australian manufacturing facilities now report under a single management structure which is expected to provide ongoing benefits by:

- improving the efficiency of manufacturing processes;
- continually improving product quality; and
- managing the volume and mix of products produced at each facility.

## **Geographic diversity:**

The strong result in the small, but growing, New Zealand business together with continued strong demand for our panel products in China evidences the benefits of a geographically diverse portfolio as it acts to partially protect against the soft domestic market.

## **TRAILER BUSINESS**

### **Australia**

A soft Australian economy combined with a reduction in investment in the resources sector and continued drought conditions during FY14 led to subdued demand for trailers. These conditions led to intense price competition, adversely impacting trading margins. As a result, sales declined 8.4% during FY14 and net profit before tax declined 38%. Notwithstanding reduced production volumes, factory efficiency remained high.

The launch of the new Freighter AutoHold in late FY14 has been well received and is expected to deliver incremental sales in FY15 thanks to its innovative and patented design that benefits customers through increased operating efficiency.

Maxi-CUBE refrigerated and dry freight vans were also impacted by soft economic conditions. However, a favourable product mix resulted in revenue increasing 4%. Due to increasing demand and a successful sales campaign, Maxi-CUBE finished the year with a strong order bank, well above the prior corresponding period.

FY14 again proved to be a challenging year for the tipper market with continued drought conditions across Queensland and north western New South Wales negatively impacting demand from the agricultural sector, while reduced activity in the housing and construction sector and continued contraction in mining investment during FY14 also had adverse impacts. Good rains in late FY14 bring hope of a good grain season in southern Australia and a positive impact on the tipper business in FY15.

### **New Zealand**

The introduction of new Freighter products combined with a strong economy led to a marked improvement in the New Zealand business performance in FY14. Revenue for the New Zealand business increased 48% over the prior year and the realisation of manufacturing efficiencies also translated to an improved profit performance for the business. MaxiTRANS New Zealand finished the year with its order bank up 114% on the prior year.

## **PARTS & SERVICE BUSINESS**

Revenue for the Parts & Service business increased 7% over the prior year, largely due to a stronger performance from the Australian service and repair business. However, net profit before tax declined 25% due to the poor trading conditions and a number of non-recurring items affecting the MaxiPARTS business.



AZMEB Side Tipper Quad Road Train



Quad Maxi-CUBE Reefer built by MaxiTRANS NZ

➤ We have commenced FY15 in a strong financial position, well placed to support further growth initiatives and capitalise on any market improvements.



Hamelex White Rigid Truck and Quad Dog Tipper Combination

## Australia

The MaxiPARTS business experienced a softening in the parts market in FY13 and this continued throughout FY14. This was particularly noticeable in Gladstone, the location of our single largest store, where activity in the resources sector shifted from the construction phase to production. Whilst the opening of new greenfield stores in Mackay and Darwin in FY14 should benefit from new resource sector activity at those locations and mitigate the Gladstone decline, the start-up costs on those greenfield stores impacted FY14 profit. The business continued its growth strategy by also opening or acquiring a number of retail businesses to build on the NSW store footprint, bringing the total number of wholesale and retail stores to twenty five.

The MaxiPARTS business was also adversely impacted by the withdrawal from the market in early FY14 of a core third party product for quality reasons. The quality issue has now been identified and the product is expected to be back in the market in mid FY15.

## China

FY14 was a landmark year for MTC as it opened its new facility in Yangzhou in November, 2013. Whilst demand for MTC's refrigerated and dry freight panel product has remained strong, the result was impacted by capacity constraints from the transition to the new manufacturing facility and commissioning costs incurred as a result. The new facility is significantly larger than the previous site and incorporates new panel manufacturing technology that will cater for the growth in demand for MTC's products in both domestic and export markets.

Efficiency improvements continue to be achieved and, together with the non-recurrence of commissioning costs, should translate to improved financial performance in future periods.

## OTHER BUSINESS INITIATIVES

During the year, the Company entered into a \$75 million syndicated debt facility with Westpac and ANZ, the proceeds from which were used to refinance the Company's existing debt facilities. The new facilities, which provide longer term funding at a reduced cost, are available to the Company to assist in funding its working capital requirements, capital expenditure and potential future acquisitions. The support shown by the Company's bankers is testament to the Group's strong financial position. This will provide the Company with greater funding capacity to continue to pursue its growth objectives.

The Company also commenced two major initiatives across the business during FY14 to uphold its corporate social responsibilities and improve business systems capability:

### Health & Safety

The Board approved a major program, known as "MaxiSAFE", that commenced in FY14 to step change the safety culture across the organisation and provide a high level of care for all employees. This program will initially be conducted over a three year period at eight principal sites. It equips and empowers management to drive significant improvements in health and safety, engaging all employees in a cultural shift in respect of work health and safety. The same improvements will be progressively implemented across all Company sites.

## Business Transformation Program

Recognising the Company's history of growth through acquisitions, each with their own legacy systems, the Board approved a significant investment in a business transformation program known as "Project TRANSform".

Project TRANSform will replace thirteen outdated legacy IT systems with a single enterprise resource planning system across the business. This will allow the Company to streamline many business processes, thus creating operational efficiencies and mitigating business risk.

## DIVIDENDS

The Board is pleased to confirm that a fully franked final dividend of 2.25 cents per share will be paid on 10 October, 2014 to all holders of ordinary shares at the record date, 26 September, 2014. This follows the fully franked interim dividend of 3.75 cents per share paid on 17 April, 2014 taking the total dividend to shareholders for the year to 6.0 cents per share, fully franked, representing a pay-out ratio of 65% of FY14 net profit after tax attributable to MXI shareholders.

## OUTLOOK

In Australia, we expect market conditions in FY15 to be subdued and consistent with the prior year.

The Trailer business has had a particular focus on improving product design and quality and, in the absence of any real improvement in Australian economic conditions, we believe this will position the business to increase volume through additional market share. Together with a number of manufacturing efficiency initiatives being implemented across the business, we should also see margins improve.

Subject to economic conditions, we expect an improved contribution from the Parts & Service business over the outlook period as we integrate the store acquisitions from FY14 and continue to grow and develop the new greenfield stores in Mackay and Darwin. The relaunch of the CS9i Air Suspension product in mid FY15 should also benefit the Parts & Service business during FY15.

In our offshore markets, New Zealand should continue to benefit from a strong economy and the expanding product range.

As capacity and product quality continue to improve at our new MTC manufacturing facility in China, we are well positioned to take advantage of continued strong demand for our product in China and export markets.

With a sound balance sheet and improved financial capacity, we have commenced FY15 in a strong financial position, well placed to support further growth initiatives and capitalise on any market improvements.



**Ian Davis**  
Chairman



**Michael Brockhoff**  
Managing Director

# BUILDING DIVERSITY

## MAXIPARTS



Pictured at right is the new MaxiPARTS store in Darwin, opened in June 2014. One of two greenfield sites opened by MaxiPARTS in the past year, the other being in Mackay, this store is designed to service the growth in resources projects in the Northern Territory whilst also servicing the truck and trailer parts market. The new Darwin MaxiPARTS sets a new and higher standard for this type of business in the Northern Territory. Large and modern, it stocks a wide range of parts for the servicing and repair of trucks and trailers and is backed by MaxiPARTS' chain of national wholesale warehouses to ensure prompt re-supply.



## CHINA



Maxi-CUBE Tong Composites (MTC) recently moved into an all new, substantially larger facility in Yangzhou. The new facility incorporates new manufacturing technology to cater for growth in demand in both the Chinese domestic and export body building markets.



# BUILDING INNOVATION

## QUBE LOGISTICS



QUBE Logistics required 53 innovative trailers to transport 700,000 tonnes p.a. of harvested cane from the field in the Atherton Tablelands region to the sugar mill in Mosman. In the field, cane harvesters tip the cut cane into unique semi-trailer mounted bins. The loaded bins are then transported by road to an intermodal depot near the mill, where they are shifted sideways onto rail cars by hydraulic rams built into the trailers. From there, the cane bins travel by rail to the mill. Freightier engineers recalled building similar units in the past and set about designing modern skeletal trailers, complete with automated locking devices to restrain the bins and facilitate safe transport, along with hydraulic rams for fast loading and unloading onto the rail cars.



## FREIGHTER AUTOHOLD



The Freighter AutoHold is a quick release curtain sided trailer combined with Freighter's patented "LoadHold" load restraint curtains. The AutoHold has been developed to eliminate the need to manually fasten and unfasten every buckle when accessing the load space on a TautLiner. AutoHold's fastening and unfastening happens automatically with the push of a button, thus significantly increasing efficiency. The AutoHold is already winning new customers thanks to its simplicity, reliability and efficiency. It is patent protected.





# BOARD OF DIRECTORS



Left to right:

**Michael Brockhoff** Managing Director

**Ian Davis** Chairman & Non-Executive Director

**Robert Wylie** Non-Executive Director

**James Curtis** Deputy Chairman & Non-Executive Director

**Geoffrey Lord** Non-Executive Director

**Joseph Rizzo** Non-Executive Director

## OFFICES & OFFICERS

### Company Secretary

Mr. C. Richards  
Registered Office  
346 Boundary Road  
Derrimut VIC 3030

### Principal Place of Business

346 Boundary Road  
Derrimut VIC 3030

### Contact numbers

Tel +61 3 8368 1100  
Fax +61 3 8368 1178

### Share Registry

Computershare Investor  
Services  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

### Solicitors

Minter Ellison  
Level 23, Rialto Towers  
525 Collins Street  
Melbourne VIC 3000

### Auditor

KPMG  
147 Collins Street  
Melbourne VIC 3000

### Bankers

Australia and New Zealand  
Banking Group Limited  
Westpac Banking Corporation

### Stock Exchange

The Company is listed on the  
Australian Securities  
Exchange. The Home  
Exchange is the Australian  
Securities Exchange.  
The Company's home branch  
of the Australian Securities  
Exchange is Melbourne.

### Other Information

MaxiTRANS Industries  
Limited  
ACN 006 797 173 incorporated  
and domiciled in Australia,  
is a publicly listed company  
limited by shares.



# REPORT OF THE DIRECTORS AND FINANCIAL REPORT

MaxiTRANS Industries Ltd ACN 006 797 173 and Controlled Entities

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# REPORT OF THE DIRECTORS AND FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

## Financial Summary

		F2010	F2011	F2012	F2013	F2014
Revenue	<b>\$'000</b>	235,387	202,476	276,767	362,534	<b>351,968</b>
EBITDA	<b>\$'000</b>	14,741	11,230	23,549	44,219	<b>30,594</b>
EBIT	<b>\$'000</b>	8,712	5,879	18,116	38,316	<b>25,185</b>
NPBT	<b>\$'000</b>	7,124	4,341	16,795	36,358	<b>23,172</b>
NPAT – attributable to equity holders	<b>\$'000</b>	5,766	4,171	12,334	25,965	<b>17,075</b>
Significant Items in NPBT	<b>\$'000</b>	(1,218)	(70)	–	–	–
Basic EPS	<b>cents</b>	3.17	2.27	6.70	14.11	<b>9.26</b>
Ordinary dividends/share declared	<b>cents</b>	2.00	1.50	4.25	8.50	<b>6.00</b>
Depreciation	<b>\$'000</b>	4,296	3,697	3,818	3,309	<b>3,600</b>
Amortisation – leased assets	<b>\$'000</b>	801	874	835	1,446	<b>690</b>
Amortisation – intangibles	<b>\$'000</b>	932	780	780	1,148	<b>1,119</b>
Capex additions	<b>\$'000</b>	6,329	3,888	4,701	6,706	<b>13,239</b>
Operating cash flow	<b>\$'000</b>	8,723	9,058	17,567	23,543	<b>16,612</b>
NTA	<b>\$'000</b>	63,432	64,652	55,033	71,662	<b>75,876</b>
Net assets	<b>\$'000</b>	88,513	91,722	98,695	115,764	<b>121,813</b>
Interest bearing liabilities	<b>\$'000</b>	24,039	16,161	29,884	26,218	<b>42,580</b>
Finance costs	<b>\$'000</b>	1,588	1,538	1,321	1,958	<b>2,013</b>
Total bank debt	<b>\$'000</b>	20,000	12,700	26,000	23,013	<b>39,713</b>
Net debt/equity	<b>%</b>	25%	11%	26%	21%	<b>31%</b>
Interest cover	<b>times</b>	6.25 <sup>(i)</sup>	3.87 <sup>(i)</sup>	13.71	19.57	<b>12.51</b>

<sup>(i)</sup>Pre significant items

# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

This statement reflects MaxiTRANS Industries Limited's ('MaxiTRANS' or 'the Company') corporate governance policies and practices as at 30 June 2014 and which, unless otherwise stated, were in place throughout the year. The essential corporate governance principles incorporating the best practice recommendations of the ASX Corporate Governance Council ('Council'), together with MaxiTRANS' policies and procedures and the Company's compliance with the Council recommendations, are as follows:

## 1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegated to management

#### Role and responsibility of the Board and management

The Board acts on behalf of shareholders and is accountable to shareholders for the overall direction, management and corporate governance of the Company. The MaxiTRANS Board Charter formally defines the role and responsibilities of the Board.

The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the Managing Director;
- monitoring the performance of the Managing Director;
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and Company Secretary;
- ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices;
- approving succession plans for the management team;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;

- providing strategic advice to management;
- reporting to shareholders and ensuring that all regulatory requirements are met;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- monitoring compliance with regulatory requirements and the Company's own ethical standards and policies;
- determining dividend payment and financing of dividend payment;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- monitoring and ensuring compliance with best practice corporate governance requirements.

#### Role and responsibility of senior management

Responsibility for the day to day management and administration of MaxiTRANS is delegated by the Board to the Managing Director and the executive management team. The management team manages MaxiTRANS in accordance with the strategy, plans and policies approved by the Board. The Board has in place procedures to assess the performance of the management team.

MaxiTRANS has a Managing Director and a Chief Financial Officer (CFO).

- The Managing Director plans and directs all aspects of MaxiTRANS' policies, objectives and initiatives, and is responsible for the short and long term profitability and growth of MaxiTRANS.
- The Managing Director demonstrates expertise in a variety of concepts, practices, and procedures and relies on extensive experience and judgement to plan and accomplish goals.

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2014

- The Managing Director has an excellent understanding of MaxiTRANS, its products and the market in which it operates.
- The Managing Director leads and directs the work of others employed by MaxiTRANS. A wide degree of creativity and latitude is expected of the Managing Director to ensure the continued success of MaxiTRANS.
- The CFO is responsible for directing MaxiTRANS' overall financial policies and reports to the Managing Director.
- The CFO oversees all financial functions including accounting, budgeting, credit, insurance, tax, and treasury. In this role, the CFO designs and coordinates a wide variety of accounting and statistical data and reports.
- A wide degree of creativity and latitude is expected, and the CFO is expected to have considerable experience to be able to contribute to the ongoing success of MaxiTRANS.
- The Managing Director and CFO are appointed under formal letters of appointment that describe their duties, rights and responsibilities and entitlements on termination.

## **Recommendation 1.2:**

### **Disclose the process for evaluating the performance of senior executives**

Refer to the Remuneration Report in the Report of the Directors.

## **Recommendation 1.3:**

### **Report on whether a performance evaluation for senior executives has taken place and any departure from Principle 1 recommendations**

An evaluation of the performance of senior executives was undertaken during the year in accordance with the process determined by the Board.

## **2. PRINCIPLE 2:**

### **STRUCTURE THE BOARD TO ADD VALUE**

## **Recommendation 2.1:**

### **A majority of the Board should be independent directors**

MaxiTRANS presently has five non-executive directors, four of whom are considered by the Board to be independent, and one executive director.

## **Non-Executive Directors**

Mr. Ian Davis (Chairman) – Independent  
Mr. James Curtis (Deputy Chairman) – Not independent  
Mr. Geoff Lord – Independent  
Mr. Robert Wylie – Independent  
Mr. Joseph Rizzo - Independent

## **Executive Director**

Mr. Michael Brockhoff (Managing Director) – Not Independent

The MaxiTRANS Board Charter defines independence in accordance with the principles set out in the Council's best practice recommendations. The Board has established a 5% threshold for material dealings or associations with MaxiTRANS.

At the date of this report, a majority of the MaxiTRANS Board is independent. The Board has formalised a number of measures to ensure that all directors exercise independent judgement in decision making:

- Directors are expected to cast their vote on any resolution in accordance with their own judgement.
- Directors are expected to comply with their legal, statutory and equitable duties when discharging their responsibilities as directors. Broadly, these are duties to:
  - (i) Act in good faith and in the best interests of MaxiTRANS as a whole;
  - (ii) Act with care and diligence;
  - (iii) Act for proper purposes;
  - (iv) Avoid a conflict of interest or duty; and
  - (v) Refrain from making improper use of information gained through the position of director and taking improper advantage of the position of director.
- Directors may access information and seek independent advice that they consider necessary to fulfil their responsibilities and to exercise independent judgement in decision making.
- Directors are expected to be sensitive to conflicts of interest that may arise and be mindful of their fiduciary obligations to MaxiTRANS and:
  - (i) Disclose to the Board any actual or potential conflicts of interest which may exist or might reasonably be thought to exist as soon as the situation arises;

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2014

- (ii) Take steps as are necessary and reasonable to resolve any conflict of interest;
  - (iii) Comply with the Corporations Act 2001 provisions on disclosing interests and restrictions on voting; and
  - (iv) If a conflict situation exists, it is expected that where a matter is being discussed by the Board to which the conflict relates, the director will be absent from the room.
- To assess and develop the necessary and desirable competencies of Board members;
  - To develop and review Board succession plans;
  - To evaluate the performance of the Board;
  - To ensure the appropriate mix of skills and the diversity of the Board members is considered when assessing the composition of the Board; and
  - To recommend to the Board, the appointment and removal of directors.

