Rules 4.2A.3

Appendix 4D

Half Year Report

Name of entity

MAXITRANS INDUSTRIES LIMITED

ABN 58 006 797 173	Half Year Ended 31 December 2018

Results for announcement to the market

(All comparisons to half-year ended 31 December 2017)

				$A'000
Revenues from continuing activities	down	9%	to	185,246
Net profit after tax (excluding significant items) attributable to members of the company [1, 2]	down	52%	to	3,661
Net profit after tax (including significant items) attributable to members of the company	up	86%	to	1,056

Dividends (distributions) - Note 2	Amount per security	Franked amount per security
Interim dividend – Ordinary shares	-	-
Previous corresponding period: Interim dividend – Ordinary shares	2.00¢	2.00¢

Record date for determining entitlements to the dividend.	N/A

Refer to the attached ASX announcement regarding commentary on revenue, earnings (including underlying results) and business outlook.

(1) Net profit after tax (excluding significant items) attributable to members of the company is a non-IFRS measure, which has not been subject to review or audit by the Group's external auditors. This measure is presented to enable understanding of the underlying performance of the Group by users.

(2) Also referred to as underlying net profit after tax attributable to MXI shareholders.

MaxiTRANS Industries Limited
Directors' Report for the half-year ended 31 December 2018

The Directors of MaxiTRANS Industries Limited submit herewith the financial report for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Company during or since the end of the half-year are:

Mr. Robert H. Wylie	(Director since September 2008 - Chairman since June 2016)
Mr. James R. Curtis	(Director since 1987 – Deputy Chairman since October 1994)
Mr. Dean Jenkins	(Managing Director since March 2017)
Mr. Joseph Rizzo	(Director since June 2014)
Ms. Samantha Hogg	(Director since April 2016)
Ms. Mary Verschuer	(Director since January 2019)

Review of operations

External sales of $190.68m, down 11% on the prior corresponding period (PCP) due primarily to the expected difference made by the Coles contract delivery in FY2018, weaker trading conditions in Q2 FY2019 and the planned production slowdown associated with the deployment of the enterprise resource planning system (Project TRANSform) in October 2018. This was partially offset by continued growth in the MaxiPARTS business, which continues to trade positively.

Reported net profit after tax (NPAT) of $1.06m, including discontinued operations.

Group results summary

$'000	Dec 2018*	Dec 2017*	Variance $	Variance %
External sales	190,681	214,141	(23,460)	-11%
Reported Net Profit after Tax	1,056	7,755	(6,699)	-86%
Reported Net Profit before Tax	1,774	10,596	(8,822)	-83%
Significant Items				
MTC loss	1,602	-	1,602	n/a
ERP System implementation expenses	1,030	-	1,030	n/a
Acquisition and disposal costs - Trout River and Richlands	243	-	243	n/a
Underlying Net Profit (Loss) Before Tax^	4,649	10,596	(5,947)	-56%
Underlying EBIT^	5,921	11,802	(5,881)	-50%
Underlying EBITDA^	8,470	14,379	(5,909)	-41%

^ Non-IFRS financial information
* Includes revenue from discontinued operations

Notes:
1. EBIT refers to earnings for the period before interest and tax.
2. EBITDA refers to earnings for the period before interest, tax, depreciation and amortisation.
3. EBITDA and EBIT are reported to provide improved clarity of the group's underlying business performance.
4. Non-IFRS financial information contained in this table has not been subject to audit or review by KPMG.

As announced on 20 February 2019, given the ongoing investment in the new enterprise resource planning (ERP) system, the challenging general economic conditions and potential strategic opportunities available to the group, the Board has determined not to pay an interim dividend. The Board currently expects that the Company will pay a final dividend.

Capital allocation review

In support of MaxiTRANS' strategic agenda, FY2019 is a year of substantive review of the group's capital allocation and, as a consequence, the group undertook several transactions and projects in the first half. As announced on 20 February 2019, the first half results have been impacted by the following significant items associated with these actions:

• Loss on sale of MTC of $1.60m (inclusive of costs). The funds released from this sale subsequently allowed the group to fund the acquisition of 80% of Australasian Machinery Sales (Trout River Australia) in December.
• ERP system implementation costs that cannot be capitalised, of $1.03m. The ERP system went live in all Australian manufacturing sites in October and the roll-out is continuing into the MaxiPARTS and service businesses.
• Transaction costs associated with the Trout River Australia acquisition and assessing other strategic opportunities, as well as disposal costs for the sale and leaseback of the Queensland manufacturing facility at Richlands, of $0.24m. As part of the manufacturing footprint review and in order to move the Queensland manufacturing facility to a more efficient and higher capacity leased site, the Board has decided to release capital from the sale and leaseback of Richlands.

Group financial overview

Operating performance in the first half included a number of positive aspects, with MaxiPARTS performing ahead of expectations and the New Zealand business improving profitability despite a normalisation to lower revenue levels after the FY2018 regulatory changes. The Australian Trailer Solutions business recorded underlying growth (once adjusting for the one-off Coles contract impacts).

