REPORT OF THE DIRECTORS AND FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Financial Summary

		F2014	F2015	F2016	F2017	F2018
Revenue	$'000	351,968	329,165	340,179	340,072	**409,312**
EBITDA (excluding significant items)[3]	$'000	30,594	16,247	19,219	21,439	**20,931**
EBIT (excluding significant items)[3]	$'000	25,185	10,604	14,199	16,836	**16,133**
NPBT (excluding significant items)[3]	$'000	23,172	8,079	11,840	14,520	**13,659**
NPAT (excluding significant items)[3][4]	$'000	17,075	6,303	8,752	10,695	**10,077**
Significant Items (net of tax)	$'000	–	(1,806)[1]	(3,517)[2]	–	**–**
NPAT – attributable to equity holders	$'000	17,075	4,497	5,235	10,695	**10,077**
Basic EPS[6]	cents	9.26	2.43	2.83	5.78	**5.44**
Ordinary dividends/share declared	cents	6.00	2.00	3.00	3.50	**3.50**
Depreciation	$'000	3,600	3,967	3,583	3,541	**3,713**
Amortisation – leased assets	$'000	690	550	662	562	**586**
Amortisation – intangibles	$'000	1,119	1,126	775	500	**499**
Capex additions	$'000	13,239	10,893	9,530	8,354	**14,486**
Operating cash flow	$'000	16,612	12,138	21,196	4,445	**19,767**
NTA	$'000	75,876	78,380	86,278	91,210	**98,801**
Net assets	$'000	121,813	120,612	123,337	128,727	**135,819**
Interest bearing liabilities[5]	$'000	42,580	47,302	43,152	47,697	**50,661**
Finance costs	$'000	2,013	2,525	2,359	2,316	**2,474**
Total bank debt[5]	$'000	39,713	45,196	41,465	46,214	**49,500**
Net debt/equity[5]	%	31%	36%	26%	32%	**30%**
Interest cover (excluding significant items)	times	12.51	4.20	5.75	7.27	**8.62**

[1] Relates to impairment loss on AZMEB intangible assets of $2.58m pre-tax (disclosed above net of tax).

[2] Relates to the impairment loss on Lusty EMS and Hamelex White intangible assets of $4.398m pre-tax and the closure cost of the Bundaberg facility of $0.626m pre-tax (disclosed above net of tax).

[3] EBIT, EBITDA, NPBT and NPAT excluding significant items are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group by users.

[4] Also referred to as underlying net profit after tax attributable to MaxiTRANS equity holders.

[5] F2018 excludes liabilities held for sale amounts.

[6] Includes both earnings from continued and discontinued operations.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2018

Your directors submit their report together with the consolidated financial report of MaxiTRANS Industries Limited ACN 006 797 173 ("the Company") and its subsidiaries (together referred to as the "Group"), and the Group's interest in associates for the year ended 30 June 2018 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:

Mr Robert H. Wylie	(Chairman since 30 June 2016)
Mr James R. Curtis	(Director since 1987 – Deputy Chairman since October 1994)
Mr Joseph Rizzo	(Director since June 2014)
Ms Samantha Hogg	(Director since April 2016)
Mr Dean Jenkins	(Appointed Managing Director on 1 March 2017)

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 interim dividend of 2.00 cents per share was paid on 13 April 2018 totalling $3,701,513.

A fully franked final dividend of 1.50 cents per share has been proposed by the directors after reporting date for payment on 12 October 2018. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2018 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.

Corporate Governance Statement

The Corporate Governance Statement of the Directors and the accompanying Appendix 4G is separately lodged with the ASX and forms part of this Directors' Report. It may also be found on the Company's website at www.maxitrans.com.

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 2018.

Operating & Financial Review

REVIEW OF OPERATIONS

The Group operates two types of businesses: the Trailer businesses comprising the design, manufacture, sale and servicing of trailers in Australia and New Zealand; and the Parts business, MaxiPARTS, a trailer and truck parts business in Australia.

As a result of a review of capital returns across the MaxiTRANS' businesses, the Company has decided to divest its interest in Maxi-CUBE Tong Composites Co Ltd ("MTC"), a business that manufactures panels in China for refrigerated and dry freight trailers for both its domestic and export markets. With increasing product commoditisation in China and rising input costs, it is unlikely the business will generate acceptable returns on the capital invested. MTC has been classified as a Discontinued Operation in the Consolidated Statement of Profit or Loss and classified as Assets Held For Sale and Liabilities Held For Sale in the Statement of Financial Position.

Trailer Business

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

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Australia

The Australian trailer market continued to show improvement with new trailer registrations increasing 17% in 2017, the second year in a row of market growth. The Company's diverse product portfolio assisted in maintaining its strong market leading position and achieving a 17% increase in unit sales. This strong sales result was assisted by the completion of the order for 386 units for Coles Supermarkets, widely regarded as the largest single trailer order in the Australian trailer industry. The order was completed on budget and ahead of schedule, confirming the Company's ability to deliver on large-scale projects. This order also contributed to the strong market growth referred to above.

Whilst the Coles order drove the sales growth of Maxi-CUBE refrigerated vans, pleasingly we also experienced strong sales growth of our Freighter branded trailers highlighting improved confidence in the general freight sector.

Sales of our tipper products into the infrastructure, construction, agriculture and waste sectors declined from last years' abnormally high levels, however, we expect sales to remain strong as the investment in infrastructure construction continues.

Unfortunately, the strong revenue growth did not fully translate into improved profitability. Our strong sales order performance is requiring our manufacturing facilities to increase production rates to high levels over a sustained period. These high build rates, combined with a dramatic shift of production mix significantly adversely impacted our operating efficiency in the last quarter of FY18, resulting in the trading update in May, 2018. Pleasingly, efficiencies are returning to normal levels as we enter the new financial year.

New Zealand

As foreshadowed last year, the New Zealand trailer market rebounded after a period of uncertainty surrounding the transport regulation changes. This, combined with a number of customer contract changes drove a 45% increase in trailer unit sales.

In addition, the business established its first permanent presence in the South Island during the year by opening a new service facility in Christchurch. This has been well received by our customers as it provides national support for our products.

The business' profit, however, was significantly impacted by a number of product warranty claims resulting from unacceptable component design and manufacture in 2014. The issues have now been identified and largely resolved.

Parts Business

The Parts business sells trailer and truck 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 under the MaxiPARTS brand.

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 FY18, MaxiPARTS operated 20 wholesale sites and retail stores.

The MaxiPARTS business experienced strong revenue and profit growth from the launch of new products into its range including tyres, European aftermarket truck parts and North American aftermarket engine parts. The MaxiSTOCK customer inventory management system continued to drive incremental sales.

A change in the group business model now has MaxiPARTS operating as a key supplier to our manufacturing and service facilities, thus ensuring parts and component procurement is leveraging the company's full scale, procurement and logistics capability. This is also reflected in improved inventory levels as inventory holding duplication across the business is reduced.

Discontinued Operation – China

Our China panel business has been challenged in this past year due to input cost increases combined with increased competition and product commoditisation, resulting in the compression of trading margins. A labour dispute in the second half of the year, which has now been resolved, also impacted trading margins.

As outlined above, the Company has decided to divest this business due to its inability to produce adequate capital returns. In line with the Company's strategy to generate growth in new markets, the Company continues to investigate other strategic opportunities in China and more broadly across South East Asia.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

FINANCIAL REVIEW

Sales

Total revenue increased by 20% for the year to $409.3 million.

With the exception of our China business, all businesses delivered revenue growth. The Trailer business increased external revenue by 26% to $291 million and the Parts business (the MaxiPARTS business) recorded a 12% external revenue increase to finish FY18 with revenue of $102 million.

Profit

Notwithstanding the strong revenue growth, net profit after tax attributable to MXI equity holders was $10.1 million in FY18, a decrease of 5.7%.

Trading margins were lower in FY18 across all business units.

Overheads were higher during the year due to:

- Increased warranty expenses, particularly in the New Zealand trailer business;
- Higher selling costs associated with increased sales volumes and trailer depreciation on rental trailers; and
- Increased corporate costs to deliver the business growth (Health & Safety, HR, Finance & Administration and IT).

Cash Generation & Capital Management

Operating cash flow of $19.7 million was generated during FY18 which was 345% higher than FY17.

Notwithstanding the sustained high build rates during the year, working capital reduced predominantly due to a reduction in inventory and an increase in deferred revenue (i.e. customer deposits received in advance). It is expected that working capital will remain at these levels whilst the current trailer build rates are maintained.

The investment associated with Project TRANSform, our substantial program to replace our ageing and end-of-life IT systems continued during the year. We are on track to deploy the systems during FY19. Once implemented, we expect our cashflow to significantly improve as a result of the reduced capital investment in later years and the realisation of the operating efficiencies to be obtained from the new systems and processes.

Net debt for FY18 reduced to 30% of equity, down from 32% in FY17.

External Financing Facilities

During FY17, MaxiTRANS entered into debt facilities totalling $70 million through a syndicated facility with the Commonwealth Bank of Australia and HSBC Bank. The facility is used to fund ongoing business requirements and facilitate the funding of future growth opportunities. The facility has both three years and five year maturities, has a number of covenant requirements and is secured against property owned by the Group.

These facilities are sufficient to support the business in its current form. In addition, MTC has a three year RMB 20 million facility with ANZ Banking Group in China and has an additional uncommitted facility of RMB 5 million. It is expected this facility will be repaid as a part of a sale of the business.

Dividends

The total dividend to shareholders relating to the financial year ending 30 June 2018 will be 3.5 cents per share and will be fully franked. The total ordinary dividend of 3.5 cents per share is consistent with the prior year and represents a 64% payout ratio of FY18 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.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Operational Risks

The Group has identified the following operational risks as "very high":

- The Trailer business, which contributed 71% of Group revenue and 69% of business segment 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 trailers 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 adjacent markets;
- expanding the Parts business to provide more stable, recurring income; and
- expanding into international markets.
- The risk of greater competition from offshore competitors selling imported trailers in the Australian market 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;
- product innovation to provide better solutions to customers;
- investigating low cost country sourcing opportunities to maintain margins;
- reducing the manufacturing cost base through efficiencies to maintain margins;
- minimising lead times to delivery; and
- expand the service footprint to provide after-sales support.

Foreign Exchange & Commodities Risk

The Group has exposure to movements in the Australian dollar against the United States dollar, the Euro and the Chinese Yuan.

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 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.

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

The Company is actively engaged in 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 equip and empower management to drive improvements in health and safety through the deployment of a comprehensive Health, Safety, Environment and Quality System.

Since FY15, the program has yielded a 46% improvement in safety performance.