The MaxiTRANS Board is well balanced, comprising directors who are proficient in all of MaxiTRANS' business portfolios with an appropriate range of skills, experience and expertise to complement the MaxiTRANS business, who have a proper understanding of and are competent to deal with current and emerging issues relevant to the transport industry and who can effectively review and challenge the performance of management and exercise independent judgement.

Refer to the Report of the Directors for details of directors' skills, experience and expertise.

The Board acknowledges that all Directors, whether independent or not, should bring independent judgement to bear on all Board decisions. To facilitate this, each Director has access in appropriate circumstances to independent professional advice at the expense of the Company.

**Recommendation 2.2:  
The Chairperson should be an independent director**

MaxiTRANS' Chairman, Mr. Ian Davis, is considered by the Board to be an independent director.

**Recommendation 2.3:  
The roles of chairperson and chief executive officer should not be exercised by the same individual**

The roles of chairperson and managing director are exercised by Mr. Ian Davis and Mr. Michael Brockhoff respectively.

**Recommendation 2.4:  
The Board should establish a nomination committee**

The MaxiTRANS Nomination Committee was formally constituted on 27 June 2003. All Board members are members of the Nomination Committee at the date of this report.

The duties and responsibilities of the Board in its role as Nomination Committee are as follows:

**Recommendation 2.5:  
The Board should establish and disclose the process for evaluating the performance of the Board, its committees and individual directors**

The Board reviews the performance of key executives against measurable and qualitative indicators to ensure that the full potential of MaxiTRANS is being met.

New Board members will be offered induction programs to allow them to fully and actively participate in decision making at the earliest opportunity. The induction programs are designed to ensure that any new director has a comprehensive knowledge of MaxiTRANS, the industry and the market in which it operates.

Directors and key executives are encouraged to continually update and enhance their skills and knowledge. Directors and key executives are encouraged to become members of relevant industry groups and professional organisations and to update and enhance their skills and knowledge through appropriate education and training courses.

For the purposes of evaluating its own performance and assisting the Board in its responsibilities in relation to corporate governance, the Board has established a Corporate Governance Committee.

At the date of this report the members of the MaxiTRANS Corporate Governance Committee are Messrs. Ian Davis (Chairman), James Curtis, Robert Wylie, Geoff Lord and Joseph Rizzo. Refer to the Report of the Directors for details of attendance by directors at Corporate Governance Committee meetings.

The committee's responsibilities are to review and make recommendations to the Board regarding:

- The review of MaxiTRANS' corporate governance policies and procedures; and
- Review and assessment of appropriate performance benchmarks for the Board and management.

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### Recommendation 3.1:

Establish and disclose a code of conduct as to:

- The practices necessary to maintain confidence in the Company's integrity;
- The practices necessary to take into account the Company's legal obligations and reasonable expectations of its stakeholders; and
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

MaxiTRANS recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

MaxiTRANS intends to maintain a reputation for integrity. The Board has adopted a Code of Conduct which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions in respect of responsibilities to shareholders, customers, clients, consumers and the community. The Code also sets guidelines in respect of employment practices, fair trading and dealing as well as conflicts of interest.

A key element of that Code is the requirement that officers and employees act in accordance with the law and with the highest standards of propriety. The Code and its implementation are reviewed each year.

### Recommendation 3.2:

Establish and disclose a policy concerning diversity

MaxiTRANS has in place a workplace diversity policy which confirms its commitment to, amongst other things, diversity in age, gender, ethnicity and cultural background.

MaxiTRANS believes that the furtherance of diversity in the workplace provides benefits to the business.

MaxiTRANS wishes to benefit from the best available talent in the market place and is committed to promoting an environment which is conducive to the appointment of suitably experienced and/or well qualified employees, senior management and Board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.

MaxiTRANS implements and maintains adherence to its commitment to diversity by:

- Ensuring that diversity is considered when determining the composition of employees, senior management and the Board including the recruitment of employees from a diverse pool of qualified candidates;
- Ensuring that internal recruitment processes and professional intermediaries are aware of the factors that should be taken into account in the identification, evaluation and selection process;
- Identifying programs that assist in the development of a broader pool of skilled and experienced candidates including initiatives focussed on skills development and career progression;
- Recognising the importance of balancing workplace and domestic responsibilities and priorities; and
- Maintaining transparency in the recruitment and selection process.

### Recommendation 3.3:

Disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them

The Board will continue to consider and evaluate the implementation and setting of measurable objectives for achieving gender diversity, including at Board and senior management level, which are linked to MaxiTRANS' circumstances and industry. The objectives shall not be managed toward any targets that would exclude or prevent the employment or tenure of any appropriately experienced, qualified or suitable person for any reason.

### Recommendation 3.4:

Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board

As at 30 June 2014 women employees represented approximately 9% (9% in 2013) of the total workforce. There are currently no women in senior executive positions or on the Board. A copy of the company's 2014 Workplace Gender Equality Report is accessible under the Corporate Governance section of the MaxiTRANS website, [www.maxitrans.com](http://www.maxitrans.com).

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Recommendation 4.1:

#### The Board should establish an audit committee

The MaxiTRANS Audit and Risk Management Committee was established in 1994.

### Recommendation 4.2:

#### Structure the audit and risk management committee so that it consists of:

- Only non-executive directors;
- A majority of independent directors;
- An independent chairperson, who is not chairperson of the Board; and
- At least three members.

At the date of this report the members of the MaxiTRANS Audit and Risk Management Committee are Messrs. Robert Wylie, (Chairman), independent non-executive director, James Curtis, non-executive director, Ian Davis, independent non-executive director, Geoff Lord, independent non-executive director and Joseph Rizzo, independent non-executive director. Details of attendances by directors are to be found in the Report of the Directors.

The members of the Committee are well qualified to perform their duties as set out in the Charter with strong financial, legal and industry expertise.

At the date of this report, the composition of the MaxiTRANS Audit and Risk Management Committee complies with Best Practice recommendation 4.2 in all respects.

The external auditor met with the Audit and Risk Management Committee three times during the year without management being present.

### Recommendation 4.3:

#### The Audit and Risk Management Committee should have a formal charter

The charter of the MaxiTRANS Audit and Risk Management Committee clearly sets out the Committee's role and responsibilities, composition, structure and membership requirements. The Audit and Risk Management Committee has the right to access management and seek independent professional advice in accordance with the Board Charter.

The primary role of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities. In particular, the Committee will focus on:

- verifying and safeguarding the integrity of the Company's financial reporting;
- internal management processes and controls;
- the removal, selection and appointment of the external auditor and the rotation of the external audit engagement partner; and
- review of risk management and internal compliance and control systems.

## 5. PRINCIPLE 5:

### PROVIDE TIMELY AND BALANCED DISCLOSURE OF ALL MATERIAL MATTERS CONCERNING THE COMPANY

#### Recommendation 5.1:

#### Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance

MaxiTRANS has adopted a Continuous Disclosure Protocol. The Company Secretary has been appointed the Disclosure Officer and is required to collate and, subject to advising the Board, disclose share price sensitive information.

The Continuous Disclosure Protocol provides guidelines on:

- what must be disclosed;
- responsibilities of the Board in relation to disclosure matters;
- responsibilities of the Disclosure Officer; and
- responsibilities of senior management in relation to disclosure matters.

The only persons authorised to communicate with news media, analysts, shareholders and the general public in relation to any matter which is subject to this policy on continuous disclosure are the Chairman, the Chief Executive Officer, the Chief Financial Officer and any other person authorised by the Chairman or Chief Executive Officer from time to time.



# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

### **Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings**

The Company respects the rights of shareholders and seeks to facilitate the effective exercise of those rights. The Company does this by communicating effectively with shareholders, giving shareholders ready access to balanced and understandable information about the Company and corporate records and making it easy for shareholders to participate in general meetings.

The Company publishes all ASX announcements on the MaxiTRANS website, and also sends information to shareholders by mail or e-mail (where nominated). The MaxiTRANS website contains important information on the Company which is of use to shareholders in obtaining a greater understanding of the Company.

Notices of meeting are drafted in plain English to be easy and clear to understand. They are honest, accurate and not misleading. Meetings are held during normal business hours and at a place convenient for the greatest possible number of shareholders to attend.

The MaxiTRANS website also provides to shareholders and other stakeholders the facility to read and download annual reports, ASX announcements and corporate governance policies and procedures.

## 7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### **Recommendation 7.1: The Board or appropriate Board committee should establish policies on risk oversight and management of material business risks**

The Board is responsible for reviewing and ratifying systems of risk management and internal compliance and control. The Board has delegated to the Audit and Risk Management Committee the responsibility for establishment of policies on risk oversight and management. Specifically, the Audit and Risk Management Committee has responsibility to:

- Review management programs for monitoring and identifying significant areas of risk for the Company, (including sustainability risk);

- Review and assess management information systems and internal control systems;
- Review the insurance program for the MaxiTRANS Group; and
- Review occupational health and safety practices and compliance with legislation.

### **Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed**

Management has established and implemented the risk management system for assessing, monitoring and managing material business risks, including sustainability risk.

Management has provided a report to the Audit and Risk Management Committee that outlines the material business risks to the Company and reports on the status of the risks and effectiveness of controls through integrated risk management programs aimed at ensuring risks are identified, assessed and properly managed. Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

### **Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material respects in relation to financial reporting risks.**

In accordance with the MaxiTRANS Audit and Risk Management Committee Charter and section 295 of the Act, the Managing Director and Chief Financial Officer of MaxiTRANS are required to declare in writing to the Board under section 295A(2) of the Act that, in their opinion, MaxiTRANS' financial records have been properly maintained in accordance with section 286 of the Act; MaxiTRANS' consolidated financial statements and associated notes required by the relevant accounting standards present a true and fair view of the Company's financial condition and operational results and comply with relevant accounting standards. The declaration is also underpinned by representations from executive management and relevant accounting officers.

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2014

The declaration by the Managing Director and Chief Financial Officer also confirms the existence of a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that MaxiTRANS' risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

## **8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **Recommendation 8.1: The Board should establish a remuneration committee**

The MaxiTRANS Remuneration Committee was established in 1994.

At the date of this report the members of the MaxiTRANS Remuneration Committee are Messrs. Ian Davis (Chairman), James Curtis, Geoff Lord and Joseph Rizzo. Refer to the Report of the Directors for details of attendance by directors at Remuneration Committee meetings. The committee's responsibilities are to review and make recommendations to the Board regarding:

- The remuneration of the Managing Director, other senior executives and the non-executive directors;
- The remuneration policies and practices for the Company including participation in the incentive plan, share scheme and other benefits; and
- Superannuation arrangements.

### **Recommendation 8.2: The remuneration committee should be structured so that it:**

- **Consists of a majority of independent directors;**
- **Is chaired by an independent chair; and**
- **Has at least three members.**

The MaxiTRANS Remuneration Committee consists of a majority of independent directors, is chaired by an independent chairperson and has at least three members.

### **Recommendation 8.3: Clearly distinguish the structure of non-executive directors' remuneration from that of senior executives.**

Non-executive directors receive a fixed fee, no termination benefits, and no incentives. Fees paid to non-executive directors are benchmarked against similar sized companies operating in similar industries. Non executive directors are not entitled to participate in any executive option or executive share scheme.

The aggregate amount of directors' fees payable to non-executive directors must not exceed the maximum amount permitted under the MaxiTRANS Constitution of \$600,000, as approved by shareholders at the Company's Annual General Meeting on 19 October 2012.

Executive directors have access to salary, termination benefits, superannuation benefits, a vehicle allowance, short term and long term incentives.

The letters of appointment for directors clearly set out all relevant entitlements as applicable to executive and non executive directors.

The level of remuneration paid to executive directors, non-executive directors and key management personnel is set out in the Remuneration Report.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2014

Your directors submit their report together with the consolidated financial report of MaxiTRANS Industries Limited ("the Company") and its subsidiaries (together referred to as the "Group"), and the Group's interest in joint ventures for the year ended 30 June 2014 and the auditor's report thereon.

## Directors

The names of directors in office at any time during or since the end of the financial year are:

<b>Mr Ian R. Davis</b>	(Chairman since 1994)
<b>Mr James R. Curtis</b>	(Deputy Chairman since 1994)
<b>Mr Michael A. Brockhoff</b>	(Managing Director since 2000)
<b>Mr Geoffrey F. Lord</b>	(Director since 2000)
<b>Mr Robert H. Wylie</b>	(Director since 2008)
<b>Mr Joseph Rizzo</b>	(Director since 12 June, 2014)

## Principal Activities

The principal activities of the Group during the year consisted of the design, manufacture, sale, service and repair of transport equipment and related components and spare parts.

There were no changes in the nature of the Group's principal activities during the financial year.

## Dividends

Dividends paid or declared for payment are as follows:

### Ordinary shares

A fully franked dividend of 4.25 cents per share was paid on 11 October 2013 totalling \$7,819,721.

A fully franked dividend of 3.75 cents per share was paid on 17 April 2014 totalling \$6,940,340.

A fully franked dividend of 2.25 cents per share has been proposed by the directors after reporting date for payment on 10 October 2014. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

## State of Affairs

There were no significant changes in the state of affairs of the Group which occurred during the financial year.

## Events Subsequent to Balance Date

There were no material events subsequent to balance date impacting on the financial statements.

## Environmental Regulation

The Group's environmental obligations are regulated under Local, State and Federal Law. All environmental performance obligations are internally monitored and subjected to regular government agency audit and site inspections. The Group has a policy of complying with its environmental performance obligations. No breach of any environmental regulation or law has been notified to the Group during or since the year ended 30 June 2014.

## Operating & Financial Review

### REVIEW OF OPERATIONS

MaxiTRANS operates two types of businesses: the manufacture and sale of trailing solutions in Australia and New Zealand (the "Trailer business"); and a trailer service and truck and trailer parts business down the eastern seaboard of Australia ("the Parts and Service business"). The Parts and Service business also has an 80% share in a Chinese company, Yangzhou Maxi-CUBE Tong Composites Co Ltd ("MTC"), that manufactures panels for refrigerated and dry freight trailers in China. MTC sells these products in both its domestic and export markets.

Acknowledging the Group achieved record revenue and profit in FY13, a soft Australian market in FY14 had an adverse impact on both the Australian Trailer and Parts & Service businesses. In contrast, the business benefited from an improving New Zealand economy and we are well positioned to capitalise on the continued strong demand for our panel product in China.

### Trailer business

The Trailer business has a diverse portfolio of trailing solutions with market leading brands and a reputation for high quality with customers. Sales of products through our dealer network, comprising both owned dealerships and licenced dealerships provides a full solution including after sales service and parts to those customers.

A soft Australian economy combined with a reduction in investment in the resources sector and continued drought conditions during FY14 led to subdued demand for trailers in Australia. These conditions led to intense price competition in the market, adversely impacting trading margins. As a result, sales for FY14 declined by 8.4% and net profit before tax declined by 38%.

Notwithstanding reduced production volumes, factory efficiency remained high.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2014

## *Vans, Trailers and Rigid Bodies (Australia)*

With the soft general economic conditions and reduction in mining investment, demand for Freighter products was adversely impacted with total Freighter sales declining by 8% over the prior year. Launch of the new Freighter AutoHold in late FY14 has been well received and is expected to deliver incremental sales in FY15 thanks to its innovative and patented design that benefits customers through increased operating efficiency.

Maxi-CUBE refrigerated and dry freight vans were also impacted by the soft economic conditions with unit sales down on the prior year. However, favourable product mix resulted in revenue increasing 4%. Due to improving demand and a successful sales campaign, Maxi-CUBE finished the year with a strong order bank, well above the prior corresponding period.

The first full year of majority (80%) ownership of the highly regarded South Australian trailer distributor, Transport Connection, continued to have a positive effect on the business. Transport Connection was already a distributor for MaxiTRANS' Hamelex White tipper brand and its acquisition has enabled the consolidation all of MaxiTRANS brands in a single distribution channel to optimise impact on the South Australian market. Unit sales from Transport Connection were improved on FY13 and was a pleasing result in an otherwise challenging market.

## *Tipplers (Australia)*

FY14 again proved to be a challenging year for the tipper market. Continued drought conditions across Queensland and north western New South Wales negatively impacted demand from the agricultural sector. Slower activity in the housing and construction sector and the continued contraction in mining investment during FY14 also had an adverse impact on tipper sales. These conditions are reflected in tipper sales being 18% below prior year.

Good rains in late FY14 bring hope of a good grain season in southern Australia and a positive impact on the tipper business in FY15.

## *New Zealand*

The New Zealand business has diversified its product portfolio by investing in the development of a number of new products under the Freighter brand, specifically tailored to the New Zealand market. Traditionally, the New Zealand product range has concentrated on refrigerated truck bodies and trailers. The new Freighter range has substantially broadened the product portfolio and has been accepted well in the New Zealand market with Freighter sales increasing 101% above FY13.

Demand created by the strengthening New Zealand economy also saw revenue from the foundation Maxi-CUBE products increase 34% over the prior year. The realisation of manufacturing efficiencies also translated to an improved profit performance for the business.

This strategy continues to have a positive impact, with an order bank 114% higher at the end of FY14 than FY13.

## **Parts & Service business**

The Parts & Service business sells truck and trailer parts at both a wholesale and retail level in Australia. The retail business sells parts to road transport operators as well as truck and trailer service and repair providers mainly along the eastern seaboard of Australia. The wholesale business operates in Victoria, Queensland, New South Wales and Western Australia. Wholesale customers are typically truck dealers and trailer manufacturers. At the end of FY14, MaxiPARTS operated 25 wholesale sites and retail stores.

In FY14, external revenue from the Parts & Service business increased by 7% however profit before tax declined by 25%. This is discussed further below.

As outlined above, the Parts & Service business also includes the panel manufacturing operation in China through our 80% shareholding in MTC.

## *Australia*

The MaxiPARTS business experienced a softening in the Parts market in FY13 and this continued throughout FY14. This was particularly noticeable in Gladstone, the location of our single largest store, where activity in the resources sector shifted from the construction phase to production.

Whilst the opening of new greenfield stores in Mackay and Darwin in FY14 should benefit from new resources activity at those locations and mitigate the Gladstone decline, the start-up costs on these stores impacted FY14 profit.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2014

The business continued its growth strategy by opening or acquiring a number of retail businesses to build on the NSW store footprint. These stores are located at:

- Moorebank (relocation from Ingleburn),
- Central Coast (Warnervale),
- Dubbo; and
- Wagga Wagga

and brings to 25 the total number of wholesale and retail stores across Australia.

The Parts business was also adversely impacted by the withdrawal from the market in early FY14 of a core third party product for quality reasons. The quality issue has now been identified and the product is expected to be back in the market in mid FY15.

## *China*

FY14 was a landmark year for MTC as it opened its new facility in Yangzhou in November, 2013. Whilst demand for MTC's refrigerated and dry freight panel product has remained strong, the result was impacted by capacity constraints from the transition to the new manufacturing facility and commissioning costs incurred as a result. The new facility is significantly larger than the previous site and incorporates new panel manufacturing technology that will cater for the growth in demand for MTC's products in both domestic and export markets.

Efficiency improvements continue to be achieved and together with the non-recurrence of the commissioning costs should translate to improved financial performance in future periods.

## FINANCIAL REVIEW

### Sales

Total revenue declined by 3% to \$352 million for FY14, down from \$362 million in FY13.

The Trailer business achieved external sales revenue of \$214 million, an 8.4% decrease over FY13 revenue. Favourable product mix and a strong contribution from the New Zealand business mitigated the financial impact of the Australian volume decline.

The Parts & Service business recorded 7% external revenue growth to finish FY14 with revenue of \$136.4 million.

### Profit

Net profit after tax attributable to MXI equity holders was \$17.075 million in FY14, a decrease of 34% on FY13.

Trading margins in the Trailer business declined in FY14, due to lower production volumes and greater price competition in the Australian market.

Profitability in the Parts & Service businesses was also adversely impacted due to a number of non-recurring items, including:

- Costs of withdrawing a core third party product from the market;
- Costs associated with the acquisitions of the retail stores in NSW;
- Start-up losses from the greenfields stores in Mackay and Darwin; and
- Start-up losses from the commissioning of the new factory in China.

Financing costs of \$2.0 million were broadly in line with FY13.

### Cash Generation & Capital Management

Operating cash flow of \$16.6 million was generated during FY14 which was 29% lower than FY13. The main contributing factors were the weaker trading results of both the Trailer business and the Parts & Service business together with higher income tax payments attributed to the strong FY13 profit.

Working capital has improved on the prior year with a particular focus on inventory management and this continues to be rigorously managed.

Net cash outflows from investing activities were significantly higher due to the completion of construction of the new China facility, the costs associated with Project TRANSform and the acquisition of the three Parts stores in New South Wales.

Due to the weaker operating cash flows, greater expenditure on investing activities and higher dividends, gearing levels were higher at the end of FY14 than at the end of FY13. Net debt for FY14 increased to 31% of equity, up from 21% for FY13.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2014

## External Financing Facilities

During the year, MaxiTRANS entered into new syndicated debt facilities, totalling \$75 million with the ANZ Banking Group and Westpac Banking Corporation. The facility was used to refinance existing debt facilities and will be used to fund ongoing business requirements and facilitate funding future growth opportunities. The facility has both three year and five year maturities.

These facilities are sufficient to support the business in its current form.

The facilities have a number of covenant and ratio requirements and the Group has complied with these throughout FY14.

In addition, MTC has an RMB 20 million facility with China Merchant Bank to support its ongoing requirements.

## Dividends

The total dividend to shareholders for the year was 6.0 cents per share and was fully franked. The total ordinary dividend of 6.0 cents per share compared with 8.5 cents per share in the prior year represents a 65% pay out ratio of FY14 net profit after tax attributable to MXI shareholders.

## RISK

The MaxiTRANS Audit & Risk Management Committee, a sub-committee of the Board, governs the framework and process for the identification and mitigation of material business risks. A business risk is the threat that an event or action will pose to MaxiTRANS' ability to meet its business objectives or capture an opportunity.

This process requires the business to identify the material business risks and classify them as between "very high", "high", "medium" or "low" based on the consequences arising from the occurrence of the risk and the likelihood of it occurring. The business is then required to develop action plans to mitigate these risks and determine action plans in the event they occur.

## Operational Risks

The Group has identified the following operational risks as "very high" in its most recent risk assessment:

- The Trailer business, which contributes in excess of 60% of Group revenue and net profit before tax, is engaged in the manufacture and sale of high value discretionary capital goods. The success of this

business is largely dependent on the prosperity of the economy driving freight movement. There is a risk that any decline in the domestic economy will reduce freight movement and therefore the demand for new trailing solutions and expanding customer fleets.

The Group has sought to mitigate this risk by:

- ensuring that its products are of consistently high quality;
- expanding into other sectors;
- expanding the Service & Parts business to provide more stable recurring income; and
- expanding into international markets including by improving product offerings in New Zealand and improving manufacturing capacity in China.
- The risk of greater competition from offshore competitors selling imported trailers in the Australian market due to the high Australian dollar resulting in a potential loss of market share.

The Group has sought to mitigate this risk by:

- ensuring that product quality remains high thereby protecting its brands;
- investigating low cost country sourcing opportunities to maintain margins;
- reducing the manufacturing cost base through efficiencies to maintain margins; and
- minimising lead times to delivery.

## Foreign Exchange & Commodities Risk

The Group has exposure to movements in the Australian dollar against the United States dollar and the Euro. The Trailer business has exposures to these currencies arising from the purchase of raw materials and components consumed in the manufacture of trailers. The Trailer business also has significant exposure to commodity price fluctuations for steel and aluminium used in the manufacturing process. Similarly, the Parts & Service business also has exposure to these currencies as a result of importing parts for sale.

The Group has a policy of only hedging foreign currency cash flow risk utilising forward contracts to protect against movements in short term committed expenditure. The Group does not hedge against currency risk arising from the translation of foreign operations.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2014

Depreciation of the Australian dollar may:

- adversely affect the operating cost base and therefore margins. The Group currently hedges short term committed foreign currency purchases. Some or all of this risk may be further mitigated by price management and efficiency improvement, however;
- may also benefit the Group insofar as it also acts as a potential barrier to entry for imports that may be uncompetitive in price against locally produced products.

Conversely, an appreciating Australian dollar against major currencies increases the risk of import competition. The specialised and customised nature of the trailer industry, together with demand for short delivery times, reduces this risk.

## HEALTH & SAFETY

In FY14, the Company commenced a major program to step change the safety culture of the organisation and provide a high level of care for all employees.

This program, known as "MaxiSAFE" will initially be conducted over a three year period at eight principal sites. It will equip and empower management to drive improvements in health and safety and engage all employees in a cultural shift in respect of work health and safety. The same improvements will be progressively implemented across all Company sites.

Whilst only in its first year of operation, the program has already yielded improvement across a number of safety metrics.

The Board currently monitors, and will continue to monitor, the Group's health and safety performance on a monthly basis.

## STRATEGY

MaxiTRANS' strategy focuses on the following pillars that will continue to drive superior shareholder returns:

- identifying strategic acquisitions that continue to build upon our vertically integrated business model and integrating them successfully;
- continuing to build the Parts & Service business through a combination of organic and acquisitive growth initiatives;
- continuing to improve the efficiency and capacity of manufacturing facilities;
- continuing to diversify participation, both in terms of industry sectors and geographic presence; and
- continue to develop innovative products that improve our customers' business performance.

## Successfully identifying and integrating acquisitions

The acquisitions of QDS, AZMEB and Transport Connection and their successful integration in prior years have continued to build a fully vertically integrated business model. These acquisitions have enabled the Group to achieve scale throughout the entire value chain, in particular:

- an established Australian dealer network providing a robust platform to market our broad product portfolio;
- an efficient manufacturing footprint across multiple geographic locations in Australia, New Zealand and China; and
- after-sales support through product servicing and an extensive parts and service network.

The successful acquisition and opening of an additional four Parts stores across NSW has continued the expansion of the comprehensive national Parts network.

The Group continually assesses acquisition opportunities for their potential to diversify industry sector and geographical participation, and will pursue those opportunities as and when suitable, value accretive targets become available.

## Increasing the contribution of the Parts & Service business

The Parts & Service business comprised 39% of the Group's revenue and net profit before tax in FY14.

As previously outlined, the Parts business encountered a number of challenges in FY14. However, notwithstanding these challenges, the Group still supports the pursuit of increasing the contribution from the Parts & Service business, evidenced by the acquisition or opening of four retail stores in NSW and the opening of new greenfield stores in Mackay and Darwin.

The Board has approved the development of a new, larger Victorian office and warehouse for the Parts business to cater for the continued growth of this business.

The Group will continue to review future growth opportunities for the Parts & Service business including new product offerings to expand the product range and new store locations to satisfy customer demand.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2014

## Improving manufacturing efficiency

MaxiTRANS<sup>®</sup> has undertaken significant capital investment in its manufacturing facilities in recent years, including the redevelopment of the Ballarat facility in FY10, the construction of a new facility in New Zealand in FY11 and the completion of construction of the new facility in China in FY14.

The focus now is optimising the utilisation of these facilities by:

- improving the efficiency of manufacturing processes;
- continually improving the quality of product produced at these facilities; and
- managing the volume and mix of products produced at each facility.

## Expanding industry sector and geographical coverage

The current product portfolio provides the Company with opportunities in most freight based industry sectors throughout Australia.

The Board will continue to identify organic growth and acquisition opportunities in both the product portfolio and distribution channels to increase our geographic coverage.

## Business Transformation Program

Recognising the Company's history of growth through acquisitions, each with their own legacy systems and processes, the Board approved a significant investment in a business transformation program known as "Project TRANSform".

The program will replace thirteen outdated legacy IT systems with a single enterprise resource planning system across the business. This will allow the Company to streamline many business processes, thus creating operational efficiencies and mitigating business risk.

## OUTLOOK

In Australia, we expect market conditions in FY15 to be subdued and consistent with the prior year.

The Trailer business has had a particular focus on improving product design and quality and, in the absence of any real improvement in Australian economic conditions, we expect will position the business to increase volume through additional market share. Together with a number of manufacturing efficiency initiatives being implemented across the business, we should also see margins improve.

Subject to economic conditions, we expect an improved contribution from the Parts & Service business over the outlook period as we integrate the store acquisitions from FY14 and continue to grow and develop the new greenfield stores in Mackay and Darwin. The relaunch of the CS9i Air Suspension product should also benefit the Parts & Service business during FY15.

In our offshore markets, New Zealand should continue to benefit from a strong economy and the expanding product range.

As capacity and product quality continue to improve at our new MTC manufacturing facility in China, we are well positioned to take advantage of continued strong demand for our product in China and export markets.

With a sound balance sheet and improved financial capacity, we have commenced FY15 in a strong financial position, well placed to support further growth initiatives and capitalize on any market improvements.



# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Information of Directors

### Mr. Ian R. Davis

Chairman, Independent Non-Executive, Age 69

#### Qualifications & Experience:

Law degree with honours from University of Melbourne.

Appointed Chairman 1994.

Senior partner and previously National Chairman of international law firm, Minter Ellison, Mr. Davis has extensive experience in the corporate and commercial area of law in which he practices. He was formerly a Non-Executive Director of Redflex Holdings Ltd from October 2009 to February 2013, and is a former Non-Executive Chairman and former Non-Executive Director of a number of publicly listed and private companies.

#### Special Responsibilities:

Chairman of Corporate Governance Committee, Remuneration Committee and Nomination Committee. Member of Audit & Risk Management Committee.

#### Interest in Shares:

1,502,193 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil

### Mr. James R. Curtis

Deputy Chairman, Non-Executive, Age 79

#### Qualifications & Experience:

Appointed Deputy Chairman in 1994.

Mr. Curtis was one of the founders of the Group in 1972. He has over 50 years' experience in the transport equipment industry and is a pioneer of fibreglass road transport equipment in Australia.

#### Special Responsibilities:

Member of Corporate Governance Committee, Audit & Risk Management Committee, Remuneration Committee and Nomination Committee.

#### Interest in Shares:

24,380,030 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil

### Mr. Michael A. Brockhoff

Managing Director, Executive, Age 61

#### Qualifications & Experience:

Appointed Managing Director in June 2000.

Thirty-five years' experience in the road transport industry.

#### Special Responsibilities

Member of Nomination Committee

#### Interest in Shares:

3,028,338 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## **Mr. Geoffrey F. Lord**

Independent Non-Executive Director, Age 69

### Qualifications & Experience:

B. Econ. (Honours), M.B.A. (Distinction), ASSA, Fellow of the Australian Institute of Company Directors. Appointed Director in October 2000.

Chairman and Chief Executive Officer of Belgravia Group. Chairman of LCM Litigation Fund Pty Ltd and Terrain Capital Ltd. Former Chairman and current Deputy Chairman of UXC Limited since September 2002. Deputy Chairman of Institute of Drug Technology Limited since October 1998. Formerly a Director of Northern Energy Corporation from December 2007 to October 2011. Former Chairman/inaugural member of Melbourne Victory.

### Special Responsibilities:

Member of Audit & Risk Management Committee, Corporate Governance Committee, Remuneration Committee and Nomination Committee.

### Interest in Shares:

1,049,604 ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

## **Mr. Robert H. Wylie**

Independent Non-Executive Director, Age 64

### Qualifications & Experience:

Fellow of the Institute of Chartered Accountants in Australia, a member of the Institute of Chartered Accountants of Scotland and a Fellow of the Australian Institute of Company Directors. Appointed Director in September 2008.

Currently a Director of The Walter + Eliza Hall Institute of Medical Research, Mr. Wylie has wide ranging experience in professional service in a variety of management roles with Deloitte. He has previously held senior positions with Deloitte Touche USA LLP. Prior to this, he was Deputy Managing Partner Asia Pacific. This followed a long career with Deloitte Australia, including eight years as National Chairman. Mr. Wylie also served on the Global Board of Directors and the Governance Committee of Deloitte Touche Tohmatsu and the Global Board of Directors of Deloitte Consulting. Mr. Wylie is also a former National President of the Institute of Chartered Accountants in Australia. Formerly a Director of Elders Limited from November 2009 to August 2012 and Director of both Centro Properties Limited and CPT Manager Limited from October 2008 to December 2011.

### Special Responsibilities:

Chairman of Audit & Risk Management Committee. Member of Corporate Governance Committee and Nomination Committee.

### Interest in Shares:

21,364 ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## **Mr. Joseph Rizzo**

Independent Non-Executive Director, Age 58

### Qualifications & Experience:

Bachelor of Economics (Monash University), Executive Program (University of Michigan), Member Australian Institute of Company Directors. Appointed Non-Executive Director 2014.

Formerly Managing Director of PACCAR Australia Pty Ltd with thirty-five years' experience in the manufacturing and road transport equipment industry. Mr. Rizzo has a wide knowledge of the industry generally along with strong manufacturing, sales and marketing experience in a directly related field. Former Vice President of the Truck Industry Council.

### Special Responsibilities:

Member of Audit & Risk Management Committee, Corporate Governance Committee, Remuneration Committee and Nomination Committee.

### Interest in Shares:

Nil

### Options over Ordinary Shares:

Nil

## Company Secretaries

### **Mr. Campbell R. Richards**

B. Bus. (Acc), CA

Appointed to the position of Company Secretary in June 2013.

### **Mr. David Poldrugovac**

B. Eco. (Acc), CA

Appointed to the position of Assistant Company Secretary in March 2014.

### **Mr. Aaron M. Harvey**

B. Commerce, CA

Appointed to the position of Assistant Company Secretary in January 2010. Resigned 10 April 2014.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

Details of attendances by directors at Board and committee meetings during the year are as follows:

	Directors' Meetings		Audit & Risk Management Committee		Remuneration Committee		Nomination Committee		Corporate Governance Committee (i)	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number Attended
Ian Davis	14	14	4	3	1	1	2	2	1	1
James Curtis	14	14	4	4	1	-	2	2	1	1
Michael Brockhoff	14	14	-	-	-	-	2	2	-	-
Geoffrey Lord	14	13	4	4	1	1	2	2	1	-
Robert Wylie	14	14	4	4	1	1	2	2	1	1
Joseph Rizzo	1	1	-	-	-	-	-	-	1	1

(i) The Corporate Governance Committee meeting for the year ended 30 June 2014 was held in July 2014.

## Remuneration Report

Information contained in the Remuneration Report is audited.

Remuneration levels for directors, secretaries and executives of the Company, and relevant group executives of the Group (**"the directors and senior executives"**) are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration of non-executive directors and the Managing Director having regard to trends in comparative companies and the objectives of the Group's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- The capability and experience of the directors and senior executives;
- The directors' and senior executives' ability to control the relevant segment/s' performance;
- The Group's performance including the Group's earnings per share; and
- The amount of incentives within each director's and senior executive's remuneration.

The Directors continue to be focussed on ensuring that MaxiTRANS provides a remuneration structure which genuinely attracts, motivates and retains executive talent and aligns the interests of management and shareholders.