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

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

STRATEGY

MaxiTRANS has undertaken a refresh of its corporate strategy. The strategy focuses on the following pathways that will drive superior shareholder returns:

- Operational excellence that will ensure the Company's systems and processes deliver high quality, cost effective products and services;
- Leveraging its market leading position to optimise growth opportunities in the markets in which it operates;
- Leveraging its expertise to diversify into new markets;
- Develop a comprehensive organisation development model to continue to recruit, develop and retain the best people; and
- Ensure our corporate image accurately reflects its market-leading position.

Business Transformation Program

The Company has committed to a significant investment in a business transformation program known as "Project TRANSform".

The program will replace a number of outdated legacy IT systems with a single enterprise resource planning ("ERP") system and other integrated systems across the business. This will allow the Company to streamline many business processes, thus creating operational efficiencies and mitigating business risk.

During FY18, the new ERP system continued to be developed and will be deployed across the business during FY19.

OUTLOOK

It is expected market conditions in the Australian trailer market will continue to improve as operators upgrade their ageing fleets and most key economic drivers remain positive. This will benefit both the Australian trailer business as well as the MaxiPARTS parts business.

In the short term, order intake remains strong, particularly in both the general freight and the food and grocery sectors, benefitting our Freighter and Maxi-CUBE products. Whilst the tipper order intake is lower than the last financial year, it is still somewhat dependent on the crop outlook and the timing of commencement of new infrastructure projects.

With the New Zealand warranty issues now largely dealt with and the further establishment of the Christchurch service facility, it is expected this business will return to profitability in the next financial year.

The significant investment in the new IT systems is expected to be completed over the next financial year. This will be a key enabler to driving operational efficiency through the business resulting in strong operating cashflow in future years.

The Company continues to execute upon its corporate strategy to not only improve the operational efficiency in our current business but also to pursue growth opportunities in our existing markets, looking to identify new market opportunities, all with the aim of improving shareholder returns. Underlying this will be a continued focus on improving our safety performance to not only ensure we send our people home safely but that MaxiTRANS' products design also send our customer's people home safely.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Information of Directors

Mr. Robert H. Wylie	Chairman, Independent Non-Executive, (appointed 30 June 2016), Age 68
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 the Nomination Committee. Member of the Audit & Risk Management Committee and Remuneration & Human Resources Committee.
Interest in Shares:	121,904 ordinary shares beneficially held.
Options over Ordinary Shares:	Nil
Mr. Dean S Jenkins	Managing Director, Executive, Age 46
Qualifications & Experience:	Appointed Managing Director on 1 March 2017. Most recently Chief Operating Officer & Executive Director of the Weir Group PLC, one of the world's leading engineering businesses. Prior to the Weir Group, Mr Jenkins was CEO of UGL Rail from 2008 to 2010, Australia's largest supplier and maintainer of rolling stock. He also spent 11 years in senior leadership roles with QANTAS, culminating in the role of Group General Manager – Engineering, Material and Logistics.
Interest in Shares:	202,000 ordinary shares beneficially held.
Options over Ordinary Shares:	Nil

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Mr. James R. Curtis	Deputy Chairman, Non-Executive, Age 83
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 Audit & Risk Management Committee, Remuneration & Human Resources Committee and Nomination Committee.
Interest in Shares:	24,943,030 ordinary shares beneficially held.
Options over Ordinary Shares:	Nil
Mr. Joseph Rizzo	Independent Non-Executive Director, Age 62
Qualifications & Experience:	Bachelor of Economics (Monash University), Executive Program (University of Michigan), Graduate of the Australian Institute of Company Directors (GAICD). Appointed Non-Executive Director 2014. Formerly Managing Director of PACCAR Australia Pty Ltd with 35 years' experience in the road transport equipment manufacturing 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:	Chairman of the Remuneration & Human Resources Committee and Member of the Audit & Risk Management Committee and Nomination Committee.
Interest in Shares:	50,000 ordinary shares beneficially held.
Options over Ordinary Shares:	Nil
Ms. Samantha Hogg	Independent Non-Executive Director, Age 51
Qualifications & Experience:	Currently the Chairperson of Tasmanian Irrigation and TasRail and a director of Hydro Tasmania and Australian Renewable Energy agency and has previously held senior executive finance roles at the Transurban Group, Vale Inco and WMC Resources.
Special Responsibilities:	Chairperson of the Audit and Risk Management Committee and Member of the Remuneration & Human Resources Committee and Nomination Committee.
Interest in Shares:	Nil ordinary shares beneficially held.
Options over Ordinary Shares:	Nil

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Company Secretaries

Ms. Alison Groves
LLB.(Hons), BEc, FGIA, FCIS
Appointed to the position of Company Secretary on 20 July 2018.

Mr. Campbell R. Richards
B. Bus. (Acc), CA
Appointed to the position of Company Secretary in June 2013. Resigned on 20 July 2018.

Mr. Albert Retief
B. Bus. (Acc), CA
Appointed to the position of Assistant Company Secretary in May 2016.

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

	Directors' Meetings		Audit & Risk Management Committee		Remuneration & Human Resources Committee		Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert Wylie	13	13	5	5	3	3	–	–
James Curtis	13	12	5	4	3	2	–	–
Joseph Rizzo	13	12	5	5	3	3	–	–
Samantha Hogg	13	12	5	5	3	3	–	–
Dean Jenkins	13	13	5	5	3	3	–	–

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

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 Return on Invested Capital; 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 20% and 20% respectively. In the case of the Managing Director, the mix of performance linked remuneration (as a percentage of total remuneration) between STI and LTI components is 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.

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 STIs and LTIs 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.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Except in the case of the Managing Director and Chief Financial Officer where the key financial performance objectives are "net profit after tax," the key financial performance objective for other executives is "net profit before tax" compared to budgeted amounts. All executives also have other financial performance objectives relating to working capital improvement. 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, STIs based on the achievement of KPIs are 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 employment 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').

If the minimum ROIC 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.

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 has regard to the indices highlighted in the table on page 31. Net profit after tax and net profit before tax are considered as two 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.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Mr Dean Jenkins, Managing Director, has a contract of employment with the Company dated 1 March 2017. 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 Jenkins 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, Chief Financial Officer, 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 an 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 senior executive remuneration during the year. Mercer was paid $31,000 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 2018

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:

		Primary			Post	Equity	Other (iv)	Total	Proportion of remuneration performance related	Value of PRs as proportion of remuneration
		Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PRs (iii)				
	Year	$	$	$	$	$	$	$	%	%
DIRECTORS										
Non-executive										
Mr R Wylie	**2018**	**115,000**	**–**	**–**	**25,000**	**–**	**–**	**140,000**	**–**	**–**
Chairman	2017	105,000	–	–	35,000	–	–	140,000	–	–
Mr J Curtis	**2018**	**68,493**	**–**	**–**	**6,507**	**–**	**–**	**75,000**	**–**	**–**
	2017	68,493	–	–	6,507	–	–	75,000	–	–
Mr G Lord (v)	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2017	21,064	–	–	2,001	–	–	23,065	–	–
Mr J Rizzo	**2018**	**57,393**	**–**	**–**	**17,007**	**–**	**–**	**75,000**	**–**	**–**
	2017	47,303	–	–	27,697	–	–	75,000	–	–
Ms S Hogg	**2018**	**68,493**	**–**	**–**	**6,507**	**–**	**–**	**75,000**	**–**	**–**
	2017	68,493	–	–	6,507	–	–	75,000	–	–
Executive										
Mr D Jenkins (vi)	**2018**	**697,380**	**–**	**150**	**75,132**	**36,460**	**100,274**	**909,396**	**4.0%**	**4.0%**
Managing Director	2017	248,003	–	–	23,135	–	13,333	284,471	–	–
Mr M Brockhoff (vii)	**2018**	**–**	**85,251**	**726**	**23,199**	**–**	**71,781**	**180,957**	**47.1%**	**–**
Former Managing Director	2017	655,497	–	29,652	68,094	(112,152)	61,199	702,290	(16.0%)	(16.0%)
EXECUTIVES										
Mr C Richards	**2018**	**346,433**	**41,447**	**–**	**44,297**	**1,138**	**113,393**	**546,709**	**7.8%**	**0.2%**
Chief Financial Officer and Company Secretary	2017	332,924	–	–	31,500	(1,094)	–	363,330	(0.3%)	(0.3%)
Mr A Wibberley (viii)	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group General Manager – Manufacturing	2017	84,323	–	1,963	18,615	(54,230)	96,210	146,880	(36.9%)	(36.9%)
Mr P Buttler (ix)	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former General Manager – Ballarat MaxiTRANS Australia Pty Ltd	2017	1,550	–	–	6,042	(43,336)	62,596	26,851	(161.4%)	(161.4%)
Mr A McKenzie	**2018**	**305,711**	**19,178**	**5,201**	**32,187**	**(27)**	**22,000**	**384,250**	**5.0%**	**–**
Group General Manager – Sales and Marketing	2017	295,408	–	3,278	30,365	35,346	22,000	386,398	9.1%	9.1%

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

		Primary			Post	Equity	Other (iv)	Total	Proportion of remuneration performance related	Value of PRs as proportion of remuneration
		Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PRs (iii)				
	Year	$	$	$	$	$	$	$	%	%
EXECUTIVES (continued)										
Mr P Loimaranta Group General Manager – International	**2018**	**286,906**	**26,942**	**–**	**31,649**	**1,016**	**31,359**	**377,872**	**7.4%**	**0.3%**
	2017	280,430	–	–	28,439	(1,070)	34,446	342,245	(0.3%)	(0.3%)
Mr C Wallace (x) Former General Manager – Vic Branch MaxiTRANS Australia Pty Ltd	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2017	162,289	–	19,412	22,190	(32,434)	171,141	342,598	(9.5%)	(9.5%)
Mr A Roder (xi) Former Group General Manager – Manufacturing	**2018**	**152,593**	**11,687**	**5,201**	**16,521**	**(15,169)**	**2,547**	**173,379**	**(2.0%)**	**(8.7%)**
	2017	255,055	–	–	23,316	15,160	–	293,532	5.2%	5.2%
Mr T Negus (xii) Group General Manager – Manufacturing	**2018**	**190,064**	**–**	**–**	**17,396**	**–**	**–**	**207,461**	**–**	**–**
	2017	–	–	–	–	–	–	–	–	–
Mr J O'Brien (xiii) General Manager – MaxiParts Pty Ltd	**2018**	**248,771**	**28,484**	**–**	**27,939**	**6,660**	**37,017**	**348,872**	**10.1%**	**1.9%**
	2017	–	–	–	–	–	–	–	–	–

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 2018 financial year using the criteria set out in the Remuneration Report. The amounts were determined after performance reviews were completed.

(iii) The fair value of performance rights (PRs) 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 PRs, market conditions have been taken into account. Further details in respect of PRs are contained on the following page of the Remuneration Report. Details of PRs vested during the period are contained in Note 15 – Share Based Payments. During the period it was determined that the performance and service conditions of the 2014 PR scheme will not be met. As a result, the total amount recognised for services received over the life of the 2014 PR scheme was reversed.

(iv) Includes the accrual of long-term statutory entitlements.

(v) Mr G Lord retired effective 21 October 2016.

(vi) Mr D Jenkins was appointed on 1 March 2017.

(vii) Mr M Brockhoff retired effective 31 July 2017. All PRs held by Mr Brockhoff at that time were cancelled.

(viii) Mr A Wibberley resigned effective 28 October 2016. All PRs held by Mr Wibberley at that time were cancelled.

(ix) Mr P Buttler resigned effective 1 July 2016. All PRs held by Mr Buttler at that time were cancelled.

(x) Mr C Wallace was made redundant on 19 April 2017. All PRs held by Mr Wallace at that time were cancelled.

(xi) Mr A Roder resigned on 12 January 2018. All PR's held by Mr Roder at that time were cancelled.

(xii) Mr T Negus was appointed on 1 January 2018.

(xiii) Mr J O'Brien was appointed to the role of General Manager – MaxiParts on 1 November 2017. From 1 July 2017 to the date of Mr O'Brien's appointment, he was Acting General Manager – MaxiParts.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Analysis of share-based payments granted as remuneration

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

	PRs granted (no.)	Grant date	Fair value at grant date ($)	Vesting date	Expiry date
Directors					
Mr D Jenkins	462,193	31 Aug. 2017	0.5879	31 Aug. 2020	31 Aug. 2024
Company executives					
Mr C Richards	229,344	31 Aug. 2017	0.5879	31 Aug. 2020	31 Aug. 2024
Consolidated entity executives					
Mr A Roder[1]	203,287	31 Aug. 2017	0.5879	31 Aug. 2020	31 Aug. 2024
Mr P Loimaranta	206,628	31 Aug. 2017	0.5879	31 Aug. 2020	31 Aug. 2024
Mr A McKenzie	215,691	31 Aug. 2017	0.5879	31 Aug. 2020	31 Aug. 2024
Mr J O'Brien	172,551	31 Aug. 2017	0.5879	31 Aug. 2020	31 Aug. 2024

(1) On 12 January 2018, the date when Mr Roder resigned, Mr Roder's PRs were cancelled.

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

The estimated maximum value of PRs on issue for future years is the current share price. 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 relating to vested PRs.

CONSOLIDATED RESULTS AND SHAREHOLDER RETURNS

	2018	2017	2016	2015	2014
Net profit/(loss) attributable to equity holders of the parent	**$10,076,812**	$10,694,940	$5,235,234	$4,496,951	$17,074,194
Basic EPS[1]	**5.44¢**	5.78¢	2.83¢	2.43¢	9.26¢
Dividends declared	**$6,477,648**	$6,477,648	$5,552,270	$3,701,513	$11,104,542
Dividends declared per share	**3.50¢**	3.50¢	3.00¢	2.00¢	6.00¢
Share price	**51.0¢**	67.0¢	45.0¢	39.5¢	97.0¢

(1) Includes both continued and discontinued earnings.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

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:

2018 Shares				
MaxiTRANS Industries Limited	Held at 1 July 2017	Purchases	Sales	Held at 30 June 2018
Directors:				
Mr D Jenkins	–	202,000	–	202,000
Mr J Curtis	24,943,030	–	–	24,943,030
Mr R Wylie	21,364	100,540	–	121,904
Mr J Rizzo	50,000	–	–	50,000
Executives:				
Mr P Loimaranta	260,716	–	(2,163)	258,553

Ms Hogg, Mr Negus, Mr Richards, Mr McKenzie and Mr O'Brien do not hold any shares as at 30 June 2018.

2017 Shares				
MaxiTRANS Industries Limited	Held at 1 July 2016	Purchases	Sales	Held at 30 June 2017
Directors:				
Mr M Brockhoff (retired 1 March 2017)	3,090,172	–	(3,090,172)[1]	–
Mr J Curtis	24,943,030	–	–	24,943,030
Mr G Lord (retired 21 October 2016)	1,049,604	–	(1,049,604)[1]	–
Mr R Wylie	21,364	–	–	21,364
Mr J Rizzo	50,000	–	–	50,000
Executives:				
Mr P Loimaranta	260,716	–	–	260,716
Mr A Wibberley (resigned 28 October 2016)	176,507	–	(176,507[1])	–

Ms Hogg, Mr Jenkins, Mr Richards, Mr McKenzie and Mr Roder do not hold any shares as at 30 June 2017.

(1) Represent shareholding on the date of retirement/resignation.

End of Remuneration Report

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

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 five 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 $58,852 (2017: $41,852) in respect of directors' and officers' liability insurance contracts.

Clause 101 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 seven 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 15 to the consolidated financial statements and in the Remuneration Report.

REPORT OF THE DIRECTORS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

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	
	2018	2017
	$	$
Remuneration of auditor		
Remuneration of the auditor of the Group for:		
KPMG Australia:		
– auditing and reviewing the financial statements	**292,830**	306,967
– other services (taxation and advisory)	**188,254**	166,219
	481,084	473,186
Overseas KPMG Firms:		
– auditing and reviewing financial statements	**86,849**	82,219
– other services (taxation, advisory and due diligence)	**9,554**	12,605
	96,403	94,824
Total	**577,487**	568,010

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 2018

Rounding of Accounts

The parent entity has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors Reports) Instruments 2016/191 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. Robert H Wylie, Director

Mr. Dean Stuart Jenkins, Director

Dated this 24th day of August 2018

KPMG

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 of MaxiTRANS Industries Limited for the financial year ended 30 June 2018 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
24 August 2018

Suzanne Bell
Partner

KPMG, an Australian partnership and a 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 2018

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 80, 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 2018 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

There are reasonable grounds to believe that the Company and the Group entities identified in Note 18 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order (2016/785).

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 2018.

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.

RH Wylie

Mr. Robert H Wylie, Director

Mr. Dean Stuart Jenkins, Director

Dated this 24th day of August 2018

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

FOR THE YEAR ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
		Consolidated	
	Note	2018 $'000	Restated 2017^ $'000
Continued Operations			
Sale of goods		**375,087**	305,523
Rendering of services		**14,907**	14,767
Changes in inventories of finished goods and work in progress		**2,578**	5,581
Raw materials and consumables used		**(241,132)**	(194,419)
Interest income		**58**	86
Other income – sale of assets		**72**	161
Employee and contract labour expenses	2	**(100,976)**	(85,316)
Warranty expenses		**(3,770)**	(1,796)
Depreciation and amortisation expenses		**(4,073)**	(3,895)
Finance costs	9	**(2,328)**	(2,127)
Other expenses		**(27,750)**	(25,863)
Share of net profits of associates accounted for using the equity method	21	**1,404**	884
Profit before income tax		**14,077**	13,586
Income tax expense	3(a)	**(3,734)**	(3,227)
Profit from continued operations		**10,343**	10,359
Discontinued Operation			
Profit/(loss) from discontinued operation, net of tax	28	**(332)**	686
Profit for the year		**10,011**	11,045
Profit attributable to:			
Equity holders of the Company		**10,077**	10,695
Non-controlling interests		**(66)**	350
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	12	**5.44**	5.78
Diluted earnings per share (cents per share)	12	**5.44**	5.78
Earnings per share from continued operations:			
Basic earnings per share (cents per share)	12	**5.58**	5.60
Diluted earnings per share (cents per share)	12	**5.58**	5.60
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Profit for the year		**10,011**	11,045
Other comprehensive income			
Items that may subsequently be re-classified to profit or loss:			
Net exchange difference on translation of financial statements of foreign operations		**850**	(1,609)
Other sundry movements		**(35)**	114
Items that will never be re-classified to profit or loss:			
Revaluation of land and buildings	6	**3,901**	3,557
Related tax		**(1,136)**	(1,041)
Other comprehensive income for the year, net of tax		**3,580**	1,021
Total comprehensive income for the year		**13,591**	12,066
Total comprehensive income attributable to:			
Equity holders of the Company		**13,573**	11,782
Non-controlling interests		**18**	284

^ In accordance with AASB 5 Non-current Assets Held for sale and Discontinued Operations prior year comparatives have been restated to be consistent with disclosures for 30 June 2018. Refer to Note 27 Disposal Group held for sale.

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 STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Note	2018 $'000	2017 $'000
Current Assets			
Cash and cash equivalents		**9,692**	6,140
Trade and other receivables	4	**39,120**	45,208
Inventories	5	**57,700**	60,368
Current tax assets	3(c)	**2,237**	1,209
Assets held for sale	27	**19,813**	–
Other		**1,584**	1,562
Total Current Assets		**130,146**	114,487
Non-Current Assets			
Investment in associate		**4,826**	4,442
Property, plant and equipment	6	**93,733**	88,526
Intangible assets	7	**34,265**	37,517
Deferred tax assets	3(b)	**–**	472
Other		**1,249**	1,135
Total Non-Current Assets		**134,073**	132,092
Total Assets		**264,219**	246,579
Current Liabilities			
Trade and other payables	8	**47,327**	52,600
Deferred Revenue		**4,090**	3,086
Interest bearing loans and borrowings	9	**752**	2,563
Current tax liability	3(c)	**–**	118
Provisions	10	**13,126**	12,421
Liabilities held for sale	27	**9,550**	–
Total Current Liabilities		**74,845**	70,788
Non-Current Liabilities			
Interest bearing loans and borrowings	9	**49,908**	45,134
Deferred tax liabilities	3(b)	**2,409**	752
Provisions	10	**1,141**	1,144
Other		**97**	34
Total Non-Current Liabilities		**53,555**	47,064
Total Liabilities		**128,400**	117,852
Net Assets		**135,819**	128,727
Equity			
Issued capital	11	**56,386**	56,386
Reserves		**20,998**	17,481
Retained earnings		**57,097**	53,539
Equity attributable to equity holders of the Company		**134,481**	127,406
Non-controlling interest		**1,338**	1,321
Total Equity		**135,819**	128,727

The consolidated statement of financial position 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 2018

	Note	Issued capital $'000	Asset revaluation reserve[1] $'000	Retained earnings $'000	Non-controlling interest $'000	Other reserves[2] $'000	Total $'000
Balance at 1 July 2017		56,386	15,121	53,539	1,321	2,360	**128,727**
Comprehensive income for the year							
Profit for the year		–	–	10,077	(66)	–	**10,011**
Other comprehensive income							
Net exchange differences on translation of financial statements of foreign operations		–	–	–	85	765	**850**
Revaluation of land and buildings		–	2,765	–	–	–	**2,765**
Other sundry movements		–	–	–	–	(35)	**(35)**
Total comprehensive income for the year		–	2,765	10,077	19	730	**13,591**
Transactions with owners recorded directly in equity							
Dividends to equity holders	13	–	–	(6,478)	–	–	**(6,478)**
Final dividend to previous minority shareholder		–	–	(12)	–	–	**(12)**
Final payment for 20% minority share purchased on 30 June 2017	19	–	–	(31)	–	–	**(31)**
Share-based payment transactions	15	–	–	–	–	22	**22**
Other sundry movements		–	–	2	(2)	–	**–**
Total transactions with owners		–	–	(6,519)	(2)	22	**(6,499)**
Balance at 30 June 2018		**56,386**	**17,886**	**57,097**	**1,338**	**3,112**	**135,819**

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

2. Other reserves
Other reserves comprises the foreign currency translation reserve, share based payment reserve and hedging reserve.