The following is a summary of the key elements of the structure of remuneration for executive directors and senior management:

- the structure of executive director and senior management remuneration includes a mix of fixed and performance-linked components;
- the mix of total remuneration between fixed and performance-linked components to average 60% and 40% respectively;
- the performance-linked component of total remuneration comprises a Short Term Incentive ('STI') scheme and a Long Term Incentive ('LTI') scheme; and
- the mix of performance-linked remuneration (as a percentage of total remuneration) between STI and LTI components to average 15% and 25% respectively;

The Directors are of the view that the remuneration structure supports alignment between the Group and shareholders.

Each of the components of total remuneration for executive directors and senior management are described in more detail below.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Fixed remuneration

Fixed remuneration consists of base remuneration, including any FBT charges related to employee benefits which have been salary sacrificed, as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by both the Remuneration Committee and the Managing Director through a process that considers individual, segment and overall performance of the Group. In addition and as required, external consultants may be engaged to provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

## Performance-linked remuneration

Performance linked remuneration includes both STI's and LTI's and is designed to reward executive directors and senior executives for meeting or exceeding specified objectives. The STI includes an "at risk" incentive provided in the form of cash.

The LTI is provided in the form of Performance Rights. The MaxiTRANS Performance Rights Plan ('PRP') was approved by the shareholders at the Annual General Meeting held on 15 October 2010.

## STI

Each year KPIs (key performance indicators) are set for senior executives and executive directors. The KPIs generally include measures relating to the Group, the relevant segment, and the individual, and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The key financial performance objective is "net profit before tax" compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic

outcomes, safety and environmental performance, customer satisfaction and staff development.

At the end of the financial year the actual performance of the Group, the relevant segment and individual is measured against the KPIs set at the beginning of the financial year. The method of assessment was chosen as it provides an objective assessment of the individual's performance.

In line with the Group's philosophy of rewarding employees for performance, STI's based on the achievement of KPIs are also available to staff other than executive directors and senior management.

## LTI

The LTI scheme available to executive directors and to senior management is based on the annual grant of a specified number of Performance Rights which can be converted by executive directors and senior management into a specified number of ordinary shares in the Company.

Performance Rights will vest and will be able to be exercised upon the achievement of specified long term performance targets in a period not less than three years after the date upon which the Performance Rights are granted to executive directors and senior management provided they remain in the employ of the Group throughout that period.

The Board has set a long term incentive target for management to achieve an increase in the Group's Return on Invested Capital ('ROIC'). The parameters that have been set by the Board are set out in the table below:

If the minimum target is reached, 50% of the Performance Rights will vest. The percentage of Performance Rights that vest increases on a sliding scale once the minimum target is reached. 100% of the Performance Rights will vest where the target is fully achieved or exceeded. No director or senior executive has entered a hedging arrangement with respect to the value of unvested Performance Rights.

Period <sup>(i)</sup>	1 July 2013 – 30 June 2016	1 July 2012 – 30 June 2015	1 July 2011 – 30 June 2014
Base ROIC	15.0% (year ended 30 June 2013)	10.1% (year ended 30 June 2012)	4.2% (year ended 30 June 2011)
Target increase in ROIC	Average of 0.33% per annum (1.00% over 3 years)	Average of 1.15% per annum (3.45% over 3 years)	Average of 2.5% per annum (7.5% over 3 years)
Percentage increase in base ROIC required	7%	34%	179%
Minimum % of target that must be achieved for Performance Rights to vest	Base ROIC of 15.0% must be achieved	70% (i.e. average of 0.81% per annum)	70% (i.e. average of 1.75% per annum)

(i) Under the terms of the offers, the vesting date for Performance Rights will be up to one month after the announcement of results for the relevant period.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Other benefits

Non-executive directors are not entitled to receive additional benefits as a non-cash benefit. Non-executive directors may receive a component of their directors' fees as superannuation.

Senior executives can receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment. Other benefits typically include payment of superannuation, motor vehicles, telephone expenses and allowances, and where applicable, the Group pays fringe benefits tax on these benefits.

## Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the indices highlighted in the table on page 31. Net profit before tax is considered as one of the financial performance targets in setting the STI.

## Service agreements

It is the Group's policy that service contracts for executive directors and senior executives be unlimited in term but capable of termination on up to six months notice and that the Group retains the right to terminate the contract immediately, by making payment of up to twelve months' pay in lieu of notice.

The Group has entered into service contracts with each executive director and senior executive that entitle those executives to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of remuneration paid to the executive directors and senior executives but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy including performance related objectives if applicable.

Mr Michael Alan Brockhoff, Managing Director, has a contract of employment with the Company dated 3 May 2000. The contract specifies the duties and obligations to be

fulfilled by the Managing Director and provides that the Board and Managing Director will early in each financial year, consult and agree objectives for achievement during that year. The service contract can be terminated either by the Company or Mr Brockhoff providing six months notice. The Company may make a payment in lieu of notice of six months, equal to base salary, motor vehicle allowance and superannuation. This payment represented market practice at the time the terms were agreed. The Managing Director has no entitlement to a termination payment in the event of removal for misconduct or breach of any material terms of his contract of employment.

Mr Campbell Richards, Company Secretary, has a contract of employment with the Company dated 3 May 2013. The contract can be terminated either by the Company or Mr Richards providing three months notice. The Company may make a payment in lieu of notice of three months, equal to base salary and superannuation.

## Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2012 AGM, is not to exceed \$600,000 per annum and directors' fees are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees (inclusive of superannuation) for the year were \$75,000 per annum. The Chairperson received \$140,000 per annum. Non-executive directors do not receive performance related remuneration and are not entitled to either a STI or LTI. Directors' fees cover all main board activities and membership or chairing of all committees. Non-executive directors are not entitled to any retirement benefits.

## Services of remuneration consultant

In keeping with the above policies, the Remuneration Committee engaged Mercer as remuneration consultant to review the amount of non-executive director and senior executive remuneration during the year. Mercer was paid \$20,528 for the remuneration recommendations.

Remuneration recommendations regarding senior executives were provided directly to the Remuneration Committee. A declaration was received from Mercer as part of its report that advice provided was made free from undue influence of senior executives.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and other key management personnel of the Group:

Year	Primary			Post	Equity	Other	Total	Proportion of remuneration performance related	Value of PR's as proportion of remuneration	
	Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PR's (iii)	(iv)				
	\$	\$	\$	\$	\$	\$	\$	%	%	
<b>DIRECTORS</b>										
<b>Non-executive</b>										
<b>Mr I Davis</b>	<b>2014</b>	<b>128,146</b>	-	-	<b>11,854</b>	-	-	<b>140,000</b>	-	-
Chairman	2013	128,440	-	-	11,560	-	-	140,000	-	-
<b>Mr J Curtis (v)</b>	<b>2014</b>	<b>68,650</b>	-	-	<b>6,350</b>	-	-	<b>75,000</b>	-	-
	2013	75,000	-	-	-	-	18,000	93,000	-	-
<b>Mr G Lord</b>	<b>2014</b>	<b>68,650</b>	-	-	<b>6,350</b>	-	-	<b>75,000</b>	-	-
	2013	68,807	-	-	6,193	-	-	75,000	-	-
<b>Mr R Wylie</b>	<b>2014</b>	<b>40,000</b>	-	-	<b>35,000</b>	-	-	<b>75,000</b>	-	-
	2013	51,606	-	-	23,394	-	-	75,000	-	-
<b>Mr J Rizzo</b>	<b>2014</b>	<b>3,574</b>	-	-	<b>330</b>	-	-	<b>3,904</b>	-	-
	2013	-	-	-	-	-	-	-	-	-
<b>Executive</b>										
<b>Mr M Brockhoff</b>	<b>2014</b>	<b>657,407</b>	<b>175,000</b>	<b>20,169</b>	<b>78,842</b>	<b>181,159</b>	<b>58,261</b>	<b>1,170,838</b>	<b>30.4%</b>	<b>15.5%</b>
Managing Director	2013	627,755	130,000	4,873	69,498	149,386	69,886	1,051,398	26.6%	14.2%
<b>EXECUTIVES</b>										
<b>Mr C Richards (vi)</b>	<b>2014</b>	<b>338,457</b>	-	-	<b>29,702</b>	<b>16,204</b>	-	<b>384,363</b>	<b>4.2%</b>	<b>4.2%</b>
Chief Financial Officer and Company Secretary	2013	8,710	-	-	762	-	-	9,472	-	-
<b>Mr M Mattia (vii)</b>	<b>2014</b>	-	-	-	-	-	-	-	-	-
Chief Financial Officer and Company Secretary	2013	222,210	100,000	18,760	20,041	-	-	361,011	27.7%	-
<b>Mr A Wibberley</b>	<b>2014</b>	<b>253,974</b>	<b>39,360</b>	<b>27,488</b>	<b>27,690</b>	<b>70,309</b>	<b>9,543</b>	<b>428,364</b>	<b>26.5%</b>	<b>16.4%</b>
Group General Manager – Manufacturing	2013	240,956	-	27,488	21,262	51,569	9,665	350,940	14.7%	14.7%
<b>Mr P Buttler (iv)</b>	<b>2014</b>	<b>228,028</b>	<b>34,602</b>	<b>34,220</b>	<b>23,587</b>	<b>57,475</b>	<b>6,567</b>	<b>384,479</b>	<b>23.9%</b>	<b>14.9%</b>
General Manager – Ballarat MaxiTRANS Australia Pty Ltd	2013	211,145	16,101	27,488	19,989	27,982	6,319	309,024	14.3%	9.1%

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

Year		Primary			Post	Equity	Other	Total	Proportion of remuneration performance related	Value of PR's as proportion of remuneration
		Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PR's (iii)	(iv)			
		\$	\$	\$	\$	\$	\$	%	%	
<b>EXECUTIVES (continued)</b>										
<b>Mr N Zantuck</b>	<b>2014</b>	<b>200,403</b>	<b>-</b>	<b>-</b>	<b>20,320</b>	<b>56,903</b>	<b>31,086</b>	<b>308,712</b>	<b>18.4%</b>	<b>18.4%</b>
General Manager	2013	189,968	30,473	-	21,442	43,358	30,877	316,118	23.4%	13.7%
- Vic Branch, MaxiTRANS Australia Pty Ltd										
<b>Mr P Loimaranta</b>	<b>2014</b>	<b>264,658</b>	<b>-</b>	<b>-</b>	<b>26,818</b>	<b>69,916</b>	<b>30,920</b>	<b>392,312</b>	<b>17.8%</b>	<b>17.8%</b>
General Manager	2013	261,885	60,000	1,922	24,994	49,579	33,182	431,562	25.4%	11.5%
- MaxiPARTS Pty Ltd										

## Notes in relation to table of directors' and executive officers' remuneration

- (i) Includes the accrual of short-term statutory entitlements.
- (ii) STI entitlement is 15% of total remuneration for each of the individuals listed above. The short-term cash incentives disclosed above are for performance for the 30 June 2013 financial year using the criteria set out in the Remuneration Report. The amounts were determined after performance reviews were completed. The proportion of STI entitlements which vested during the year were as follows based on the operating performance of the relevant business units to which each individual belongs:
- Mr M Brockhoff (95%);
  - Mr A Wibberley (51%);
  - Mr P Buttler (50%).
- The balance of STI entitlements was forfeited.
- (iii) The fair value of performance rights (PR's) is calculated at the date of grant using the Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to vesting date, adjusted for any changes in the probability of performance and service targets being achieved. The value disclosed is the portion of the fair value recognised in this reporting period. In valuing the PR's, market conditions have been taken into account. Further details in respect of PR's are contained on the following page of the Remuneration Report. Details of PR's vested during the period are contained in Note 15 - Issued Capital.
- (iv) Includes the accrual of long-term statutory entitlements.
- (v) Other remuneration relates to the provision of consulting services to the Group.
- (vi) Mr C Richards was appointed on 24 June 2013.
- (vii) Mr M Mattia resigned effective 15 March 2013. All PR's held by Mr Mattia at that time were cancelled.



# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Analysis of share-based payments granted as remuneration

Details of the vesting profile of the PR's granted as remuneration to each of the Company directors and other key management personnel of the Group during the reporting period are detailed below.

	PR's granted (no.)	Grant date	Fair value at grant date (\$)	Vesting date	Expiry date
<b>Directors</b>					
Mr M Brockhoff	349,075	31 Aug. 2013*	1.0119	31 Aug. 2016	31 Aug. 2020
<b>Company executives</b>					
Mr C Richards	144,118	31 Aug. 2013	1.0119	31 Aug. 2016	31 Aug. 2020
<b>Consolidated entity executives</b>					
Mr A Wibberley	128,281	31 Aug. 2013	1.0119	31 Aug. 2016	31 Aug. 2020
Mr P Buttler	113,236	31 Aug. 2013	1.0119	31 Aug. 2016	31 Aug. 2020
Mr N Zantuck	98,824	31 Aug. 2013	1.0119	31 Aug. 2016	31 Aug. 2020
Mr P Loimaranta	130,422	31 Aug. 2013	1.0119	31 Aug. 2016	31 Aug. 2020

\* PR's were issued to Mr Brockhoff subject to the approval of shareholders at the Annual General Meeting held on 18 October 2013.

The 2010 PR's granted to the Company directors and key management personnel had a vesting date of March 2014. 100% of these PR's vested during the current year and were exercised by the holders of the PR's.

All PR's expire on the earlier of their expiry date or termination of the individual's employment. In order for PR's to vest, holders must continue to be in the employment of the Group until vesting date. The PR's vest three years after the date they were issued, subject to the satisfaction of performance hurdles. PR's may only be exercised during a four year period after they have vested. Details of the performance criteria are included in the discussion on LTI's.

Based on the current share price, the estimated maximum value of PR's on issue for future years is \$0.97. This is subject to future movements in the share price. The estimated minimum value is \$nil.

## Unissued Shares Under Rights

At the date of this report there are no unissued ordinary shares of the Company under PR's vested.

## Consolidated Results and Shareholder Returns

	2014	2013	2012	2011	2010
Net profit/(loss) attributable to equity holders of the parent	\$17,075,000	\$25,965,000	\$12,334,000	\$4,171,000	\$5,766,000
Basic EPS	9.26¢	14.11¢	6.70¢	2.27¢	3.17¢
Dividends declared	\$11,104,542	\$15,639,438	\$7,819,719	\$2,759,901	\$3,642,694
Dividends declared per share	6.00¢	8.50¢	4.25¢	1.50¢	2.00¢
Share price	97.0¢	\$1.065	61.5¢	23.0¢	26.0¢

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Directors' and executives' holdings of shares

For key management personnel, the movements in shares held directly, indirectly or beneficially at the reporting date in the Company are set out below:

### 2014 Shares

MaxiTRANS Industries Limited	Held at 1 July 2013	Purchases	Sales	Held at 30 June 2014
<b>Directors:</b>				
Mr M Brockhoff	2,642,500	495,838	110,000	3,028,338
Mr I Davis	1,502,193	-	-	1,502,193
Mr J Curtis	24,205,030	175,000	-	24,380,030
Mr G Lord	1,049,604	-	-	1,049,604
Mr R Wylie	21,364	-	-	21,364
Mr J Rizzo	-	-	-	-
<b>Executives:</b>				
Mr P Loimaranta	-	126,522	-	126,522
Mr A Wibberley	-	140,447	-	140,447
Mr N Zantuck	-	119,716	-	119,716

### 2013 Shares

MaxiTRANS Industries Limited	Held at 1 July 2012	Purchases	Sales	Held at 30 June 2013
<b>Directors:</b>				
Mr M Brockhoff	2,871,500	-	229,000	2,642,500
Mr I Davis	1,302,193	200,000	-	1,502,193
Mr J Curtis	24,175,030	30,000	-	24,205,030
Mr G Lord	1,049,604	-	-	1,049,604
Mr R Wylie	21,364	-	-	21,364
<b>Executive:</b>				
Mr. P Loimaranta	15,000	-	15,000	-

End of Remuneration Report

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Audit and Risk Management Committee

As at the date of this report, the Company had an Audit and Risk Management Committee of the Board of Directors that met four times during the year. The details of the functions and memberships of the committees of the Board are presented in the Corporate Governance Statement.

## Indemnity

With the exception of the matters noted below the Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- (i) Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- (ii) Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

The Group has entered into a contract of insurance in relation to the indemnity of the Group's directors and officers. The insurance policy relates to claims for damages, judgements, settlements or costs in respect of wrongful acts committed by directors or officers in their capacity as directors or officers but excluding wilful, dishonest, fraudulent, criminal or malicious acts or omissions by any director or officer. The directors indemnified are those existing at the date of this report. The officers indemnified include each full time executive officer and secretary.

During the financial year, the Group paid premiums of \$44,006 (2013: \$43,617) in respect of directors' and officers' liability insurance contracts.

Clause 98 of the Company's constitution contains indemnities for officers of the Company.

The Company has entered into a deed of protection with each of the directors to:

- (i) Indemnify the director to ensure that the director will have the benefit of the indemnities after the director ceases being a director of any group company;
- (ii) Insure the director against certain liabilities after the director ceases to be a director of any group company; and
- (iii) Provide the director with access to the books of group companies.

## Share Options

### Share options granted to directors and highly remunerated officers

No options were granted to any of the directors or the five most highly remunerated executives of the Company or Group as part of their remuneration during or since the end of the financial year.

### Shares Issued on the Exercise of Options

No options were exercised during the financial year.

Further details on the Group's Performance Rights Plan are detailed in Note 20 to the consolidated financial statements and in the Remuneration Report.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## Non-Audit Services

During the year, KPMG, the Company's auditor, performed certain other services in addition to their statutory duties.

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

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in, and forms part of this Report of the Directors on page 35.