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 (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Issued capital $'000	Asset revaluation reserve[1] $'000	Retained earnings $'000	Non-controlling interest $'000	Other reserves[2] $'000	Total $'000
Balance at 1 July 2016		56,386	12,605	48,337	1,971	4,038	123,337
Comprehensive income for the year							
Profit for the year		–	–	10,695	350	–	11,045
Other comprehensive income							
Net exchange differences on translation of financial statements of foreign operations		–	–	–	(66)	(1,543)	(1,609)
Revaluation of land and buildings		–	2,516	–	–	–	2,516
Other sundry movements		–	–	–	–	114	114
Total comprehensive income for the year		–	2,516	10,695	284	(1,429)	12,066
Transactions with owners recorded directly in equity							
Dividends to equity holders	13	–	–	(5,553)	(336)	–	(5,889)
Purchase of 20% minority share	19	–	–	60	(596)	–	(536)
Share-based payment transactions	15	–	–	–	–	(249)	(249)
Other sundry movements		–	–	–	(2)	–	(2)
Total transactions with owners		–	–	(5,493)	(934)	(249)	(6,676)
Balance at 30 June 2017		**56,386**	**15,121**	**53,539**	**1,321**	**2,360**	**128,727**

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

2. Other reserves
Other reserves comprises the foreign currency translation reserve, share based payment reserve and hedging reserve.

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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers		**450,322**	381,950
Payments to suppliers and employees		**(422,870)**	(374,000)
Interest received		**58**	86
Interest and other costs of finance paid		**(2,474)**	(2,316)
Income tax paid		**(5,269)**	(1,275)
Net cash provided by operating activities	22	**19,767**	4,445
Cash flows from investing activities			
Payments for property, plant and equipment		**(14,485)**	(8,194)
Acquisition of non-controlling interest		**(31)**	(536)
Dividends received		**1,020**	629
Proceeds from sale of property, plant and equipment		**130**	309
Net cash used in investing activities		**(13,366)**	(7,792)
Cash flows from financing activities			
Repayment of borrowings		**(3,349)**	(36,000)
Proceeds from borrowings		**9,610**	40,749
Payment of finance lease liabilities		**(230)**	(204)
Dividends paid	13	**(6,490)**	(5,889)
Net cash used in financing activities		**(459)**	(1,344)
Net increase/(decrease) in cash		**5,942**	(4,691)
Cash and cash equivalents at beginning of year		**6,140**	10,831
*Less: cash held for sale	27	**(2,390)**	–
Cash and cash equivalents at end of year		**9,692**	6,140

* In accordance with AASB 5 Non-current Assets held for sale and Discontinued Operations prior year comparatives have not been restated for the impact of the Disposal Group held for sale. Refer to Note 27 Disposal Group held for sale.

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 2018

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 2018 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. The financial report contains comparative information that has been adjusted to align with the presentation of the current period, where necessary.

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 Corporations (Rounding in Financial/Directors Reports) Instruments 2016/191 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 24 August 2018.

The relevant Australian Accounting Standards and Interpretations that became effective and that were early adopted by the Group since 30 June 2017 were:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised losses (mandatory for years beginning on or after 1 January 2017)
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 107 (mandatory for years beginning on or after 1 January 2017)
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle (mandatory for years beginning on or after 1 January 2017)

Accounting policies

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 18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity-accounted investees, until the date on which significant influence 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 an associate.

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

(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 price.

(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. Fair value of land and buildings is assessed at each reporting period.

Independent valuations were obtained during the financial year ending 30 June 2018 in relation to all land and buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 when it's ready for use. Land is not depreciated. The estimated useful lives are reflected in the following rates in the current and comparative periods:

	2018	2017
Buildings	**25-40 years**	25-40 years
Plant and equipment	**2-20 years**	2-20 years
Leased plant and equipment	**3.33-10 years**	3.33-10 years

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or process is technically and commercially feasible and the Group has sufficient resources to complete the 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) Brand names

Brand names acquired by the Group have indefinite useful lives and are measured at cost less accumulated impairment. They are tested annually for impairment, or more frequently if events or circumstances indicate that they might be impaired.

(iv) Intellectual Property

Intellectual property acquired by the Group with definite useful lives are measured at cost less accumulated impairment. They are tested annually for impairment, or more frequently if events or circumstances indicate that they might be impaired.

(v) Other intangible assets

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

(vi) 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:

	2018	2017
Intellectual property	**0-20 years**	0-20 years
Software	**10 years**	10 years

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 highly probable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 post-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. During the year superannuation contributions of $6,437,490 (2017: $5,166,573) were expensed.

(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 corporate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 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 statement of financial position 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 completed.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 Board 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 2018 was 31% (2017: 32%). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 independent valuations.

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.

(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 grants relate to assets, and have been presented in the statement of financial position deducting the grant value from the cost of the asset in arriving at the asset carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018 **$'000**	Restated 2017 $'000
2. PROFIT FROM ORDINARY ACTIVITIES		
Employee and contract labour expenses:		
– employee expenses	**87,614**	75,544
– contract labour expenses	**13,362**	9,772
Total employee and contract labour expenses	**100,976**	85,316
Net (income)/expenses from movements in provision for:		
– employee entitlements	**458**	(178)
– warranty	**960**	120
– other	**(1,037)**	244
Net (income)/expense resulting from movements in provisions	**381**	186
Rental expense on operating leases	**6,282**	6,455
Research and development expenditure expensed as incurred	**684**	682
Crediting as income:		
Net gain on disposal of:		
– property, plant and equipment	**73**	161
3. TAXATION		
(a) Income tax		
Reconciliation of tax expense		
Prima facie tax payable on profit before tax for continued and discontinued operations at 30% (2017: 30%)	**4,097**	4,356
Add/(deduct) tax effect of:		
Research and development allowance	**(268)**	(295)
Non-assessable expenditure/(income)	**73**	(28)
Associate equity accounted income	**(421)**	(265)
Under/(over) provision in prior year	**140**	(245)
Impact of tax rates in foreign jurisdictions	**27**	(48)
	(449)	(881)
Add/(deduct) Income tax attributable to discontinued operations	**86**	(248)
Income tax expense in consolidated statement of profit or loss	**3,734**	3,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

3. TAXATION (continued)

		Consolidated	
		2018 $'000	Restated 2017 $'000
Income tax expense attributable to profit from continuing operations is made up of:			
Current tax expense		**2,530**	2,947
Prior year under/(over) provision		**229**	(206)
Deferred tax expense			
– origination and reversal of temporary difference		**962**	773
– prior year under/(over) – deferred differences		**(72)**	(39)
Exclude discontinued operation current tax benefit/(expense)		**85**	(248)
Income tax expense in consolidated statement of profit or loss		**3,734**	3,227
(b) Deferred tax assets/(deferred tax liabilities)			
The deferred tax assets/(deferred tax liabilities) are made up of the following estimated tax benefits/(cost):			
– Provisions and accrued employee benefits		**4,857**	5,414
– Property, plant and equipment		**(7,025)**	(5,596)
– Leases			–
– Intangible assets		**(1,488)**	(972)
– Inventory		**1,134**	968
– Other		**113**	(94)
Net deferred tax asset/(liability)		**(2,409)**	(280)
Balance at beginning of year		**(280)**	1,334
Recognised in profit or loss		**(712)**	(734)
Recognised in equity		**(1,121)**	(880)
Transfer to assets held for sale	27	**(296)**	–
Net deferred tax asset/(liability)		**(2,409)**	(280)

(c) Current tax asset/(liability)

The Group's current tax asset of $2,237,282 (2017: $1,209,051) and current tax liability of nil (2016: $118,499) represents the amount of income taxes receivable/(payable) in respect of current and prior financial periods.

4. TRADE AND OTHER RECEIVABLES

	Consolidated 2018			Consolidated 2017		
	Gross $'000	Impairment $'000	Total $'000	Gross $'000	Impairment $'000	Total $'000
Trade debtors						
Not past due	25,586	**(142)**	**25,444**	29,526	(166)	29,360
Past due 0 – 30 days	8,856	**(49)**	**8,807**	9,139	(69)	9,070
Past due 31 – 60 days	1,981	**(33)**	**1,948**	2,316	(23)	2,293
Past due over 61 days	3,305	**(192)**	**3,113**	3,620	(49)	3,571
Trade receivables	**39,728**	**(416)**	**39,312**	44,601	(307)	44,294
Other receivables			**(192)**			914
Total trade and other receivables			**39,120**			45,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018 $'000	2017 $'000
5. INVENTORIES		
Second-hand units – at net realisable value	**1,162**	3,044
Finished goods – at cost	**38,016**	35,242
Work in progress – at cost	**4,661**	6,913
Raw materials – at cost	**15,863**	18,358
Less: provision for decrease to net realisable value	**(2,002)**	(3,189)
Total inventories	**57,700**	60,368
6. PROPERTY, PLANT AND EQUIPMENT		
Land and buildings at fair value	**46,205**	43,526
Accumulated depreciation	**–**	(201)
Total land and buildings	**46,205**	43,325
Plant and Equipment		
Plant and equipment at cost	**39,212**	41,828
Accumulated depreciation	**(28,191)**	(28,046)
	11,021	13,782
Office equipment at cost	**10,025**	9,522
Accumulated depreciation	**(8,367)**	(8,075)
	1,658	1,447
Leased property, plant and equipment	**1,501**	7,990
Accumulated depreciation	**(575)**	(1,692)
	926	6,298
Capital work in progress	**33,923**	23,674
Total plant and equipment	**47,528**	45,201
Total property, plant and equipment	**93,733**	88,526

Independent valuations/market assessments were obtained during 30 June 2018 in relation to all land and buildings held at that time, for use by the directors in assessing land and buildings at fair value.

Refer to Note 26(e) for details of security over land and buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	Consolidated	
	2018 $'000	2017 $'000
Land and buildings		
Carrying amount at the beginning of the financial year	**43,325**	40,284
Additions	**10**	–
Fair value revaluation	**3,901**	3,557
Disposals	**–**	–
Depreciation	**(539)**	(524)
Other sundry movements	**(492)**	8
Carrying amount at the end of the financial year	**46,205**	43,325
Plant and equipment		
Carrying amount at the beginning of the financial year	**13,782**	10,768
Additions	**1,757**	1,496
Transfer from inventories	**–**	3,784
Transfers from/(to) leased plant and equipment	**(7)**	15
Transfers from capital works in progress	**1,071**	91
Transfer to Assets held for sale	**(1,717)**	–
Disposals	**(1,279)**	(135)
Depreciation	**(2,660)**	(2,133)
Other sundry movements	**74**	(104)
Carrying amount at the end of the financial year	**11,021**	13,782
Office equipment		
Carrying amount at the beginning of the financial year	**1,447**	1,984
Additions	**903**	362
Transfers from capital works in progress	**–**	8
Transfer from plant & equipment	**7**	–
Transfer to Assets held for sale	**(191)**	–
Transfer from leased plant and equipment	**–**	2
Disposals	**(2)**	(13)
Depreciation	**(518)**	(884)
Other sundry movements	**12**	(12)
Carrying amount at the end of the financial year	**1,658**	1,447
Leased property, plant and equipment		
Carrying amount at the beginning of the financial year	**6,298**	7,176
Additions	**495**	116
Transfers to plant and equipment	**–**	(17)
Transfer to Assets held for sale	**(5,562)**	–
Disposals	**–**	–
Other sundry movements	**281**	(415)
Amortisation	**(586)**	(562)
Carrying amount at the end of the financial year	**926**	6,298
Capital works in progress		
Carrying amount at the beginning of the financial year	**23,674**	18,351
Additions	**11,324**	6,380
Transfer to Assets held for sale	**(4)**	–
Transfers to software	**–**	(958)
Transfers to property, plant and equipment	**(1,071)**	(99)
Carrying amount at the end of the financial year	**33,923**	23,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018 $'000	2017 $'000
7. INTANGIBLE ASSETS		
Software at cost	958	958
Accumulated depreciation	(192)	(96)
	766	862
Goodwill at cost	21,892	24,645
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	(17,297)	(16,894)
	5,368	5,771
Patents and trademarks at cost	891	891
Accumulated amortisation	(891)	(891)
	–	–
Total intangibles	34,265	37,517

Reconciliations

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

	2018 $'000	2017 $'000
Software		
Carrying amount at the beginning of the financial year	862	–
Transfers from capital work in progress	–	958
Depreciation	(96)	(96)
Carrying amount at the end of the financial year	766	862
Goodwill		
Carrying amount at the beginning of the financial year	24,645	24,645
Impairment losses	–	–
Less goodwill classified as held for sale	(2,753)	–
Carrying amount at the end of the financial year	21,892	24,645
Brand names		
Carrying amount at the beginning of the financial year	6,239	6,239
Carrying amount at the end of the financial year	6,239	6,239
Intellectual property		
Carrying amount at the beginning of the financial year	5,771	6,175
Amortisation	(403)	(404)
Impairment Losses	–	–
Carrying amount at the end of the financial year	5,368	5,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated			
	Other Intangibles Allocation		Goodwill Allocation	
CGU	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Australian Trailers	**12,373**	12,872	**5,193**	5,193
MaxiPARTS	**–**	–	**16,699**	16,699
Yangzhou Maxi–CUBE Tong Composites (China)	**–**	–	**–**	2,753
MaxiTRANS New Zealand	**–**	–	**–**	–
	12,373	12,872	**21,892**	24,645

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 and are subsequently reviewed by the Board. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account 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% – 2.5%. The growth rate used for years 2-5 is 2.5% – 2.7% which is based on recent Australian Government GDP forecasts and the after-tax nominal discount rates used were 10.6% – 11.6% (2017: 8.8% – 9.8%).

The recoverable amount of the Australian Trailers and MaxiParts CGU's were found to be in excess of their respective carrying values. As the China CGU was classified as held for sale at 30 June 2018, its allocated goodwill was tested for impairment by comparing the estimated amount to be received from the sale to the current carrying value of net assets.

The MaxiTrans New Zealand non-current assets were also not tested for impairment as there was no indicator for impairment during the period.

	Consolidated	
	2018 $'000	2017 $'000
8. TRADE AND OTHER PAYABLES		
Trade payables	**34,853**	39,776
Other payables and accruals	**12,474**	12,824
Total trade and other payables	**47,327**	52,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

9. INTEREST BEARING LOANS AND BORROWINGS

		Consolidated	
		2018 $'000	2017 $'000
Current			
Bank loans – secured	26	**–**	1,729
Lease liability		**752**	834
Total current interest bearing liabilities		**752**	2,563
Non-current			
Bank loans – secured	26	**49,500**	44,485
Lease liability		**408**	649
Total non-current interest bearing liabilities		**49,908**	45,134

Bank loans are subject to a floating interest rate. Interest rate swaps have been executed in respect of $28.5m (2017: $20.0m) of this debt in order to mitigate interest rate risk. Refer to note 26(b) for further details.

Finance costs:		
– Interest on bank loans	**2,236**	2,029
– Finance lease charges	**92**	98
Total finance costs	**2,328**	2,127

10. PROVISIONS

Current		
Employee entitlements	**9,166**	9,420
Warranty	**3,960**	3,001
Total current provisions	**13,126**	12,421
Non-current		
Employee entitlements	**1,066**	1,092
Other	**75**	52
Total non-current provisions	**1,141**	1,144
Aggregate employee entitlements liability	**10,232**	10,512

Warranty and other provisions at 30 June 2018 is analysed as follows:

	Warranty $'000	Other $'000
Carrying amount at 1 July 2017	**3,001**	**52**
Provisions made during the year	3,370	23
Provisions written back during the year	(61)	–
Payments made during the year	(2,316)	–
Foreign Currency Exchange differences	(34)	–
Carrying amount at 30 June 2018	**3,960**	**75**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

11. ISSUED CAPITAL

	Number of Ordinary Shares	Share Capital $'000
Balance at 30 June 2017	185,075,653	56,386
Balance at 30 June 2018	**185,075,653**	**56,386**

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 one vote for each fully paid share.

The company does not have authorised capital or par value in respect of its issued shares.

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.

12. EARNINGS PER SHARE

Basic earnings per share

	Consolidated	
	2018 – $'000	2017 – $'000
Earnings reconciliation		
Net profit attributable to equity holders of the Company	**10,077**	10,695
Basic earnings	**10,077**	10,695
From continuing operations	10,343	10,359
From discontinued operations	(266)	336
	10,077	10,695
Diluted Earnings	**10,077**	10,695
From continuing operations	10,343	10,359
From discontinued operations	(266)	336
	10,077	10,695

	2018 – Number	2017 – Number
Weighted average number of shares		
Number of ordinary shares for basic Earnings Per Share	**185,075,653**	185,075,653
Effect of shares issued during the year	**–**	–
Number of Ordinary Shares for Diluted earnings per share	**185,075,653**	185,075,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

13. DIVIDENDS

Dividends paid	Cents Per Share	Total Amount $'000	Date of Payment	Tax Rate for Franking Credit	Percent Franked
2018					
Interim – ordinary	2.00	3,702	13 April 2018	30%	100%
Total dividends paid	**2.00**	**3,702**			
2017					
Interim – ordinary	2.00	3,702	3 April 2017	30%	100%
Final – ordinary	1.50	2,776	3 October 2017	30%	100%
Total dividends paid	**3.50**	**6,478**			

Dividends proposed					
Final – ordinary	1.50	2,776	12 October 2018	30%	100%

The above dividend was determined after the end of the financial year and will be paid on 12 October 2018. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial statements.

	The Company	
Dividend franking account	**2018 $'000**	2017 $'000
Franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	**24,574**	22,657

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

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 $1,189,772 (2017: $1,189,772).

14. 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 corporate assets and expenses. Total finance costs of the Group are included in unallocated corporate costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

14. SEGMENT INFORMATION (continued)

Year ended 30 June 2018					
Business Segments	Trailer Solutions	Parts & Components	Discontinued Operations	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Revenue					
External segment revenue	290,948	101,945	16,419	–	409,312
Inter–segment revenue	7,553	25,477	2,899	(35,929)	–
Total segment revenue	**298,501**	**127,422**	**19,318**	**(35,929)**	**409,312**
Unallocated sundry revenue					–
Total revenue					**409,312**
Segment net profit before tax	**18,846**	**8,827**	**(419)**	**–**	**27,254**
Share of net profit of equity accounted investments					1,404
Unallocated corporate expenses					(14,999)
Profit before related income tax expense					13,659
Income tax expense					(3,648)
Net profit					**10,011**
Depreciation and amortisation	3,018	854	725	–	4,597
Unallocated depreciation and amortisation					201
Total depreciation and amortisation					**4,798**
Assets					
Segment assets	142,883	67,090	19,813	–	229,786
Unallocated corporate assets					34,815
Consolidated total assets					**264,601**
Liabilities					
Segment liabilities	60,088	16,840	9,550	–	86,478
Unallocated corporate liabilities					42,304
Consolidated total liabilities					**128,782**
Capital expenditure[i]	3,088	358	325	–	3,771
Unallocated capital expenditure					10,715
Consolidated capital expenditure					**14,486**

(i) Capital expenditure includes the acquisition of leased assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

14. SEGMENT INFORMATION (continued)

Year ended 30 June 2017					
Business Segments	Trailer Solutions	Parts & Components	Discontinued Operations	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Revenue					
External segment revenue	230,905	91,136	17,674	–	340,072
Inter-segment revenue	880	11,900	2,108	(14,888)	–
Total segment revenue	**231,785**	**103,036**	**19,782**	**–**	**340,072**
Unallocated sundry revenue					–
Total revenue					340,072
Segment net profit before tax	**16,848**	**5,958**	**935**	**–**	**23,740**
Share of net profit of equity accounted investments					884
Unallocated corporate expenses					(10,104)
Profit before related income tax expense					14,520
Income tax expense					(3,475)
Net profit					**11,045**
Depreciation and amortisation	2,632	1,033	708	–	4,373
Unallocated depreciation and amortisation					230
Total depreciation and amortisation					**4,603**
Assets					
Segment assets	147,998	57,023	18,628	–	223,649
Unallocated corporate assets					19,845
Consolidated total assets					**243,493**
Liabilities					
Segment liabilities	53,865	17,854	9,434	–	81,153
Unallocated corporate liabilities					33,613
Consolidated total liabilities					**114,766**
Capital expenditure[i]	1,691	540	168	–	2,399
Unallocated capital expenditure					5,955
Consolidated capital expenditure					**8,354**

(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 2018

15. SHARE BASED PAYMENTS

On 15 October 2010, the Group established the MaxiTRANS Performance Rights Plan ('PRP') that entitles executive directors and senior management to receive a specified number of Performance Rights ('PRs') which upon vesting can be converted into a specified number of ordinary shares in the Company.