Details of the amounts paid to the auditor of the Company, KPMG, for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2014	2013
	\$	\$
<hr/>		
<b>Remuneration of Auditor</b>		
Remuneration of the auditor of the Group for:		
<b>KPMG Australia:</b>		
- auditing and reviewing the financial statements	229,900	215,000
- other services (taxation & advisory)	225,497	126,505
	<hr/>	<hr/>
	455,397	341,505
<hr/>		
<b>Overseas KPMG Firms:</b>		
- auditing and reviewing financial statements	65,503	55,199
- other services (taxation, advisory & due diligence)	7,897	10,006

## Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company 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 Company was not a party to any such proceedings during the year.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

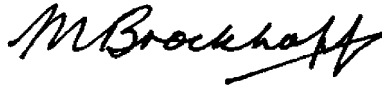
## Rounding of Accounts

The parent entity has applied the relief available to it in ASIC Class Order 98/100 dated 10 July 1998 and, accordingly, amounts in the financial statements and Report of the Directors have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of the Board of Directors.



Mr. Ian Russell Davis, Director



Mr. Michael Alan Brockhoff, Director

Dated this 22nd day of August 2014



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


To: the directors of MaxiTRANS Industries Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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



KPMG  
Melbourne  
22 August 2014



Tony Romeo  
Partner

KPMG, an Australian partnership and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2014

In the opinion of the directors of MaxiTRANS Industries Limited ("the Company"):

- (a) the consolidated financial statements and notes as set out on pages 37 to 82, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the group entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

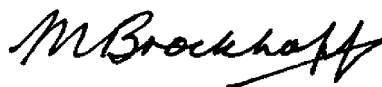
The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

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

This declaration is made in accordance with a resolution of the Board of Directors.



Mr. Ian Russell Davis, Director



Mr. Michael Alan Brockhoff, Director

Dated this 22nd day of August 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Revenue	2	351,968	362,534
Changes in inventories of finished goods and work in progress		(2,882)	6,111
Raw materials and consumables used		(209,345)	(218,542)
Other income	3	91	87
Employee expenses		(83,584)	(82,372)
Depreciation and amortisation expenses	4	(5,409)	(5,903)
Finance costs	4	(2,013)	(1,958)
Other expenses		(27,125)	(25,155)
Share of net profits of joint ventures accounted for using the equity method	26	1,471	1,556
<b>Profit before income tax</b>		<b>23,172</b>	<b>36,358</b>
Income tax expense	5(a)	(6,027)	(10,137)
<b>Profit for the year</b>		<b>17,145</b>	<b>26,221</b>
Profit attributable to:			
Equity holders of the company		17,075	25,965
Non-controlling interests		70	256
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	16	9.26¢	14.11¢
Diluted earnings per share (cents per share)	16	9.16¢	13.76¢

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Profit for the year</b>		<b>17,145</b>	<b>26,221</b>
<b>Other comprehensive income</b>			
<i>Items that may subsequently be re-classified to profit or loss:</i>			
Net exchange difference on translation of financial statements of foreign operations		1,264	2,037
Effective portion of changes in fair value of cash flow hedges		(9)	(130)
Related tax		3	39
<i>Items that will never be re-classified to profit or loss:</i>			
Revaluation of land and buildings		2,583	-
Related tax		(775)	-
<b>Other comprehensive income for the year, net of tax</b>		<b>3,066</b>	<b>1,946</b>
<b>Total comprehensive income for the year</b>		<b>20,211</b>	<b>28,167</b>
Total comprehensive income attributable to:			
Equity holders of the company		20,167	27,689
Non-controlling interests		44	478

The consolidated statement of profit or loss and consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
	Note	2014 \$'000	2013 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		5,041	1,617
Trade and other receivables	6	43,031	41,228
Inventories	7	54,587	54,483
Other	8	2,418	3,142
<b>Total Current Assets</b>		<b>105,077</b>	100,470
<b>Non-Current Assets</b>			
Investment in joint venture	9	3,994	3,830
Property, plant & equipment	10	63,197	53,598
Intangible assets	11	45,938	44,102
Other	8	818	796
<b>Total Non-Current Assets</b>		<b>113,947</b>	102,326
<b>Total Assets</b>		<b>219,024</b>	202,796
<b>Current Liabilities</b>			
Trade and other payables	12	41,040	37,515
Interest bearing loans and borrowings	13	4,399	5,033
Current tax liability	5(c)	231	8,565
Provisions	14	10,608	9,754
<b>Total Current Liabilities</b>		<b>56,278</b>	60,867
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	13	38,181	21,185
Deferred tax liabilities	5(b)	1,561	1,125
Provisions	14	1,070	1,099
Other		121	2,756
<b>Total Non-Current Liabilities</b>		<b>40,933</b>	26,165
<b>Total Liabilities</b>		<b>97,211</b>	87,032
<b>Net Assets</b>		<b>121,813</b>	115,764
<b>Equity</b>			
Issued capital	15	56,386	56,386
Reserves	17	13,069	9,379
Retained earnings		50,457	48,142
<b>Equity attributable to equity holders of the Company</b>		<b>119,912</b>	113,907
Non-controlling interest		1,901	1,857
<b>Total Equity</b>		<b>121,813</b>	115,764

The consolidated balance sheet is to be read in conjunction with the notes to the consolidated financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Issued capital \$'000	Asset revaluation reserve \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Hedging reserve \$'000	Non- controlling interest \$'000	Total \$'000
<b>Balance at 1 July 2012</b>		56,386	8,028	(1,158)	201	34,137	-	1,101	98,695
<b>Comprehensive income for the year</b>									
Profit for the year		-	-	-	-	25,965	-	256	26,221
<i>Other comprehensive income</i>									
Net exchange differences on translation of financial statements of foreign operations	17	-	-	2,037	-	-	-	-	2,037
Effective portion of changes in fair value of cash flow hedges	17	-	-	-	-	-	(91)	-	(91)
<b>Total comprehensive income for the year</b>		-	-	2,037	-	25,965	(91)	256	28,167
<b>Transactions with owners recorded directly in equity</b>									
Dividends to equity holders	18	-	-	-	-	(11,960)	-	(84)	(12,044)
Acquisition of business with non-controlling interest		-	-	-	-	-	-	584	584
Share-based payment transactions	20	-	-	-	362	-	-	-	362
<b>Total transactions with owners</b>		-	-	-	362	(11,960)	-	500	(11,098)
<b>Balance at 30 June 2013</b>		<b>56,386</b>	<b>8,028</b>	<b>879</b>	<b>563</b>	<b>48,142</b>	<b>(91)</b>	<b>1,857</b>	<b>115,764</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Issued capital \$'000	Asset revaluation reserve \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Hedging reserve \$'000	Non-controlling interest \$'000	Total \$'000
<b>Balance at 1 July 2013</b>		56,386	8,028	879	563	48,142	(91)	1,857	115,764
<b>Comprehensive income for the year</b>									
Profit for the year		-	-	-	-	17,075	-	70	17,145
<i>Other comprehensive income</i>									
Net exchange differences on translation of financial statements of foreign operations	17	-	-	1,290	-	-	-	(26)	1,264
Revaluation of land and buildings		-	1,808	-	-	-	-	-	1,808
Effective portion of changes in fair value of cash flow hedges	17	-	-	-	-	-	(6)	-	(6)
<b>Total comprehensive income for the year</b>		-	1,808	1,290	-	17,075	(6)	44	20,211
<b>Transactions with owners recorded directly in equity</b>									
Dividends to equity holders	18	-	-	-	-	(14,760)	-	-	(14,760)
Share-based payment transactions	20	-	-	-	598	-	-	-	598
<b>Total transactions with owners</b>		-	-	-	598	(14,760)	-	-	(14,162)
<b>Balance at 30 June 2014</b>		<b>56,386</b>	<b>9,836</b>	<b>2,169</b>	<b>1,161</b>	<b>50,457</b>	<b>(97)</b>	<b>1,901</b>	<b>121,813</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		384,473	391,624
Payments to suppliers & employees		(352,451)	(359,273)
Interest received		91	87
Interest & other costs of finance paid		(2,013)	(1,958)
Income tax paid		(13,488)	(6,937)
<b>Net Cash Provided by/(Used in) Operating Activities</b>	27(a)	<b>16,612</b>	<b>23,543</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant & equipment		(13,239)	(6,706)
Dividends received		1,307	937
Proceeds from sale of property, plant & equipment		1,564	306
Acquisition of subsidiary, net of cash acquired		-	(1,227)
Acquisition of business	25	(3,451)	(2,621)
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>(13,819)</b>	<b>(9,311)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		17,383	3,352
Repayment of borrowings		-	(7,095)
Payment of finance lease liabilities		(1,430)	(1,181)
Dividends paid	18	(14,760)	(12,044)
<b>Net Cash Provided by/(Used in) Financing Activities</b>		<b>1,193</b>	<b>(16,968)</b>
Net increase/(decrease) in cash		<b>3,986</b>	(2,736)
Cash and cash equivalents at beginning of year		<b>1,055</b>	3,791
<b>Cash and cash equivalents at end of year</b>		<b>5,041</b>	1,055

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

MaxiTRANS Industries Limited (the 'Company') is a company domiciled in Australia and its registered office is 346 Boundary Road, Derrimut, Victoria. The consolidated financial statements of MaxiTRANS Industries Limited as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint ventures and jointly controlled entities. The Group is a for-profit entity.

### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. These accounting policies have been consistently applied to all periods presented in the consolidated financial report by each entity in the Group and are consistent with those of the previous year.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Group has applied the relief available to it in ASIC Class Order 98/100 dated 10 July 1998 and, accordingly, amounts in the financial statements and Report of the Directors have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

The financial report was approved by the board of directors on 22 August 2014.

### Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 1 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial

application of 1 July 2013.

- a. IFRS 10 *Consolidated Financial Statements (2011)*
- b. IFRS 11 *Joint Arrangements*
- c. IFRS 12 *Disclosure of Interests in Other Entities*
- d. IFRS 13 *Fair Value Measurement*
- e. Presentation of Items of Other Comprehensive Income (Amendment to IAS 1)

The nature and effects of the changes are explained below.

### (a) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Adoption of IFRS 10 has not had a material impact on the Group Financial Statements.

### (b) Joint arrangements

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its only joint arrangement and concluded it is a joint venture in accordance with IFRS 11, and therefore will continue to apply the equity method, and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Disclosure of interests in other entities

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Notes [23 and 26]).

### (d) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instrument: Disclosures. As a result, the Group has included additional disclosures in this regard (see Notes 31).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

### (e) Presentation of items in OCI

As a result of the amendment to IAS1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be classified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

### Standards taking effect from 1 July 2014 and later

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - applicable for annual reporting periods beginning on or after 1 January 2014
- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27) - applicable for annual reporting periods beginning on or after 1 January 2014
- Recoverable amount disclosures for non-financial assets (Amendments to IAS 36) - applicable for annual reporting periods beginning on or after 1 January 2015
- IFRS 9 Financial Instruments - applicable for annual reporting periods beginning on or after 1 January 2018

The Group expect to adopt these standards in 2015 and subsequent financial years - however the financial impact of adopting the new or amended standards has not yet been determined.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report.

### (a) Principles of consolidation

The consolidated financial report comprises the financial statements of MaxiTRANS Industries Limited and all of its subsidiaries. A subsidiary is any entity controlled by MaxiTRANS Industries Limited or any of its subsidiaries. Control exists where MaxiTRANS Industries Limited is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is contained in Note 23 to the financial statements.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where subsidiaries have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Joint ventures are those entities for which the Group has joint control, but not control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities. The financial statements include the Group's share of the total recognised gains and losses of the joint venture on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the joint venture.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

#### (ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

### (c) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed factory overheads, based on the normal operating capacity of the production facilities.

Net realisable value is determined on the basis of each inventory line's normal selling pattern.

### (d) Property, plant and equipment

#### (i) Owned assets

##### Land and buildings

Property whose fair value can be measured reliably is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Independent valuations were obtained as at 31 December 2013 and an updated indicative valuation obtained at 30 June 2014 in relation to the majority of land and buildings. These were considered by the directors in establishing revaluation amounts.

If an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity under the heading of Asset Revaluation Reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is debited directly to equity under the heading of Asset Revaluation Reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Changes to an asset's carrying amount are brought to account together with the tax effects applicable to the revaluation amount. On realisation of any amounts contained in the Asset Realisation Reserve, the balance is transferred to retained earnings.

### Plant and equipment

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy (i)). The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads. The cost of self-constructed assets and acquired assets includes (i) the initial estimate, at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### (ii) Leased assets

Leases for which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Lease payments are accounted for as described in accounting policy (v).

### (iii) Depreciation

Depreciation is charged to the consolidated profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are reflected in the following rates in the current and comparative periods:

	2014	2013
Buildings	2.5-4.0%	2.5-4.0%
Plant and equipment	5.0-50%	5.0-50%
Leased plant and equipment	10.0-30%	10.0-30%

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

### (e) Intangibles

#### (i) Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the consideration transferred for the acquisition and the net recognised amount (generally fair value of the identifiable assets acquired and liabilities assumed), all measured as of acquisition date.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy (i)). In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

#### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

or process is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (i)).

### (iii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see following) and impairment losses.

### (iv) Amortisation

Amortisation of intangibles other than goodwill is charged to the profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least at each annual reporting date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives are reflected in the following rates in the current and comparative periods:

	2014	2013
Brand names	0%	0%
Intellectual property	0%-4.0%	0%-4.0%
Patents & trademarks	5.0%-12.0%	5.0%-12.0%

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### (f) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of their

carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### (g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (i)).

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### (i) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy (c)) and deferred tax assets (see accounting policy (p)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at least annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration (less than 12 months) are not discounted.

The recoverable amount of other assets is the greater of their 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 nominal discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### (k) Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being

recognised in the profit or loss over the period of the borrowings on an effective interest basis.

### (m) Employee benefits

#### (i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit or loss as incurred.

#### (ii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to Commonwealth Government bonds at the reporting date which have maturity dates approximating the terms of the Group's obligations.

#### (iii) Share based payments transactions

MaxiTRANS Industries Limited grants performance rights from time to time to certain employees under the Performance Rights Plan.

The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity recorded over the vesting period.

The fair value of the performance rights is calculated at the date of grant using a Monte Carlo simulation model and allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the performance rights allocated to this reporting period. Where relevant, in valuing the performance rights, market conditions have been taken into account in both the current and prior period.

#### (iv) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

### (n) Provisions

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

### (o) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and known warranty claims.

### (p) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions. The Group believes that its accruals for tax liabilities are adequate for all open tax years. This assessment relies on estimates and assumptions and may involve judgements about future events.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

### (q) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is MaxiTRANS Industries Limited.

Due to the existence of a tax contribution agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities.

Current tax income/expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with the tax contribution agreement, the subsidiary entities are compensated/charged for the assets and liabilities assumed by the parent entity as intercompany receivables and payables and for amounts which equal the amounts initially recognised by the subsidiary entities.

### (r) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of the Company.

Diluted EPS is calculated by dividing the basic earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares.

### (s) Revenue

#### (i) Revenue from the sale of goods

Revenue from the sale of goods is recognised upon the constructive delivery of goods to customers in accordance with contracted terms, at which point the significant risks and rewards of ownership are transferred.

#### (ii) Revenue from the rendering of services

Revenue from the rendering of services is recognised as the services are performed/rendered.

#### (iii) Other income

Interest income is recognised in the profit and loss as it accrues, using the effective interest method.

#### (iv) Dividend income

Dividend revenue is recognised when the right to receive a dividend has been established.

### (t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated balance sheet.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (u) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

### (v) Expenses

#### (i) Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense and spread over the lease term.

#### (ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (iii) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest method, foreign exchange losses, and losses on

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

hedging instruments that are recognised in the profit and loss. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. All other borrowing costs are recognised in the profit and loss using the effective interest method.

### (w) Derivative financial instruments

The Group from time to time uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised in the profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

### (x) Accounting estimates and judgements

Management discussed with the Audit and Risk Management Committee the development, selection

and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Impairment of goodwill and intangibles

The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with accounting policy (i).

These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

### (ii) Provisions

The calculation of the provisions for warranty claims and impairment provisions for inventory and receivables involves estimation and judgement surrounding future claims and potential losses and exposures based primarily on past experience, the likelihood of claims or losses and exposures arising in the future as well as management knowledge and experience together with a detailed examination of financial and non financial information and trends. Refer accounting policy (n) for details of the recognition and measurement criteria applied.

## (y) Financial Risk Management

### (i) Overview

The Group has exposure to credit, market and liquidity risks associated with the use of financial instruments.

The Board has delegated to the Audit and Risk Management Committee responsibility for the establishment of policies on risk oversight and management.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk controls, and to monitor risks and adherence to limits.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group's activities expose it primarily to the financial risks associated with changes in foreign currency exchange rates and interest rates. The carrying value of financial assets and financial liabilities recognised in the accounts approximate their fair value with the exception of borrowings which are recorded at amortised cost.

There have not been any changes to the objectives, policies and procedures for managing risk during the current year or in the prior year.

### (ii) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors the earnings per share and the levels of dividends to ordinary shareholders together with the net debt/equity ratio, which at 30 June 2014 was 31% (2013: 21%). The Dividend Reinvestment Plan was suspended on 21 June 2011. The Board seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages afforded by a sound capital position.

### (z) Segment reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker which, for the Group, is the Managing Director. In this regard, such information is provided using different measures to those used in preparing the consolidated statement of profit or loss and consolidated balance sheet. Reconciliations of such management information to the statutory information contained in the financial report have been included.

### (aa) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for

measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Land and buildings

The fair value of property is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing and knowledgeable buyer and seller in an arm's length transaction after proper marketing.