The terms and conditions relating to PRs currently on issue are as follows:

Period	1 July 2017 – 30 June 2020	1 July 2016– 30 June 2019
Grant date	30 September 2017	30 September 2016
Total PRs issued	1,819,520	3,591,081
Total PRs forfeited	–	1,977,014
Total PRs remaining on issue	1,819,520	1,614,067
Vesting conditions	ROIC – 100%	ROIC – 50% EPS – 50%
Base Return on Invested Capital (ROIC)	3 year average rate of 6%	6.17% (year ended 30 June 2016)
Target increase in ROIC	Average of 0.65% per annum (7.95% over 3 years)	Average of 1.75% per annum (5.25% over 3 years)
Percentage increase in base ROIC required	32.5%	85%
Minimum % of ROIC target that must be achieved for Performance Rights to vest	66.67% (i.e. average of 0.43% per annum)	70% (i.e. average of 1.22% per annum)
Target EPS		Basic EPS – 9.82¢ Growth over 2014 EPS at 9.26c given that 2015 &2016 EPS was impacted by non-recurring costs
Minimum service requirement	3 years from grant date	3 years from grant date

Details of PRs exercised:	2015/18 Plan	2016/19 Plan	2017/20 Plan
Total PRs issued	4,985,370	3,591,081	1,819,520
Total PRs forfeited	4,985,370	1,977,014	–
Total PRs exercised	–	–	–

Measurement of fair value

The fair value of PRs 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.

PRs 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 inputs used in the measurement of the fair values at grant date of the PRs on issue are as follows:

	2018	2017
Fair value at grant date	**58.79¢**	45.99¢
Share price at grant date	**67.00¢**	61.00¢
Expected volatility	**50.00%**	50.00%
Expected dividend yield	**6.5%**	6 – 7%
Risk-free rate of return	**2.00%**	2.30%
Liquidity discount	**15.00%**	15.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

15. SHARE BASED PAYMENTS (continued)

Expense/(income) recognised in profit and loss

	Consolidated	
	2018 $'000	2017 $'000
Share based payments expense recognised	**352**	503
Share based payments reversed	**(330)**	(752)
Total share based payment expense/(income) recognised as employee costs	**22**	(249)

During the period it was determined that the performance and service conditions of the 2015 PR scheme will not be met. As a result, the total amount recognised for goods and services received over the life of the 2015 scheme was reversed. In addition where an employee has left the business their PR expense was reversed. The reversal amount is comprised of:

	$'000
2015 PR scheme	276
2016 PR scheme	48
2017 PR scheme	6

16. RELATED PARTY DISCLOSURES

(a) 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 J Curtis (Deputy Chairman)
- Mr R Wylie (Chairman)
- Mr J Rizzo
- Ms S Hogg

Executive directors
- Mr M Brockhoff (Former Managing Director – retired on 1 July 2017)
- Mr D Jenkins (Managing Director)

Executives
- Mr C Richards (CFO)
- Mr A Roder (Group General Manager – Manufacturing) – resigned 12 January 2018
- Mr P Loimaranta (Group General Manager – International)
- Mr A McKenzie (Group General Manager – Sales and Marketing)
- Mr T Negus (Group General Manager – Manufacturing) – appointed 1 January 2018
- Mr J O'Brien (General Manager – MaxiParts) – appointed 1 November 2017

(b) Directors' transactions in shares

Directors and their related entities acquired 302,540 (2017: Nil) existing ordinary shares in MaxiTRANS Industries Limited during the year.

(c) Director and other key management personnel transactions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

(d) Transactions with associate

During the year the Group derived revenue from the associate of $40,488,567 (2017: $26,708,172) for the sale of new units, parts and the provisions of services. Amounts receivable from the associate at year end total $3,925,567 (2017: $1,479,408).

During the year the Group paid for services and parts from the associate totalling $1,659,565 (2017: $1,260,496). Amounts owing at year end total $120,977 (2017: $45,511).

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

(e) Key management personnel remuneration

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

	Consolidated	
	2018	2017
Short-term employee benefits	**3,176,337**	3,147,072
Post-employment benefits	**323,940**	329,407
Share based payment benefits/(expense)	**(6,382)**	(193,811)
	3,493,895	3,282,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

17. PARENT ENTITY

As at 30 June 2018 and throughout the financial year ending on that date, the parent company of the Group was MaxiTRANS Industries Limited.

	Company	
	2018 $'000	2017 $'000
Results of the parent company		
Profit/(loss) for the year	(3,427)	(785)
Other comprehensive income	–	–
Total comprehensive income	(3,427)	(785)
Financial position of the parent company		
Current assets	52,047	64,832
Total assets	114,440	116,263
Current liabilities	2,393	1,076
Total liabilities	51,892	43,833
Net assets	62,548	72,430
Total equity of the parent company comprising of:		
Issued capital	56,386	56,386
Reserves	609	586
Retained earnings	5,553	15,458
Total equity	62,548	72,430

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

18. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Country of Incorp.	Class of Shares	Interest Held 2018 %	2017 %
The Company:				
MaxiTRANS Industries Limited				
Controlled entities of MaxiTRANS Industries Limited:				
MaxiTRANS Australia Pty Ltd	**Aust.**	Ord.	**100**	100
– Transport Connection Pty Ltd [ii]	**Aust.**	Ord.	**100**	100
Transtech Research Pty Ltd	**Aust.**	Ord.	**100**	100
Trail Truck Parts Pty Ltd [i]	**Aust.**	Ord.	**100**	100
MaxiTRANS Industries (N.Z.) Pty Ltd	**Aust.**	Ord.	**100**	100
Peki Pty Ltd [i]	**Aust.**	Ord.	**100**	100
Ultraparts Pty Ltd [i]	**Aust.**	Ord.	**100**	100
MaxiTRANS Services Pty Ltd	**Aust.**	Ord.	**100**	100
MaxiTRANS Finance Pty Ltd [i]	**Aust.**	Ord.	**100**	100
Lusty EMS Pty Ltd	**Aust.**	Ord.	**100**	100
Hamelex White Pty Ltd [i]	**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) [i]	**Aust.**	Ord.	**100**	100
– Colrain Pty Ltd (formerly Colrain (Geelong) Pty Ltd) [i]	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**	100
MaxiTRANS (China) Limited [i]	**Hong Kong**	Ord.	**100**	100
Yangzhou Maxi-CUBE Tong Composites Co Ltd	**China**	Ord.	**80**	80

[i] Dormant entity
[ii] As at 30 June 2017 MaxiTRANS Australia Pty Ltd purchased the remaining 20% minority shareholding

19. ACQUISITION OF NCI

In June 2017, the Group acquired the additional 20% interest in Transport Connection Pty Ltd for $536,405 in cash, increasing its ownership from 80% to 100%. A final payment of $31,201 was paid in 2018 following the finalisation of the 30 June 2017 financial report of Transport Connection Pty Ltd. The carrying amount of Transport Connection Pty Ltd net assets in the Group's consolidated financial statements on the date of the acquisition was $2,982,252.

The Group recognised a decrease in NCI of $596,450 and an increase in retained earnings attributable to the owners of the Company of $60,045.

	2018 $'000	2017 $'000
Carrying amount of NCI acquired ($2,982,252 x 20%)	–	596
Consideration paid to NCI	**31**	536
Increase in equity attributable to owners of the Company	**31**	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

20. 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 are 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 (2016/785) 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 2018 is set out as follows:

Consolidated statement of comprehensive income

	Consolidated	
	2018 $'000	2017 $'000
Total revenue	**362,979**	285,214
Changes in inventories of finished goods and work in progress	**2,433**	3,847
Raw materials and consumables used	**(217,833)**	(162,586)
Other income	**72**	161
Employee expenses	**(98,724)**	(82,695)
Warranty expenses	**(3,770)**	(1,796)
Depreciation and amortisation expenses	**(4,055)**	(3,875)
Finance costs	**(2,328)**	(2,127)
Other expenses	**(26,938)**	(24,963)
Share of net profits of joint ventures accounted for using the equity method	**1,404**	884
Profit before income tax	**13,240**	12,064
Income tax expense	**(3,484)**	(2,770)
Profit for the year	**9,756**	9,294
Other comprehensive income		
Items that may subsequently be re-classified to profit or loss:		
Net exchange difference on translation of financial statements of foreign operations	**429**	(1,275)
Other sundry movements	**(35)**	114
Items that will never be reclassified to profit or loss:		
Revaluation of land and buildings	**3,901**	3,557
Related tax	**(1,136)**	(1,041)
Other comprehensive income/(loss) for the year, net of tax	**3,159**	1,355
Total comprehensive income for the year	**12,915**	10,649
Profit attributable to:		
Equity holders of the company	**9,756**	9,294
Total comprehensive income attributable to:		
Equity holders of the company	**12,915**	10,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

20. DEED OF CROSS GUARANTEE (continued)

Consolidated statement of financial position

	Consolidated	
	2018 $'000	2017 $'000
Current Assets		
Cash and cash equivalents	**9,691**	4,695
Trade and other receivables	**35,539**	31,889
Inventories	**55,470**	56,610
Current tax assets	**2,237**	1,209
Other	**1,567**	1,310
Total Current Assets	**104,504**	95,713
Non-Current Assets		
Investment in joint venture	**4,826**	4,442
Investments in controlled entities	**7,193**	7,162
Property, plant and equipment	**93,617**	77,988
Intangible assets	**32,686**	33,183
Deferred tax assets	**265**	215
Other	**1,249**	1,133
Total Non-Current Assets	**139,836**	124,123
Total Assets	**244,340**	219,836
Current Liabilities		
Trade and other payables	**47,855**	42,512
Interest bearing loans and borrowings	**753**	834
Current tax liability	**–**	–
Provisions	**12,857**	11,438
Total Current Liabilities	**61,465**	54,784
Non-Current Liabilities		
Interest bearing loans and borrowings	**49,908**	43,406
Deferred tax liabilities	**2,741**	701
Provisions	**1,141**	1,144
Other	**97**	35
Total Non-Current Liabilities	**53,887**	45,286
Total Liabilities	**115,352**	100,070
Net Assets	**128,988**	119,766
Equity		
Issued capital	**56,386**	56,386
Reserves	**19,175**	15,215
Retained profits	**53,427**	47,302
Total Equity	**128,988**	119,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

21. INVESTMENT IN ASSOCIATE

Name of Entity	Principal Activity	Ownership 2018 %	Ownership 2017 %
Trailer Sales Pty Ltd	Trailer retailer. Repairs and service provider. Sale of spare parts within Australia, which is the country of incorporation.	**36.67**	36.67

$'000	Revenues (100%)	Net Profit after Tax (100%)	Share of Associate Profit Recognised	Total Assets	Total Liabilities	Net Assets as Reported by Associate
2018	**70,740**	**3,829**	**1,404**	**20,489**	**8,453**	**12,035**
2017	56,210	2,411	884	18,041	7,052	10,988

Commitments
The share of the associate's capital commitments contracted but not provided for or payable within one year was $nil at 30 June 2018 (2017: $nil).

22. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Profit for the year	**10,011**	11,045
Non cash items in operating profit		
Depreciation/amortisation of assets	**4,798**	4,603
Profit on sale of fixed assets	**73**	(161)
Share of associates profit	**(1,404)**	(884)
Share based payments expense	**22**	(249)
Change in assets and liabilities		
(Increase)/decrease in receivables	**(569)**	(4,735)
(Increase)/decrease in other assets	**61**	35
(Increase)/decrease in inventories	**2,739**	(11,426)
Increase/(decrease) in trade payables and other liabilities	**3,161**	4,331
Increase/(decrease) in income tax payable	**(1,237)**	1,633
Increase/(decrease) in deferred taxes	**741**	517
Increase/(decrease) in provisions	**1,371**	(264)
Net cash flows from operating activities	**19,767**	4,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

23. CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

	Consolidated	
	2018 $'000	2017 $'000
Future operating lease rentals not provided for in the financial statements and payable:		
– not later than 1 year	**4,244**	4,426
– later than 1 year but not later than 5 years	**8,011**	9,890
– later than 5 years	**1,671**	1,636
Total operating lease commitments	**13,926**	15,952

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

(b) Capital expenditure commitments

Payable		
– not later than 1 year	**7,144**	13,180
– later than 1 year but not later than 5 years	**867**	3,580
Total capital expenditure commitments	**8,011**	16,760

24. 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.

25. REMUNERATION OF AUDITOR

Remuneration of the auditor of the Company for:	**$**	$
KPMG Australia:		
– auditing and reviewing the financial statements	**292,830**	306,967
– other services (taxation and advisory)	**188,254**	166,219
	481,084	473,186
Overseas KPMG Firms:		
– auditing and reviewing financial statements	**86,849**	82,219
– other services (taxation, advisory and due diligence)	**9,554**	12,605
	96,403	94,824
Total auditor remuneration	**577,487**	568,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

26. FINANCIAL INSTRUMENTS

(a) Risk management framework/policies

The Group's key activities include the design, manufacture, sale, service and repair of transport equipment and related component and spare parts. These activities expose the Group to a variety of financial risks, including liquidity risk, credit risk and market risk such as currency and interest rate risk.

The Group's financial risk management program seeks to minimise the potential adverse effects of the unpredictability of financial markets on the financial performance of the Group by utilising derivative financial instruments for purchase of supplies and raw materials. The Group measures risk exposure through sensitivity analysis in the case of currency risk, cash flow forecasting and ageing analysis for credit risk.

(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 were:

	Consolidated	
	2018 $'000	2017 $'000
Borrowings – fixed rate	**15,161**	21,483
Borrowings – floating rate	**35,500**	26,214
	50,661	47,697

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 for the year would have been affected as follows:

100bp increase	**(218)**	(140)
100bp decrease	**218**	140

(c) Currency risk

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

Forward exchange contracts

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Buy USD Dollar	**0.7498**	0.7505	**7,028**	5,132	**9,373**	6,839	**134**	(149)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

26. FINANCIAL INSTRUMENTS (continued)

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

	Consolidated	
	2018 $'000	2017 $'000
USD 10.0 cents increase	**(699)**	(652)

(d) 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 is exposed to credit risk from its operating activities, primarily from trade and other receivables and financing activities, including deposits with financial institutions. The carrying amount of these financial assets at year-end represented the Group's maximum exposure to credit risk. The Group has a policy of only dealing with credit worthy 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 $723,768 (2017: $1,296,594) are held by Australia and New Zealand Banking Group Limited and Westpac Banking Corporation on behalf of MaxiTRANS Australia Pty Ltd and MaxiPARTS Pty Ltd. MaxiTRANS Industries Limited guarantees the loan facility MTC (China) has with HSBC Bank. Refer to (e) below for details of the MTC (China) loan facility.

(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 liabilities based on the remaining earliest contractual maturities, excluding net interest payable on borrowings.

30 June 2018 – Consolidated	Carrying Amount $'000	6 months or Less $'000	6–12 Months $'000	1–2 Years $'000	2–5 Years $'000
Trade and other payables and accruals	(47,327)	(47,327)	–	–	–
Borrowings	(50,660)	(630)	(122)	(22,245)	(27,663)
Effect of derivative instruments					
Forward exchange contracts					
– inflow	9,880	9,880	–	–	–
– outflow	(9,746)	(9,746)	–	–	–
	(97,853)	**(47,823)**	**(122)**	**(22,245)**	**(27,663)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

26. FINANCIAL INSTRUMENTS (continued)

30 June 2017 – Consolidated	Carrying Amount $'000	6 months or Less $'000	6–12 Months $'000	1–2 Years $'000	2–5 Years $'000
Trade and other payables and accruals	(52,600)	(52,600)	–	–	–
Borrowings	(47,697)	(1,099)	(1,464)	(1,970)	(43,164)
Effect of derivative instruments					
Forward exchange contracts					
– inflow	6,774	6,774	–	–	–
– outflow	(6,923)	(6,923)	–	–	–
	(100,446)	**(53,848)**	**(1,464)**	**(1,970)**	**(43,164)**

Finance facilities

At year end, the Group had the following financing facilities in place with its bankers:

	Facility Amount		Utilised		Available	
Consolidated	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Loan facility	**64,655**	64,801	**52,568**	46,214	**12,087**	18,587
Overdraft facility	**1,000**	1,000	**–**	–	**1,000**	1,000
Multi-option facility	**9,000**	9,000	**1,395**	4,273	**7,605**	4,727
Less borrowings included in liabilities	**(4,655)**	–	**(3,068)**	–	**(1,587)**	–
	70,000	74,801	**50,895**	50,487	**19,105**	24,314

On 29 June 2017, the Group refinanced its financing facilities. Commonwealth Bank of Australia and HSBC Bank are the Group's new banking partners.

The loan, overdraft and other facilities are fully secured by a registered mortgage over certain land and buildings of the controlled entities with a fair value of $46,205,051 as at 30 June 2018.

Core Australian and New Zealand loan facilities of $70.0m mature as follows, subject to continuing compliance with the terms of the facilities:
- $40.0m in June 2020
- $30.0m in June 2022

The net cash used in financing activities excluding dividends paid (totalling $6.031m) as disclosed in the Statement of Cash Flows, consist of the movement in Interest bearing loans and borrowings as per note 9 ($2.963m) plus the borrowings held for sale per note 27 ($3.068m).

Interest rates are a combination of fixed and variable.

The MTC (China) core loan facility is a 3 year facility of RMB 15.0m and is with HSBC Bank in China.

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 2018 and 2017 financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

26. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value

Determination of fair value

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 carrying amount approximates estimated net fair value for the Group's financial assets and liabilities.

Classification of fair value

Fair Value Measurement requires that financial and non-financial assets and liabilities measured at fair value (being forward exchange contracts, interest rate swaps and land and buildings) be disclosed according to their position in the fair value hierarchy. There were no transfers between levels within the fair value hierarchy at 30 June 2018.

- Level 1 is based on quoted prices in active markets for identical items;
- Level 2 is based on quoted prices or other observable market data not included in level 1;
- Level 3 valuations are based on inputs other than observable market data.

Forward exchange contracts and interest rate swaps are classified as Level 2 and their fair value is determined by reference to observable inputs from active markets or prices from markets not considered active. They are priced with reference to an active yield or rate, but with an adjustment applied to reflect the timing of maturity dates.

The fair value of forward exchange contracts and interest rate swaps at balance date is as follows:

	Consolidated	
	2018 $'000	2017 $'000
Derivative assets	**41**	–
Derivative liabilities	**–**	193

Land and buildings are classified as Level 3 and their fair value reflects the use of directly unobservable market inputs in their valuation, including assumptions about rents, yields and discount rates obtained from analysed transactions.

Valuations and assessments against current market prices have been performed at 30 June 2018 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation technique is based on the highest and best use to market participants.

The following table present changes in the fair value of land and buildings during 2017/18, including changes to the unobservable inputs.

	Consolidated
	Land and Buildings $'000
Opening balance as at 1 July 2017	43,325
Fair value revaluation	3,901
Additions	10
Depreciation recognised in the statement of profit and loss	(539)
Exchange rate variance	(492)
Closing balance as at 30 June 2018	**46,205**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

27. DISPOSAL GROUP HELD FOR SALE

In June 2018, management committed to a plan to sell MaxiTRANS Industries Limited's 80% share of Yangzhou Maxi-CUBE Tong Composites Co Ltd (MTC) which forms part of the Parts & Components segment. Accordingly, MTC is presented as a disposal group held for sale at 30 June 2018. Efforts to sell the disposal group have started and a sale is highly probable in FY19.

(a) Impairment losses relating to the disposal group

The estimated amount to be received from the sale is expected to be higher than the current carrying value of MTC's net assets and as such no write-downs of the disposal group has been recognised.

(b) Assets and liabilities of disposal group held for sale

At 30 June 2018, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	$'000
Property, plant and equipment	7,470
Inventories	1,513
Trade and other receivables	4,417
Cash at bank	2,390
Deferred tax asset	296
Goodwill	2,753
Other assets	974
Assets held for sale	**19,813**
Trade and other payables	5,213
Bank Loans	3,068
Provisions	739
Other liabilities	530
Liabilities held for sale	**9,550**

(c) Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

28. DISCONTINUED OPERATION

In June 2018, management committed to a plan to sell MaxiTRANS Industries Limited's 80% share of Yangzhou Maxi-CUBE Tong Composites Co Ltd (MTC) which forms part of the Parts & Components segment.

MTC was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

(a) Results of Discontinued Operation

	2018 $'000	2017 $'000
Sale of goods	**19,317**	19,782
Changes in inventories of finished goods and work in progress	**178**	178
Raw materials and consumables used	**(15,862)**	(14,927)
Employee and contract labour expenses	**(852)**	(792)
Depreciation and amortisation expenses	**(725)**	(708)
Finance costs	**(146)**	(189)
Other expenses	**(2,329)**	(2,410)
Profit/(loss) from discontinued operation before tax	**(419)**	934
Income tax expense	**87**	(248)
Profit/(loss) from discontinued operation	**(332)**	686
Less: Non Controlling Interest	**66**	(137)
Profit/(loss) attributable to equity holders	**(266)**	549
Basic earnings (loss) per share (cents per share)	**(0.14)**	0.30
Diluted earnings (loss) per share	**(0.14)**	0.30

The loss from the discontinued operation of $332 thousand (2017: profit of $686 thousand) is 80% attributable to the owners of the Company.