### (ii) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

### (iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

### (iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ab) Government grants

From time to time the Group becomes eligible for government grants. These grants are accounted for in accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. The current grants relate to assets, and have been presented in the balance sheet by deducting the grant value from the cost of the asset in arriving at the asset carrying amount.

As at 30 June 2014, the Group has been awarded two government grants.

The first grant, relating to the relocation of the Hamelex White manufacture and assembly production line from Hallam to Ballarat, amounts to \$2.5 million. At 30 June 2014 \$2.2 million has been received. In accordance with the terms of the grant, the Group is required to recruit and maintain certain levels of employee numbers, and maintain and operate the facility for a period of not less than 3 years from the date of completion. The grant has been offset against the cost of setting up the new production line within plant and equipment.

The second grant, relating to relocation compensation for the MTC (China) facility amounts to \$3.42 million. At 30 June 2014 \$3.20 million has been received. Conditions relating to this grant have been met, and the company has initially applied the grant against the write off of the old facility (\$0.8m), and the balance of the grant has been applied against the cost of the new facility (\$2.4m).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014	2013
	\$'000	\$'000
<b>2. REVENUE</b>		
Sale of goods	338,516	351,845
Rendering of services	13,452	10,689
<b>Total Revenue</b>	<b>351,968</b>	<b>362,534</b>
<b>3. OTHER INCOME</b>		
Interest revenue	91	87
<b>Total Other Income</b>	<b>91</b>	<b>87</b>
<b>4. PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before related income tax expense has been determined after charging/(crediting) the following items:		
<b>Finance costs:</b>		
- interest - bank loans and overdraft	1,778	1,682
- finance lease charges	235	276
Total finance costs	2,013	1,958
<b>Employee benefits:</b>		
Post employment benefits		
- Superannuation contributions	4,970	4,300
<b>Depreciation:</b>		
- property	714	543
- plant and equipment	2,886	2,766
Total depreciation	3,600	3,309
<b>Amortisation</b>		
- intellectual property	730	735
- patents and trademarks	389	413
- capitalised leased assets	690	1,446
Total amortisation	1,809	2,594

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014	2013
	\$'000	\$'000
<b>4. PROFIT FROM ORDINARY ACTIVITIES (continued)</b>		
<b>Net (income)/expenses from movements in provision for:</b>		
– employee entitlements	872	926
– warranty	(47)	436
– other	(566)	23
Net (income)/expense resulting from movements in provisions	259	1,385
Rental expense on operating leases	5,291	4,841
Research and development expenditure written off as incurred	717	676
Crediting as income:		
Net gain on disposal of:		
– property plant and equipment	(238)	(97)
<b>5. TAXATION</b>		
<b>(a) Income tax</b>		
Reconciliation of tax expense		
Prima facie tax payable on profit before tax at 30% (2012: 30%)	6,952	10,907
Add/(deduct) tax effect of:		
Research & development allowance	(348)	(299)
Deductible expenses	(126)	123
Joint venture equity accounted income	(441)	(467)
Prior year adjustments	(149)	(55)
Impact of tax rates in foreign jurisdictions	(20)	(72)
Current year losses for which no deferred asset is recognised	159	–
	(925)	(770)
<b>Income tax expense in consolidated statement of profit or loss</b>	<b>6,027</b>	<b>10,137</b>
Income tax expense attributable to operating profit is made up of:		
Current tax expense	5,486	10,792
Prior year adjustment – current tax	(149)	(12)
Deferred tax expense		
– origination and reversal of temporary difference	323	(600)
– prior year adjustment – deferred differences	367	(43)
<b>Income tax expense in consolidated statement of profit or loss</b>	<b>6,027</b>	<b>10,137</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014 \$'000	2013 \$'000
<b>5. TAXATION (continued)</b>		
<b>(b) Deferred tax assets/(deferred tax liabilities)</b>		
The deferred tax assets/(deferred tax liabilities) are made up of the following estimated tax benefits:		
- Provisions and accrued employee benefits	3,924	3,453
- Property, plant & equipment	(3,196)	(2,306)
- Leases	(21)	(25)
- Intangible assets	(2,933)	(2,938)
- Inventory	533	606
- Other	132	85
<b>Net deferred tax liability</b>	<b>(1,561)</b>	<b>(1,125)</b>
Balance at beginning of year	(1,125)	(1,833)
Recognised in profit or loss	235	643
Acquired through business combination	51	26
Recognised in equity	(722)	39
<b>Net deferred tax liability</b>	<b>(1,561)</b>	<b>(1,125)</b>

## (c) Current tax liability

The current tax liability for the Group of \$231,289 (2013: \$8,565,000) represents the amount of income taxes payable in respect of current and prior financial periods.

	Consolidated	
	2014 \$'000	2013 \$'000
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	42,797	40,435
Provision for impairment loss	(574)	(258)
	42,223	40,177
Other receivables	808	1,051
<b>Total trade and other receivables</b>	<b>43,031</b>	<b>41,228</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 6. TRADE AND OTHER RECEIVABLES (continued)

	Consolidated 2014		Consolidated 2013	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
<b>Impairment losses</b>				
Not past due	28,183	140	24,707	82
Past due 0 – 30 days	10,858	65	12,236	57
Past due 31 – 60 days	2,096	11	1,785	9
Past due over 61 days	1,660	358	1,707	110
	<b>42,797</b>	<b>574</b>	40,435	258
			Consolidated	
			2014	2013
			\$'000	\$'000

The movement in the allowance for impairment losses in respect of trade receivables during the year was as follows:

Balance at 1 July	258	178
Impairment loss recognised	481	253
Bad debts	(165)	(173)
<b>Balance at 30 June</b>	<b>574</b>	<b>258</b>

## 7. INVENTORIES

Second-hand units – at net realisable value	3,319	3,844
Finished goods – at cost	34,376	37,312
Work in progress – at cost	3,143	1,914
Raw materials – at cost	15,905	14,451
Less: provision for impairment loss	(2,156)	(3,038)
<b>Total inventories</b>	<b>54,587</b>	<b>54,483</b>

## 8. OTHER ASSETS

<b>Current</b>		
Prepayments	2,418	3,142
	<b>2,418</b>	<b>3,142</b>
<b>Non-current</b>		
Other receivables	818	796
	<b>818</b>	<b>796</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
		2014	2013
		\$'000	\$'000
<b>9. INVESTMENTS</b>			
	Note		
<b>Non-current</b>			
Investment in joint venture	26	3,994	3,830
		<b>3,994</b>	<b>3,830</b>
<b>10. PROPERTY, PLANT &amp; EQUIPMENT</b>			
<b>Land and Buildings</b>			
Land and buildings at fair value		43,178	38,377
Accumulated depreciation		(202)	(1,134)
<b>Total land and buildings</b>		<b>42,976</b>	<b>37,243</b>
<b>Plant and Equipment</b>			
Plant & equipment at cost		37,595	33,340
Accumulated depreciation		(28,466)	(26,751)
		<b>9,129</b>	<b>6,589</b>
Office equipment at cost		9,109	6,877
Accumulated depreciation		(6,086)	(4,759)
		<b>3,023</b>	<b>2,118</b>
Leased plant & equipment		4,278	4,710
Accumulated depreciation		(2,444)	(3,144)
		<b>1,834</b>	<b>1,566</b>
Capital work in progress		6,235	6,082
<b>Total plant and equipment</b>		<b>20,221</b>	<b>16,355</b>
<b>Total property, plant and equipment</b>		<b>63,197</b>	<b>53,598</b>

Independent valuations were obtained as at 31 December 2013 and an updated indicative valuation received at 30 June 2014 in relation to the majority of land and buildings held at that time, for use by the directors in assessing land and buildings at fair value.

Refer to Note 31(e) for details of security over land and buildings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 10. PROPERTY, PLANT & EQUIPMENT (continued)

### Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Land and buildings</b>		
Carrying amount at the beginning of the financial year	37,243	36,935
Additions	1,499	-
Fair value increment	2,583	-
Transfers from capital works in progress	5,279	-
Transfer of net government compensation from deferred income relating to China facility	(1,154)	-
Disposals	(2,950)	-
Depreciation	(714)	(543)
Exchange rate variance	1,190	851
<b>Carrying amount at the end of the financial year</b>	<b>42,976</b>	<b>37,243</b>
<b>Plant and equipment</b>		
Carrying amount at the beginning of the financial year	6,589	6,714
Additions	4,401	970
Acquisitions through business combinations	75	137
Transfers from capital works in progress	14	437
Transfers from leased plant and equipment	49	351
Disposals	(182)	(190)
Depreciation	(1,885)	(1,938)
Exchange rate variance	68	108
<b>Carrying amount at the end of the financial year</b>	<b>9,129</b>	<b>6,589</b>
<b>Office equipment</b>		
Carrying amount at the beginning of the financial year	2,118	2,090
Additions	1,267	354
Acquisitions through business combinations	33	-
Transfers from capital works in progress	592	508
Disposals	(7)	(19)
Depreciation	(1,001)	(828)
Exchange rate variance	21	13
<b>Carrying amount at the end of the financial year</b>	<b>3,023</b>	<b>2,118</b>
<b>Leased plant and equipment</b>		
Carrying amount at the beginning of the financial year	1,566	2,667
Additions	1,007	696
Transfers to plant and equipment	(49)	(351)
Amortisation	(690)	(1,446)
<b>Carrying amount at the end of the financial year</b>	<b>1,834</b>	<b>1,566</b>
<b>Capital works in progress</b>		
Carrying amount at the beginning of the financial year	6,082	1,645
Additions	6,038	5,382
Transfers to property, plant and equipment	(5,885)	(945)
<b>Carrying amount at the end of the financial year</b>	<b>6,235</b>	<b>6,082</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014 \$'000	2013 \$'000
<b>11. INTANGIBLES</b>		
Goodwill at cost	24,945	21,990
Brand names at cost	6,930	6,930
Accumulated amortisation	(691)	(691)
	6,239	6,239
Intellectual property at cost	22,665	22,665
Accumulated amortisation	(10,935)	(10,205)
	11,730	12,460
Patents and trademarks at cost	4,229	4,229
Accumulated amortisation	(1,205)	(816)
	3,024	3,413
<b>Total Intangibles</b>	<b>45,938</b>	<b>44,102</b>

## Reconciliations

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

### Goodwill

Carrying amount at the beginning of the financial year	21,990	20,267
Acquisition through business combination	2,955	1,578
Adjustment to purchase price allocation of assets acquired in prior year	-	145
<b>Carrying amount at the end of the financial year</b>	<b>24,945</b>	<b>21,990</b>

### Brand names

Carrying amount at the beginning of the financial year	6,239	6,239
Amortisation	-	-
<b>Carrying amount at the end of the financial year</b>	<b>6,239</b>	<b>6,239</b>

### Intellectual property

Carrying amount at the beginning of the financial year	12,460	14,108
Amortisation	(730)	(735)
Acquisition through business combination	-	-
Adjustment to purchase price allocation of assets acquired in prior year	-	(913)
<b>Carrying amount at the end of the financial year</b>	<b>11,730</b>	<b>12,460</b>

### Patents and trademarks

Carrying amount at the beginning of the financial year	3,413	3,048
Amortisation	(389)	(413)
Acquisition through business combination	-	-
Adjustment to purchase price allocation of assets acquired in prior year	-	778
<b>Carrying amount at the end of the financial year</b>	<b>3,024</b>	<b>3,413</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 11. INTANGIBLES (continued)

CGU	Other Intangibles Allocation		Consolidated Goodwill Allocation	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Freighter	10,630	10,630	2,853	2,853
Maxi-CUBE	-	-	762	762
Azmeb	-	-	300	300
Parts and Spares	-	-	16,699	13,744
Yangzhou Maxi-CUBE Tong Composites (China)	-	-	2,753	2,753
Transport Connection	-	-	1,578	1,578
	10,630	10,630	24,945	21,990

### Impairment tests for Goodwill and Other Intangibles

The recoverable amount of the CGU's to which goodwill and other intangible assets with indefinite useful lives are allocated is determined based on value-in-use calculations. These calculations use cash flow projections based on most recent budgeted projections by key operational management. These projections are derived based on current market conditions, order intake and expectations with regards to market share. Projections are extrapolated using estimated growth rates for a five year period with a terminal growth rate of 2% which is below the long-term market average. The growth rate used for years 2-5 is 4% which is based on the most recent Australian Government, Department of Transport and Regional Services, Auslink White Paper and the pre tax nominal discount rates used were 16.2% – 17.2% (2013: 17.0% – 18.0%). Results of this testing indicated that the recoverable amount of each CGU was found to be in excess of its carrying value. As such, no impairment charge was required for the year ended 30 June 2014.

	Consolidated	
	2014	2013
	\$'000	\$'000

## 12. TRADE AND OTHER PAYABLES

Trade payables	29,613	29,168
Other payables and accruals	11,427	8,347
<b>Total trade and other payables</b>	<b>41,040</b>	<b>37,515</b>

## 13. INTEREST BEARING LOANS AND BORROWINGS

### Current

Bank loans – secured	31(e)	2,463	2,332
Bank overdraft	31(e)	-	562
Lease liability	28(a)	1,936	2,139
<b>Total current interest bearing liabilities</b>		<b>4,399</b>	<b>5,033</b>

### Non Current

Bank loans	31(e)	37,250	20,119
Lease liability	28(a)	931	1,066
<b>Total non-current interest bearing liabilities</b>		<b>38,181</b>	<b>21,185</b>

Bank loans are subject to a floating interest rate. Interest rate swaps have been executed in respect of \$29.0m (2013: \$12.5m) of this debt in order to mitigate interest rate risk. Refer to note 31(b) for further details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014 \$'000	2013 \$'000
<b>14. PROVISIONS</b>		
<b>Current</b>		
Employee entitlements	8,967	8,066
Warranty	1,641	1,688
<b>Total current provisions</b>	<b>10,608</b>	<b>9,754</b>
<b>Non Current</b>		
Employee entitlements	1,070	1,099
<b>Aggregate employee entitlements liability</b>	<b>10,037</b>	<b>9,165</b>

## Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

### Warranty

Carrying amount at the beginning of the financial year	1,688	1,266
Provisions made/(used) during the year	(47)	422
<b>Carrying amount at the end of the financial year</b>	<b>1,641</b>	<b>1,688</b>

## 15. ISSUED CAPITAL

185,075,653 (2013: 183,993,392) fully paid ordinary shares	56,386	56,386
<b>Total</b>	<b>56,386</b>	<b>56,386</b>

### Movements in issued capital

	Number of Ordinary Shares	Share Capital \$'000
Balance at 30 June 2013	183,993,392	56,386
Shares issued 28 February 2014	1,082,261	-
<b>Balance at 30 June 2014</b>	<b>185,075,653</b>	<b>56,386</b>

1,082,261 ordinary shares were issued as a result of the exercise of vested rights arising from the 2010 Performance Rights Plan granted to key management personnel (2013: nil).

### Ordinary shares

Subject to the Constitution of the Company, holders of ordinary shares are entitled to vote as follows:

- Every shareholder may vote;
- On a show of hands every shareholder has one vote;
- On a poll every shareholder has:
  - (i) One vote for each fully paid share; and
  - (ii) For each partly paid share held by the shareholder, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) on the share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 15. ISSUED CAPITAL (continued)

Subject to the Constitution of the Company, ordinary shares attract the right in a winding up to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on shares.

## 16. EARNINGS PER SHARE

### Basic earnings per share

	Consolidated	
	2014 – \$'000	2013 – \$'000
<b>Earnings reconciliation</b>		
Net profit attributable to equity holders of the company	17,075	25,965
<b>Basic earnings</b>	<b>17,075</b>	<b>25,965</b>
	2014 – Number	2013 – Number
<b>Weighted average number of shares</b>		
Ordinary shares on issue at 1 July	183,993,392	183,993,392
Effect of shares issued during the year	326,161	–
<b>Weighted average number for basic earnings per share</b>	<b>184,319,553</b>	<b>183,993,392</b>

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 is based on net profit attributable to equity holders of the company of \$17,075,000 and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,056,364.

	2014 – Number	2013 – Number
<b>Weighted average number of shares (diluted)</b>		
Weighted average number of shares (basic)	184,319,553	183,993,392
Effect of Performance Rights on issue	2,056,364	4,713,016
<b>Weighted average number for diluted earnings per share</b>	<b>186,375,917</b>	<b>188,706,408</b>

## 17. RESERVES

### Nature and purpose of reserves

#### Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

#### Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments arising from the revaluation of land and buildings.

#### Share based payments reserve

The share based payments reserve includes the fair value of share based payments recognised as an employee expense over the vesting period.

#### Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments designated in cash flow hedges.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 18. DIVIDENDS

Dividends paid	Cents per share	Total amount \$'000	Date of payment	Tax rate for franking credit	Percent franked
<b>2014</b>					
Interim – ordinary	3.75	6,940	17 April 2014	30%	100%
<b>Total dividends paid</b>	<b>3.75</b>	<b>6,940</b>			
<b>2013</b>					
Interim – ordinary	4.25	7,820	19 April 2013	30%	100%
Final – ordinary	4.25	7,820	11 October 2013	30%	100%
<b>Total dividends paid</b>	<b>8.50</b>	<b>15,640</b>			
<b>Dividends proposed</b>					
Final – ordinary	<b>2.25</b>	<b>4,164</b>	10 October 2014	30%	100%

The above dividend was declared after the end of the financial year and will be paid on 10 October 2014. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial statements.

### Dividend re-investment plan

The operation of the Company's dividend reinvestment plan ("DRP") was suspended on 21 June 2011 until further notice and will not apply to the above dividend.

Dividend franking account	The Company	
	2014 \$'000	2013 \$'000
Franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	<b>17,044</b>	9,321

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for franking debits that will arise from current tax balances. The ability to utilise the franking credits is dependent upon the ongoing solvency of the Company.

The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by \$1,784,658 (2013: \$3,351,308).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 19. SEGMENT INFORMATION

It is the Group's policy that inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Total finance costs of the Group are included in unallocated corporate costs. The reportable segment "Trailer & Tipper Units" now combines the Used and New Trailer & Tipper segments as this is the basis on which management review and report on business operations. Used Trailer & Tipper sales were reflected as segment "Other" in last year's financial report.

Year ended 30 June 2014

Business Segments	Trailer & Tipper Units	Parts & Service	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
External segment revenue	214,503	136,438	-	350,941
Inter-segment revenue	1,825	23,127	(24,952)	-
<b>Total segment revenue</b>	<b>216,328</b>	<b>159,565</b>	<b>(24,952)</b>	<b>350,941</b>
Unallocated sundry revenue				1,027
<b>Total revenue</b>				<b>351,968</b>
<b>Segment Net profit before tax</b>	<b>15,422</b>	<b>9,783</b>	<b>-</b>	<b>25,205</b>
Share of net profit of equity accounted investments				1,471
Unallocated corporate expenses				(3,504)
Profit before related income tax expense				23,172
Income tax expense				(6,027)
<b>Net profit</b>				<b>17,145</b>
Depreciation and amortisation	3,183	2,045	-	5,228
Unallocated depreciation and amortisation				180
<b>Total depreciation and amortisation</b>				<b>5,408</b>
<b>Assets</b>				
Segment assets	120,956	74,089	-	195,045
Unallocated corporate assets				23,979
<b>Consolidated total assets</b>				<b>219,024</b>
<b>Liabilities</b>				
Segment liabilities	13,907	22,263	-	36,170
Unallocated corporate liabilities				61,041
<b>Consolidated total liabilities</b>				<b>97,211</b>
Capital expenditure <sup>(i)</sup>	1,821	6,922	-	8,743
Unallocated capital expenditure				5,577
<b>Consolidated capital expenditure</b>				<b>14,320</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 19. SEGMENT INFORMATION (continued)

Year ended 30 June 2013

Business Segments	Trailer & Tipper Units	Parts & Service	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
External segment revenue	234,078	127,640	-	361,718
Inter-segment revenue	1,659	27,761	(29,420)	-
<b>Total segment revenue</b>	<b>235,737</b>	<b>155,401</b>	<b>(29,420)</b>	<b>361,718</b>
Unallocated sundry revenue				816
<b>Total revenue</b>				<b>362,534</b>
<b>Segment Net profit before tax</b>	<b>24,948</b>	<b>13,000</b>	<b>-</b>	<b>37,948</b>
Share of net profit of equity accounted investments				1,556
Unallocated corporate expenses				(3,146)
Profit before related income tax expense				36,358
Income tax expense				10,137
<b>Net profit</b>				<b>26,221</b>
Depreciation and amortisation	4,065	1,702	-	5,767
Unallocated depreciation and amortisation				136
<b>Total depreciation and amortisation</b>				<b>5,903</b>
<b>Assets</b>				
Segment assets	121,839	65,062	-	186,901
Unallocated corporate assets				15,333
<b>Consolidated total assets</b>				<b>202,234</b>
<b>Liabilities</b>				
Segment liabilities	13,265	20,744	-	34,009
Unallocated corporate liabilities				52,461
<b>Consolidated total liabilities</b>				<b>86,470</b>
Capital expenditure <sup>(i)</sup>	1,406	5,492	-	6,898
Unallocated capital expenditure				504
<b>Consolidated capital expenditure</b>				<b>7,402</b>

(i) Capital expenditure includes the acquisition of leased assets

### Geographical segments

The Group's external revenues are predominantly derived from customers located within Australia. The customer base is sufficiently diverse to ensure the Group is not reliant on any particular customer. The Group's assets and capital expenditure activities are predominantly located within Australia.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 20. SHARE BASED PAYMENTS

The MaxiTRANS Performance Rights Plan ('PRP') was approved by shareholders at the annual general meeting held on 15 October 2010. The PRP is available to executive directors and to senior management and is based on the annual grant of a specified number of Performance Rights which can be converted by executive directors and senior management into a specified number of ordinary shares in the Company.

Performance Rights ('PR's') will vest and will be able to be exercised upon the achievement of specified long term performance targets in a period not less than three years after the date upon which the Performance Rights are granted to executive directors and senior management provided they remain in the employ of the Group throughout that period.

Subject to the ASX Listing Rules, the terms of the PRP can be amended by the Board at any time. The PRP can be terminated by the Board at any time but without prejudice to any accrued rights of PR holders at that time.

### Summary of PR's over unissued ordinary shares (equity settled)

The terms and conditions relating to PR's currently on issue are as follows:

Period	1 July 2013 – 30 June 2016	1 July 2012 – 30 June 2015	1 July 2011 – 30 June 2014
Grant date	30 September 2013	30 September 2012	30 September 2011
Total PR's Issued	1,532,292	1,831,097	2,893,613
Total PR's Forfeited	–	262,628	440,284
Total PR's remaining on issue	1,532,292	1,568,469	2,453,329
Base ROIC	15.0% (year ended 30 June 2013)	10.1% (year ended 30 June 2012)	4.2% (year ended 30 June 2011)
Target increase in ROIC	Average of 0.33% per annum (1.00% over 3 years)	Average of 1.15% per annum (3.45% over 3 years)	Average of 2.5% per annum (7.5% over 3 years)
Percentage increase in base ROIC required	7%	34%	179%
Minimum % of target that must be achieved for Performance Rights to vest	Base ROIC of 15.0% must be achieved	70% (i.e. average of 0.81% per annum)	70% (i.e. average of 1.75% per annum)
Minimum service requirement	3 years from grant date	3 years from grant date	3 years from grant date

Details of 2010 PR's exercised during the year:	
Total PR's issued	1,487,714
Total PR's forfeited	405,453
Total PR's exercised	1,082,261

### Inputs for measurement of grant date fair value

The fair value of PR's is calculated at the date of grant by an independent external valuer, Grant Thornton, using the Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to vesting date. Expected volatility is estimated by considering historic average share price volatility. The fair value of PR's and the inputs used in the measurement of the fair value at grant date of the PR's are as follows:

	2014	2013	2012
Fair value at grant date	\$1.012	59.65¢	22.31¢
Share price at grant date	\$1.325	76.50¢	28.50¢
Expected volatility	40.00%	40.00%	50.00%
Expected dividend yield	6.50%	6.50%	6.50%
Risk-free rate of return	3.60%	2.50%	3.80%
Liquidity discount	15.00%	15.00%	15.00%

The fair value of services received in return for PR's granted are measured by reference to the fair value of PR's granted.

PR's are granted under a service condition and, for grants to key management personnel, non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received. The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity recorded over the vesting period based on the probability of vesting conditions being achieved.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 20. SHARE BASED PAYMENTS (continued)

Employee expenses	Consolidated	
	2014 \$'000	2013 \$'000
PR's on issue	598	362
<b>Total share based payment expense recognised as employee costs</b>	<b>598</b>	<b>362</b>

## 21. RELATED PARTY DISCLOSURES

### (a) Equity interests in related parties

Equity interests in controlled entities: Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 23 to the financial statements.

Equity interests in joint ventures: Details of the percentage of ordinary shares held in joint ventures are disclosed in Note 26 to the financial statements.

### (b) Director and other key management personnel disclosures

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company and executives for the Group.

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

#### Non-executive directors

- Mr I Davis (Chairman)
- Mr J Curtis (Deputy Chairman)
- Mr G Lord
- Mr R Wylie
- Mr J Rizzo (appointed 12 June 2014)

#### Executive directors

- Mr M Brockhoff (Managing Director)

#### Executives

- Mr C Richards (Chief Financial Officer and Company Secretary)
- Mr A Wibberley (Group General Manager - Manufacturing)
- Mr P Buttler (General Manager - Ballarat)
- Mr N Zantuck (General Manager - Vic Branch)
- Mr P Loimaranta (General Manager - MaxiPARTS)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 21. RELATED PARTY DISCLOSURES (continued)

### (c) Directors' transactions in shares

Directors and their related entities acquired 670,838 existing ordinary shares in MaxiTRANS Industries Limited during the year.

### (d) Individual directors' and executives' remuneration disclosure

Details of directors' and executives' remuneration and retirement benefits are disclosed in the Remuneration Report.

### (e) Director and other key management personnel transactions

MaxiTRANS Industries Limited and controlled entities paid legal fees of \$769,147 (2013: \$288,686) to Minter Ellison of which Mr I. Davis is a senior partner. All dealings were in the ordinary course of business and on normal commercial terms and conditions. Amounts owing at year end total \$nil (2013: \$17,250).

MaxiTRANS Industries Limited and controlled entities paid consulting fees of \$2,369,566 (2013: \$31,638) to UXC Red Rock Pty Ltd, a subsidiary of UXC Limited of which Mr G Lord is Deputy Chairman. All dealings were in the ordinary course of business and on normal commercial terms and conditions. Amounts owing at year end total \$nil (2013: \$nil).

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

### (f) Transactions with joint venture

During the year the Group derived revenue from the joint venture of \$38,212,000 (2013: \$43,741,000) for the sale of new units, parts and the provisions of services. Amounts receivable from the joint venture at year end total \$3,772,000 (2013: \$7,085,000).

During the year the Group paid for services and parts from the joint venture totalling \$1,254,000 (2013: \$415,000). Amounts owing at year end total \$55,000 (2013: \$82,000).

All dealings were in the ordinary course of business and on normal commercial terms and conditions.

### (g) Key management personnel remuneration

The key management personnel remuneration (see Remuneration Report) is as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Short-term employee benefits	2,719	2,671
Post-employment benefits	267	219
Share based payment benefits	452	322
	<b>3,438</b>	3,212

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 22. PARENT ENTITY

As at 30 June 2014 and throughout the financial year ending on that date, the parent company of the Group was MaxiTRANS Industries Limited.

	Company	
	2014 \$'000	2013 \$'000
<b>Results of the parent company</b>		
Profit/(loss) for the year	19,766	21,495
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>19,766</b>	<b>21,495</b>
<b>Financial position of the parent company</b>		
Current assets	57,836	64,746
Total assets	91,102	92,624
Current liabilities	983	8,109
Total liabilities	983	8,109
Net Assets	90,119	84,515
<b>Total equity of the parent company comprising of:</b>		
Issued capital	56,386	56,386
Reserves	1,161	563
Retained earnings	32,572	27,566
<b>Total equity</b>	<b>90,119</b>	<b>84,515</b>

### Parent company investment in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are carried at historical cost in the parent company less, where applicable, any impairment charge.

### Parent company guarantees in respect of debts of its subsidiaries

The parent entity has entered into a "Deed of Cross Guarantee" with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 24.

### Parent company contingencies

At any given point in time, the parent company may be engaged in defending legal actions brought against it. The directors are not aware of any such actions that would give rise to a material contingent liability to the parent company.

### Parent company capital commitments

The parent company has no capital commitments for the acquisition of property plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 23. CONTROLLED ENTITIES

### Particulars in relation to controlled entities

	Country of incorp.	Class of shares	Interest held	
			2014 %	2013 %
<b>The Company:</b>				
MaxiTRANS Industries Limited				
<b>Controlled entities of MaxiTRANS Industries Limited:</b>				
MaxiTRANS Australia Pty Ltd	Aust.	Ord.	100	100
- Transport Connection Pty Ltd	Aust.	Ord.	80	80
Transtech Research Pty Ltd	Aust.	Ord.	100	100
Trail Truck Parts Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiTRANS Industries (N.Z.) Pty Ltd	Aust.	Ord.	100	100
Peki Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
Ultraparts Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiTRANS Services Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS Finance Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
Lusty EMS Pty Ltd	Aust.	Ord.	100	100
Hamelex White Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiPARTS Pty Ltd (formerly Colrain Pty Ltd)	Aust.	Ord.	100	100
- Colrain Queensland Pty Ltd	Aust.	Ord.	100	100
- Colrain (Albury) Pty Ltd	Aust.	Ord.	100	100
- Queensland Diesel Spares Pty Ltd (formerly Colrain (Ballarat) Pty Ltd) <sup>(i)</sup>	Aust.	Ord.	100	100
- Colrain Pty Ltd (formerly Colrain (Geelong) Pty Ltd) <sup>(i)</sup>	Aust.	Ord.	100	100
- MaxiPARTS (Qld) Pty Ltd (formerly Queensland Diesel Spares Pty Ltd)	Aust.	Ord.	100	100
MaxiTRANS Employee Share Plan Pty Ltd	Aust.	Ord.	100	-
MaxiTRANS (China) Limited <sup>(i)</sup>	Hong Kong	Ord.	100	100
Yangzhou Maxi-CUBE Tong Composites Co Ltd	China	Ord.	80	80

<sup>(i)</sup> Dormant entity

## 24. DEED OF CROSS GUARANTEE

The Company, together with its subsidiaries, MaxiTRANS Australia Pty Ltd, Transtech Research Pty Ltd, Lusty EMS Pty Ltd, Peki Pty Ltd, MaxiTRANS Industries (N.Z.) Pty Ltd, MaxiPARTS Pty Ltd (effective 1 September 2008, previously ineligible) and Queensland Diesel Spares Pty Ltd (effective 22 June 2012, previously ineligible) each of which is incorporated in Australia, entered into a "Deed of Cross Guarantee" so as to seek the benefit of the accounting and audit relief available under Class Order (98/1418) made by the Australian Securities & Investments Commission which was granted on 30 June 2006.

A consolidated statement of comprehensive income and consolidated balance sheet, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2014 is set out as follows:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 24. DEED OF CROSS GUARANTEE (continued)

### Consolidated statement of comprehensive income

	Consolidated	
	2014 \$'000	2013 \$'000
Total revenue	310,661	332,520
Changes in inventories of finished goods and work in progress	(4,178)	3,476
Raw materials and consumables used	(172,025)	(191,320)
Other income	361	543
Employee expenses	(81,413)	(80,923)
Depreciation and amortisation expenses	(4,959)	(5,675)
Finance costs	(1,939)	(1,956)
Other expenses	(25,516)	(23,268)
Share of net profits of joint ventures accounted for using the equity method	1,471	1,556
Profit before income tax	22,463	34,953
Income tax expense	(5,628)	(9,623)
<b>Profit for the year</b>	<b>16,835</b>	<b>25,330</b>
Other comprehensive income		
<i>Items that may subsequently be re-classified to profit or loss:</i>		
Net exchange difference on translation of financial statements of foreign operations	1,390	928
Effective portion of changes in fair value of cash flow hedges	(9)	(130)
Related tax	3	39
<i>Items that will never be re-classified to profit or loss:</i>		
Revaluation of land and buildings	2,583	-
Related tax	(775)	-
Other comprehensive income/(loss) for the year, net of tax	3,192	837
Total comprehensive income for the year	20,027	26,167
Profit attributable to:		
Equity holders of the company	16,835	25,330
Total comprehensive income attributable to:		
Equity holders of the company	20,027	26,167

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 24. DEED OF CROSS GUARANTEE (continued)

### Consolidated balance sheet

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	2,942	-
Trade and other receivables	37,131	38,434
Inventories	50,501	49,093
Other	2,371	1,613
<b>Total Current Assets</b>	<b>92,945</b>	<b>89,140</b>
<b>Non-Current Assets</b>		
Investment in joint venture	3,994	3,830
Investments in controlled entities	7,294	7,294
Property, plant & equipment	54,321	45,925
Intangible assets	41,601	39,765
Other	818	796
<b>Total Non-Current Assets</b>	<b>108,028</b>	<b>97,610</b>
<b>Total Assets</b>	<b>200,973</b>	<b>186,750</b>
<b>Current Liabilities</b>		
Bank overdraft	-	956
Trade and other payables	32,163	30,427
Interest bearing loans and borrowings	1,936	4,471
Current tax liability	89	8,190
Provisions	9,826	9,065
<b>Total Current Liabilities</b>	<b>44,014</b>	<b>53,109</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	38,181	21,185
Deferred tax liabilities	1,714	1,246
Provisions	1,012	1,054
Other	119	88
<b>Total Non-Current Liabilities</b>	<b>41,026</b>	<b>23,573</b>
<b>Total Liabilities</b>	<b>85,040</b>	<b>76,682</b>
<b>Net Assets</b>	<b>115,933</b>	<b>110,068</b>
<b>Equity</b>		
Issued capital	56,386	56,386
Reserves	12,222	8,432
Retained profits	47,325	45,250
<b>Total Equity</b>	<b>115,933</b>	<b>110,068</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 25. BUSINESS ACQUISITIONS

On 2 December 2013 the Group acquired the business of Central Coast Truck Parts ('CCTP'), a leading provider of truck parts, accessories and consumables servicing the central coast region of New South Wales.

The following summarises the major classes of consideration transferred, and the fair values of assets acquired and liabilities assumed as at the acquisition date:

<b>Consideration transferred</b>	<b>\$'000</b>
Cash	2,643
Total consideration	2,643
<b>Identifiable assets acquired and liabilities assumed</b>	
Inventory	529
Plant & equipment	95
Provisions	(52)
Trade and other payables	(294)
Deferred tax asset	31
Total net identifiable assets	309
<b>Goodwill</b>	
Goodwill was recognised as a result of the acquisition as follows:	
Total consideration transferred	2,643
Fair value of identifiable net assets	309
Total goodwill	2,334

Goodwill in respect of CCTP is mainly attributable to its position as a leading parts provider to the New South Wales Central Coast transportation industry supporting the Group's strategy of expanding its MaxiPARTS wholesale and retail network to further improve coverage of the Australian market.