(b) Cash flows from (used in) Discontinued Operation

	2018 $'000	2017 $'000
Net cash used in operating activities	**1,652**	–
Net cash from investing activities	**(318)**	–
Net cash used in financing activities	**(389)**	–
Net cash flows for the year	**945**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

29. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual reporting periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have an impact on the Group's financial statements in the period of initial application.

(a) Estimated impact of the adoption of AASB 9 and AASB 15

The Group is required to adopt AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from reporting periods commencing after 1 January 2018. The Group has assessed the estimated impact that the initial application of AASB 9 and AASB 15 will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at 1 July 2018 is based on assessments undertaken to date and is summarised below.

	As reported at 30 June 2018	Estimated adjustments due to adoption of AASB 9	Estimated adjustments due to adoption of AASB 15	Estimated adjusted opening balance 1 July 2018
Retained earnings	57,172	77	(33)	57,216

The total estimated adjustment (net of tax) to the opening balance of the Group's equity at 1 July 2018 is $44 thousand. The principal components of the estimated adjustment are as follows:

- An increase of $77 thousand in retained earnings due to the write back of impairment losses on financial assets.
- An decrease of $33 thousand due to deferred recognition of revenue from sales contracts with extended warranty.

(b) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

(i) Classification – Financial assets

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and loans that are managed on a fair value basis.

(ii) Impairment – Financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under AASB 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

29. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group has chosen to apply this policy also for trade receivables and contract assets with a significant financing component.

Based on AASB 9's impairment methodology, the Group has estimated that application of AASB 9 impairment requirements at 1 July 2018 does not result in a significant impact.

(iii) Classification – Financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification of financial liabilities.

However, under AASB 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under AASB 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 July 2018.

(iv) Hedge accounting

When initially applying AASB 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of AASB 139 instead of the requirements in AASB 9. The Group has chosen to apply the new requirements of AASB 9.

AASB 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. AASB 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group does not currently undertake hedges of such risk components.

Under AASB 139, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under AASB 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognised. The Group does not currently have cash flow hedges of foreign currency risk.

The types of hedge accounting relationships that the Group currently designates meet the requirements of AASB 9 and are aligned with the entity's risk management strategy and objective.

(v) Transition

Changes in accounting policies resulting from the adoption of AASB 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 will generally be recognised in retained earnings and reserves as at 1 July 2018.
- The new hedge accounting requirements should generally be applied prospectively.

(c) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

(i) Sales of goods

For the sale of goods and services, revenue is currently recognised when the goods are delivered to the customers' premises or collected at the Company premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

This will result in revenue, and some associated costs, for these contracts being recognised earlier than at present – i.e. before the goods are delivered to the customers' premises or collected at the Company's premises.

(ii) Transition

The Group plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). As a result, the Group will not apply the requirements of AASB 15 to the comparative period presented.

(d) AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 16.

(i) Transition

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach.

Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

30. 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 2018.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

KPMG

Independent Auditor's Report

To the shareholders of MaxiTRANS Industries Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of MaxiTRANS Industries Limited (the Company).

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2018
- 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 then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

KPMG, an Australian partnership and a 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.

INDEPENDENT AUDITOR'S REPORT (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

KPMG

Key Audit Matters

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

- *Recoverability of goodwill and other intangible assets*
- *Warranty provision*

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill and other intangible assets (AUD $34.3m)

Refer to Note 7 Intangible assets

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill and other intangible assets for impairment, given the size of the balance and market capitalisation being below the carrying amount of the net assets at year-end, increasing the possibility of goodwill and intangible assets being impaired. This further increased our audit effort in this area. We focused on the significant forward-looking assumptions the Group applied in their value in use models, including: • forecast cash flows, growth rates and terminal growth rates – the Group has forecasted significant growth in the business, therefore increasing the risk of inaccurate forecasts. • discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, and the model's approach to incorporating risks into the cash flows or discount rates. We involved valuation specialists to supplement our senior audit team	Our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill and other intangible assets for impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • We compared the forecast cash flows contained in the value in use models to Board approved forecasts. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • We compared historical actual growth in sales, expenses, gross profit, and EBITDA to financial year 2019 budgeted cash flows to assess reasonableness of those cash flows. • Where applicable, we inspected post year-end management reporting accounts to compare actual performance to date against budget for financial year 2019. • We considered the sensitivity of the models by varying key assumptions, such as financial year 2019 forecast cash flows, growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those CGUs at higher risk of impairment and to focus our further procedures.

INDEPENDENT AUDITOR'S REPORT (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

KPMG

members in assessing this key audit matter.	• We compared forecast growth rates to published studies of industry trends and expectations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • Working with our valuation specialists we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • We compared the trading multiples from comparable companies to the multiples from the Group's value-in-use models. • We assessed the disclosures in the financial report against the requirements of the accounting standards.

Warranty provision (AUD $4.0m)	
Refer to Note 10 Provisions	
The key audit matter	**How the matter was addressed in our audit**
The warranty provision was considered a key audit matter due to the estimation uncertainty inherent in the Group's key assumptions applied, specifically relating to: • The product portfolio, where each product has different design and quality attributes; • The different products having different warrantable periods and different expected rectification costs; • The inherent unpredictability of future failures resulting in claims under warranty; and • The increased warranty claims in the current year that were not anticipated by one of the subsidiaries of the Group, increasing the risk of inaccurate forecasting of claims. The key assumptions used in the determination of the warranty provision are:	Our procedures included: • Through inquiries with senior management, we obtained an understanding of the product portfolio, each product's warrantable period and history of failure rates, and the key assumptions used in the determination of the warranty provision; • Assessing the accuracy of the Group's previous provision for warranty claims by comparing the prior year provision against actual claims settled during the current period to inform our evaluation of the current period estimate; • Checking the mathematical accuracy of the general warranty provision model; • Testing the warranty period used in the determination of the provision by inspecting the warranty terms as set out on the company website; • To test the accuracy of the historical cost to repair products, which is data used in the Group's provision determination, we selected a sample of warranty claims from the Group's claim reports and compared the product type, repair cost, and build year to source documentation; • To test the accuracy of the number of units repaired, which is also data used in the Group's provision

INDEPENDENT AUDITOR'S REPORT (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

KPMG

• The historical claim rate being the indicator of future claim rate; • Each product's historical repair cost being the indicator of future repair cost.	determination, we compared the number of units repaired to the number of units repaired per the Group's claim reports; • Performing a comparison of the Group's actual claim rate for the years ended 30 June 2017 and 30 June 2018 to the forecasted claim rate for those respective years to assess the accuracy of the Group's forecasting of the future claim rate and the reasonableness of using history as the indicator of future claim rates; • Performing a comparison of the Group's actual warranty costs to repair trailers for the years ended 30 June 2017 and 30 June 2018 to the forecasted repair cost for those respective years to assess the accuracy of the Group's forecasting of the estimated cost to repair future units and the reasonableness of using history as the indicator of future repair cost; • Assessing the warranty provision methodology against the requirements of the accounting standards; • In relation to increased warranty claims in the current year for one of the subsidiaries of the Group, inquiring with management to understand the specific warranty issues stemming from trailers built over a specific period that were sold to certain customers. • Inspecting external transportation authority reports identifying the number of units registered by those customers referred to above, and assessing the completeness of the Group's provision by comparing the number of units provided for to the number of units as per the external report. • To test the reasonableness of the specific provision for the affected subsidiary, we selected a sample of warranty claims in the current year, compared the repair cost to source documentation, and compared to the Group's forecasted cost included in the provision.

INDEPENDENT AUDITOR'S REPORT (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

Other Information

Other Information is financial and non-financial information in MaxiTRANS Industries Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

INDEPENDENT AUDITOR'S REPORT (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of MaxiTRANS Industries Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 26 to 32 of the Directors' report for the year ended 30 June 2018.

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

KPMG

Suzanne Bell

Partner

Melbourne

24 August 2018

AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2018

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 as at 31 July 2018 are:

	Ordinary Shares
Transcap Pty Ltd and related parties	24,943,030
HGT Investments Pty Ltd	20,250,000
Pinnacle Investment Management Group Limited and its susidiaries	9,551,557
Greg & Harrison	9,356,501

Voting rights

As at 31 July 2018, there were 3,636 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 31 July 2018, there were no unquoted options over unissued ordinary shares.

Distribution of shareholders
As at 31 July 2018

Category – No of Shares	No of Shareholders
1 – 1,000	431
1,001 – 5,000	926
5,001 – 10,000	656
10,001 – 100,000	1,403
100,001 and over	220
	3,636

Shareholders with less than a marketable parcel
As at 31 July 2018, there were 308 shareholders holding less than a marketable parcel of 885 ordinary shares ($0.565 on 31 July 2018) in the Company totalling 109,241 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 2018

TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES AS AT 31 JULY 2018

Name	Units	% of Units
1. HGT INVESTMENTS PTY LTD	20,250,000	10.94
2. TRANSCAP PTY LTD	14,940,739	8.07
3. CITICORP NOMINEES PTY LIMITED	9,579,308	5.18
4. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,364,187	5.06
5. J P MORGAN NOMINEES AUSTRALIA LIMITED	6,817,484	3.68
6. TOROA PTY LTD	4,286,241	2.32
7. TRANSCAP PTT LTD	2,994,810	1.62
8. HORRIE PTY LTD	2,165,000	1.17
9. DE BRUIN SECURITIES PTY LTD	2,129,773	1.15
10. JOHN E GILL TRADING PTY LIMITED	1,571,933	0.85
11. MR ERIC DEAN ROSS	1,406,540	0.76
12. JOHN E GILL OPERATIONS PTY LTD	1,391,657	0.75
13. JAMES R CURTIS	1,328,439	0.72
14. HILLMORTON CUSTODIANS PTY LTD	1,311,000	0.71
15. BNP PARIBAS NOMINEES PTY LTD	1,273,930	0.69
16. MAHATA PTY LTD	1,222,392	0.66
17. TANERKA PTY LTD	1,102,620	0.60
18. BNP PARIBAS NOMS PTY LTD	921,453	0.50
19. DEBUSCEY PTY LTD	897,056	0.48
20. BELGRAVIA STRATEGIC EQUITIES PTY LTD	855,000	0.46
Total ordinary fully paid shares – top 20 holders	**82,701,875**	**44.69**
Total remaining holders balance	**102,373,778**	**55.31**