Two additional minor business acquisitions (Wagga Wagga and Dubbo) were transacted during the second half of 2014 further expanding the Groups parts retail presence in New South Wales.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 26. INVESTMENT IN JOINT VENTURE

Name of Entity	Principal Activity	Ownership	
		2014 %	2013 %
Trailer Sales Pty Ltd	Trailer retailer. Repairs and service provider. Sale of spare parts within Australia, which is the country of incorporation.	<b>36.67</b>	36.67

	Revenues (100%)	Net profit after tax (100%)	Share of joint venture profit recognised	Total assets	Total liabilities	Net assets as reported by joint venture
\$'000						
2014	71,667	4,012	1,471	22,081	12,315	9,766
2013	78,477	4,244	1,556	24,598	15,278	9,320

### Commitments

The share of the joint venture's capital commitments contracted but not provided for or payable within one year was \$nil at 30 June 2014 (2013: \$nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 27. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of cash flows from operating activities with operating profit/(loss) after tax

	Consolidated	
	2014 \$'000	2013 \$'000
Profit for the year	17,145	26,221
<b>Non cash items in operating profit</b>		
Depreciation/amortisation of assets	5,409	5,903
Profit on sale of fixed assets	(238)	(97)
Share of joint venture profit	(1,471)	(1,556)
Share based payments expense	598	362
<b>Change in assets &amp; liabilities</b>		
(Increase)/decrease in receivables	(1,640)	(6,052)
(Increase)/decrease in other assets	627	(1,838)
(Increase)/decrease in inventories	715	(5,960)
Increase/(decrease) in trade payables and other liabilities	3,370	1,687
Increase/(decrease) in income tax payable	(8,353)	3,785
Increase/(decrease) in deferred taxes	(293)	(634)
Increase/(decrease) in provisions	743	1,722
<b>Net cash flows from operating activities</b>	<b>16,612</b>	<b>23,543</b>

### (b) Non-cash financing and investing activities

#### Acquisition of plant & equipment by means of finance leases

	1,007	696
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These acquisitions are not reflected in the consolidated statement of cash flows.

## 28. CAPITAL AND LEASING COMMITMENTS

### (a) Finance lease commitments

Payable		
– not later than 1 year	1,984	2,228
– later than 1 year but not later than 5 years	1,007	1,151
Minimum lease payments	2,991	3,379
Future finance charges	(124)	(174)
<b>Total lease liability</b>	<b>2,867</b>	<b>3,205</b>

The Group leases motor vehicles and selected plant and equipment under finance leases expiring from one to three years. At the end of the lease term the Group has the option to purchase the equipment at an agreed residual purchase price.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 28. CAPITAL AND LEASING COMMITMENTS (continued)

	Consolidated	
	2014 \$'000	2013 \$'000
<b>(b) Operating lease commitments</b>		
Future operating lease rentals not provided for in the financial statements and payable:		
- not later than 1 year	4,616	3,986
- later than 1 year but not later than 5 years	7,316	7,765
- later than 5 years	228	-
<b>Total operating lease commitments</b>	<b>12,160</b>	<b>11,751</b>

The Group leases property under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated.

### (c) Capital expenditure commitments

Payable		
- not later than 1 year	6,706	1,792
- later than 1 year but not later than 5 years	2,370	-
<b>Total capital expenditure commitments</b>	<b>9,076</b>	<b>1,792</b>

## 29. CONTINGENT LIABILITIES

At any given point in time the Group may be engaged in defending legal actions brought against it. In the opinion of the directors such actions are not expected to have a material effect on the Group's financial position.

## 30. REMUNERATION OF AUDITOR

Remuneration of the auditor of the Company for:	\$	\$
KPMG Australia		
- auditing and reviewing the financial statements	229,900	215,000
- other services (taxation & advisory)	225,497	126,505
	<b>455,397</b>	<b>341,505</b>
Overseas KPMG Firms		
- auditing and reviewing financial statements	65,503	55,199
- other services (taxation, advisory & due diligence)	7,897	10,006

## 31. FINANCIAL INSTRUMENTS

### (a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 31. FINANCIAL INSTRUMENTS (continued)

### (b) Interest rate risk

The Group is exposed to interest rate risk as it borrows at both fixed and floating interest rates. The risk is managed by the use of fixed interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the statement of financial performance or protecting interest rate expense through different interest rate cycles.

As at reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Consolidated	
	2014 \$'000	2013 \$'000
<b>INTEREST RATE RISK</b>		
<b>Financial Assets</b>		
Cash and cash equivalents – floating rate	5,041	1,617
<b>Financial Liabilities</b>		
Borrowings – fixed rate	31,867	15,705
Borrowings – floating rate	10,713	10,513

As at reporting date, if interest rates on borrowings had moved as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Consolidated	
	Net Profit after tax	
	2014 \$'000	2013 \$'000
<b>Judgement of reasonably possible movements</b>		
100bp increase with all other variables held constant	(110)	(60)
100bp decrease with all other variables held constant	110	60

### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy counterparties and obtaining sufficient security where appropriate, as a means of mitigating the risk of financial losses from defaults.

The Group does not have any significant credit risk exposure to any single counter party. The majority of accounts receivable are due from entities within the transport industry.

#### Guarantees

Performance guarantees of \$561,448 (2013: \$569,769) are held by Australia and New Zealand Banking Group Limited on behalf of MaxiTRANS Australia Pty Ltd and MaxiPARTS Pty Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 31. FINANCIAL INSTRUMENTS (continued)

The following table details the Group's maximum credit risk exposure as at the reporting date without taking account of the value of any security obtained.

The majority of the balances below are denominated in Australian dollars and therefore are not subject to currency risk.

	Note	Maximum credit risk	
		2014 \$'000	2013 \$'000
<b>Recognised financial assets</b>			
Cash and cash equivalents		5,041	1,617
Trade receivables	6	43,031	41,228
Other receivables	8	818	796
		<b>48,890</b>	<b>43,641</b>

### (d) Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in foreign currency, primarily United States Dollars and Euro. Derivative financial instruments are used by the Group to hedge exposure to exchange rate risk associated with foreign currency transactions.

### Forward exchange contracts

The following table summarises the forward exchange contracts outstanding as at the reporting date:

	Consolidated							
	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2014	2013	2014 FC'000	2013 FC'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Buy US Dollar	0.9278	0.9663	4,337	4,486	4,675	4,643	(33)	244
Buy Euro	0.6743	0.7473	596	1,385	884	1,854	(13)	115
					<b>5,559</b>	<b>6,497</b>	<b>(46)</b>	<b>359</b>

As at reporting date, if the Australian Dollar had moved against each of the currencies as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Consolidated Net Profit after tax	
	2014 \$'000	2013 \$'000
<b>Judgement of reasonably possible movements</b>		
<b>US Dollar</b>		
10.0 cents increase with all other variables held constant	(318)	(336)
<b>EUR</b>		
10.0 cents increase with all other variables held constant	(79)	(171)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 31. FINANCIAL INSTRUMENTS (continued)

### (e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves, committed banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's liquidity management policies include Board approval of all changes to debt facilities including the terms of fixed rate debt. The liquidity management policies ensure that the Group has a well diversified portfolio of debt, in terms of maturity and source, which significantly reduces reliance on any one source of debt in any one particular year. Liquidity risk is managed by the Group based on net inflows and outflows from financial assets and financial liabilities. The following table summarises the maturities of the Group's financial assets and liabilities based on the remaining earliest contractual maturities.

30 June 2014	Carrying Amount \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	Greater than 5 years \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	5,041	5,041	-	-	-	-
Trade & other receivables	43,849	43,849	-	-	-	-
<b>Financial Liabilities</b>						
Trade and other payables and accruals	(41,040)	(41,040)	-	-	-	-
Borrowings	(42,580)	(2,342)	(2,057)	(30,389)	(7,792)	-
<b>Effect of Hedges on Liquidity Profile</b>						
Forward exchange contracts:						
- Outflows	(5,559)	(5,559)	-	-	-	-
- Inflows	5,513	5,513	-	-	-	-
	<b>(34,776)</b>	<b>5,462</b>	<b>(2,057)</b>	<b>(30,389)</b>	<b>(7,792)</b>	<b>-</b>

Effective interest rate on borrowings 6.09%

30 June 2013	Carrying Amount \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	Greater than 5 years \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	1,617	1,617	-	-	-	-
Trade & other receivables	42,024	42,024	-	-	-	-
<b>Financial Liabilities</b>						
Trade and other payables and accruals	(37,515)	(37,515)	-	-	-	-
Borrowings	(26,218)	(2,829)	(2,203)	(20,993)	(193)	-
<b>Effect of Hedges on Liquidity Profile</b>						
Forward exchange contracts:						
- Outflows	(6,496)	(6,496)	-	-	-	-
- Inflows	6,855	6,855	-	-	-	-
	<b>(19,733)</b>	<b>3,656</b>	<b>(2,203)</b>	<b>(20,993)</b>	<b>(193)</b>	<b>-</b>

Effective interest rate on borrowings 6.34%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 31. FINANCIAL INSTRUMENTS (continued)

The Group has derivative instruments that are measured at fair value through profit or loss. These are classified as level two of the fair value hierarchy. There have been no movements between the levels of the fair value hierarchy in the current or prior period.

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Finance Facilities</b>		
At year end, the Group had the following financing facilities in place with its bankers:		
<b>Available facilities</b>		
Loan facility	63,421	39,932
Overdraft facility	2,000	1,000
Lease and asset finance facility	–	8,150
Multi-option facility	13,000	–
	<b>78,421</b>	<b>49,082</b>
<b>Facilities utilised at balance date</b>		
Loan facility	39,713	22,451
Overdraft facility	–	562
Lease and asset finance facility	–	3,205
Multi-option facility	2,867	–
	<b>42,580</b>	<b>26,218</b>
<b>Facilities not utilised at balance date</b>		
Loan facility	23,708	17,481
Overdraft facility	2,000	438
Lease and asset finance facility	–	4,945
Multi-option facility	10,133	–
	<b>35,841</b>	<b>22,864</b>

The loan, overdraft and other facilities are fully secured by a registered charge (mortgage debenture) over the whole of the assets and undertakings of the Group and a registered mortgage over certain land and buildings of controlled entities. The total carrying amount of assets pledged as security is \$nil (2013: \$35,295,000).

Core Australian and New Zealand loan facilities of \$75.0m mature as follows, subject to continuing compliance with the terms of the facilities:

- \$45.0m in December 2016;
- \$30.0m in December 2018.

Interest rates are a combination of fixed and variable.

The MTC (China) core loan facility is an at-call facility.

The terms and conditions of the bank facilities contain covenants in relation to gearing ratio, interest cover and EBITDA ratio. These covenants have been satisfied during the 2014 and 2013 financial years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 31. FINANCIAL INSTRUMENTS (continued)

### (f) Net fair value

#### Determination of net fair value

For the purposes of the above tables, net fair value has been determined in respect of financial assets and financial liabilities, with reference to the carrying amount of such assets and liabilities in the consolidated balance sheet, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The valuation of all financial assets and liabilities listed below has been based on inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly.

The following tables detail the net fair value as at the reporting date of each class of financial asset and financial liability, both recognised and unrecognised.

	Carrying amount		Net fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial assets at amortised cost</b>				
Trade receivables	42,223	40,177	42,223	40,177
Other receivables	1,626	1,051	1,626	1,051
<b>Non-derivative financial liabilities</b>				
Accounts payable	41,040	37,515	41,040	37,515
Bank loans	39,713	22,451	39,713	22,339
Bank overdraft	-	562	-	-
Finance leases	2,867	3,205	2,867	3,205

Fair Value Measurement requires that financial and non-financial assets and liabilities measured at fair value be disclosed according to their position in the fair value hierarchy.

This hierarchy has three levels. Level 1 is based on quoted prices in active markets for identical assets; Level 2 is based on quoted prices or other observable market data not included in Level 1; while Level 3 valuations are based on inputs other than observable market data.

The following table presents MaxiTRANS assets and liabilities measured and recognised at fair value and their classification within the fair value hierarchy at 30 June 2014.

As at 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-financial assets				
Land and buildings	-	-	37,174	37,174
	-	-	37,174	37,174
Financial liabilities				
Derivatives	-	(185)	-	(185)
	-	(185)	-	(185)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## 31. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivatives	-	359	-	359
Non-financial assets				
Land and buildings	-	-	35,345	35,345
	-	359	35,345	35,704
Financial liabilities				
Derivatives	-	(130)	-	(130)
	-	(130)	-	(130)

The fair value of Level 2 financial instruments is determined by reference to observable inputs from active markets or prices from markets not considered active. The forward foreign currency exchange contracts and interest rate swaps are priced with reference to an active yield or rate, but with an adjustment applied to reflect the timing of maturity dates. Level 3 non-financial assets include MaxiTRANS land and buildings reflecting the use of directly unobservable market inputs in their valuation. Valuations have been performed at 31 December 2013 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The following table presents the changes in Level 3 assets during 2013/14 for recurring fair value measurements of non-financial assets. The following table provides quantitative information about the significant unobservable inputs used in Level 3 fair value measurements including the sensitivity of fair value measurement to changes in the noted unobservable inputs.

	Land and Buildings \$'000
<b>Opening balance as at 1 July 2013</b>	35,345
Fair value revaluation recognised in other comprehensive income	2,583
Disposals	(1,210)
Depreciation recognised in the statement of profit and loss	(491)
Exchange rate variance	947
<b>Closing balance as at 30 June 2014</b>	<b>37,174</b>

The following table provides quantitative information about the significant unobservable inputs used in Level 3 fair value measurements including the sensitivity of fair value measurement to changes in the noted unobservable inputs.

Description	Fair Value \$'000	Valuation Technique	Unobservable Inputs	Fair Value Movement Due to +/- Change in Unobservable Input \$'000
Land and buildings	37,174	Highest and best use to market participants	Derived assumptions including rents, yields and discount rates obtained from analysed transactions	2,583

## 32. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to the reporting date which would have a material effect on the Group's financial statements for the year ended 30 June 2014.

# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2014



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAXITRANS INDUSTRIES LIMITED

### REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of MaxiTRANS Industries Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2014, and consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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.

KPMG, an Australian partnership and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

#### Independence

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

#### Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

### REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 26 to 32 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

#### Auditor's opinion

In our opinion, the remuneration report of MaxiTRANS Industries Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG  
Melbourne  
22 August 2014

Tony Romeo  
Partner

Liability limited by a scheme approved under Professional Standards Legislation

# AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

## SHAREHOLDINGS

### Substantial shareholders

The names of the substantial shareholders listed in the Company's register as at 30 July 2014 are:

	Ordinary shares
Transcap Pty Ltd & related parties	24,984,972
HGT Investments Pty Ltd	19,250,000

### Voting rights

As at 30 July 2014, there were 5,410 holders of ordinary shares of the Company.

Subject to the Constitution of the Company, holders of ordinary shares are entitled to vote as follows:

- (a) every shareholder may vote;
- (b) on a show of hands every shareholder has one vote;
- (c) on a poll every shareholder has:
  - (i) one vote for each fully paid share; and
  - (ii) for each partly paid share held by the shareholder, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) on the share.

As at 30 July 2014, there were no unquoted options over unissued ordinary shares.

## Distribution of shareholders

(As at 30 July 2014)

Category – No of shares	No of shareholders
1 – 1,000	781
1,001 – 5,000	1,827
5,001 – 10,000	1,010
10,001 – 100,000	1,634
100,001 and over	158
	<b>5,410</b>

### Shareholders with less than a marketable parcel

As at 30 July 2014, there were 234 shareholders holding less than a marketable parcel of 472 ordinary shares (\$1.06 on 30 July 2014) in the Company totalling 49,721 ordinary shares.

### On market buy-back

There is no current on-market buy-back

# AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION (cont)

FOR THE YEAR ENDED 30 JUNE 2014

## TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES AS AT 30 JULY 2014

Name	Number of fully paid ordinary shares held	Percentage held of issued ordinary shares
HGT Investments Pty Ltd	19,250,000	10.40%
Transcap Pty Ltd	17,935,549	9.69%
National Nominees Limited	8,356,253	4.52%
Citicorp Nominees Pty Ltd	7,719,148	4.17%
J P Morgan Nominees Australia Limited	7,616,535	4.12%
Toroa Pty Ltd	4,968,592	2.68%
HSBC Custody Nominees (Australia) Limited	3,981,176	2.15%
BKI Investment Company Limited	2,800,000	1.51%
De Bruin Securities Pty Ltd	2,100,000	1.13%
Sandhurst Trustees Ltd	2,088,338	1.13%
BNP Paribas Noms Pty Ltd	1,883,230	1.02%
John E Gill Trading Pty Ltd	1,809,320	0.98%
Aust Executor Trustees Ltd	1,618,863	0.87%
Denvorcorp Holdings Pty Ltd	1,502,193	0.81%
Mr A J Shannon	1,500,000	0.81%
Mr E D Ross	1,406,540	0.76%
John E Gill Operations Pty Ltd	1,391,657	0.75%
Mr J R Curtis	1,328,439	0.72%
Navigator Australia Ltd	1,328,048	0.72%
Tanerka Pty Ltd	1,276,100	0.69%
<b>TOTAL</b>	<b>91,859,981</b>	<b>49.63%</b>

[www.maxitrans.com](http://www.maxitrans.com)

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**FREIGHTER**

**Maxi-CUBE**

**HamelexWhite**

**LUSTY EMS**



**M MaxiPARTS**

**PANEL Masta**

**PIR Masta**  
INSULATED BUILDING SOLUTIONS



**TC** Transport  
Connection