The first half results do not include any material impact from the acquisition of Trout River Australia in December 2018.

Offsetting this somewhat was the negative impacts to operating leverage of the Coles contract in FY2018, a slower than normal Q2 production rate due to the ERP deployment, a higher than usual effective tax rate due to the tax implications on the sale of the MTC business in China and the significant items set out above.

Segment financial overview

MaxiPARTS
MaxiPARTS continues to become a larger part of the MaxiTRANS business as solid strategic delivery is achieved on a consistent basis. As a high quality distribution asset, MaxiPARTS now represents 38% of total net profit before tax prior to allocation of corporate costs, up from 27% at the end of FY2018.

MaxiPARTS EBITDA and revenue growth on the PCP was 14.9% and 15.2%, respectively.

Revenue for the first half was $55.06m.

Revenue improvements were largely a result of continued success selling an integrated MaxiTRANS solution to fleet customers and new product introduction through the retail network.

Trailer Solutions
Within the Trailer Solutions business, revenue in Australia decreased by 16.5% and in New Zealand by 19.4%, against the PCP.

Revenue growth in the first half of FY2018 was principally driven from the Coles contract which benefited sales of the temperature-controlled Maxi-CUBE and general freight Freighter products. Adjusting for the Coles contract, the Australian Trailer Solutions revenue of $121.9m in H1 FY2019 was an increase of 13.8% on PCP. The Service business began to see some revenue and profit growth, although not yet material, and the Retail network's focus on margin accretion has seen an improvement in Retail margin of over 1%.

Unadjusted H1 FY2019 EBITDA is down 27.3% on PCP; however, if the Coles impact is excluded, EBITDA is up 13.4% on PCP.

The new ERP system went live in all MaxiTRANS Australian manufacturing sites in October 2018 and the roll-out is continuing into the MaxiPARTS and Service businesses. To facilitate deployment of the ERP system, the volume of trailers manufactured during Q2 was purposefully reduced through a planned production slowdown. Labour efficiency remained well-controlled during the half, improving slightly on the PCP, a good result given the ERP system deployment.

With implementation of the ERP system complete in the Australian manufacturing businesses, further improvement activities have been initiated to underpin future performance, including:

- The warehousing activity within the Ballarat operation has been relocated out of the main facility during February 2019 resulting in increased control on inventory and improved parts flow to the production line, and enabling some of the future benefits provided by the ERP system capability.
- MaxiPARTS continues to become a more integral part of the supply chain for manufacturing, with greater than 20% of manufacturing COGS being sourced through MaxiPARTS. The ERP system will enable this to increase with associated operational efficiency.
- The team in our Queensland manufacturing facility has been trained to manufacture all tipper products for the group and plans are in place to expand capability into other product lines. The result will be a more flexible production planning capability and the ability to support the NSW market from north and south.

The planned small but strategic investment in a rental fleet of trailers has gone according to plan, achieving an annualised post tax return on invested capital of 12-13%. Fleet utilisation was 72% with a net $2.70m invested in H1 FY2019.

New Zealand revenue was down 19.4% whilst EBITDA grew by 66.6%, on PCP. The revenue decline was in part driven by regulation changes driving a volume increase in FY2018, the impact of which has now largely normalised. As previously advised to the market, there has been no adverse change in warranty assumptions since FY2018 which, in conjunction with a 5% improvement in efficiency levels, supported the profit improvement despite the significant drop in revenue.

MaxiTRANS completed the acquisition of 80% of Trout River Australia in December 2018. The 80% interest has been accounted for under the equity method. Given the timing of the acquisition in December, the impact on underlying NPAT was immaterial in H1 FY2019.

Outlook

General economic conditions have become more challenging over recent months, including:

• Drought conditions have substantially impacted capital purchasing in the agricultural market.
• Expenditure on the east coast infrastructure projects has been at a slower rate than anticipated which, overlaid with the recent drops in housing starts, is expected to reduce demand for MaxiTRANS construction-focused products.
• Smaller customers remain cautious (as reflected in the most recent NAB business confidence surveys) although larger fleet quotation levels have remained marginally above long run levels.
• Political uncertainty at a Federal level is also negatively impacting the buying decisions of some customer segments, in particularly smaller fleets and owner/drivers.

These general conditions have contributed to a slowing of new trailer registration growth over the second half of calendar 2018, which looks set to continue in calendar 2019.

Recent quotation and order intake levels remain subdued and the normal post-Christmas recovery is slower than prior periods. Q4 production is currently underpinned by the imminent timing of a number of larger fleet opportunities rather than normal quotation levels. The timing of those orders is a risk to full year performance and MaxiTRANS is currently implementing strategies to manage this risk if required.

However, the Australian trailer business is expected to benefit from the recovery of production deferred from Q2 and the retention of some margin accretion associated with price rises initiated in July 2018.

The initial gains from the ERP system deployment are still expected to be realised towards the end of FY2019.

New Zealand will continue improving profitability levels as the traditional Q3 order cycle of key customers supports Q4 volumes.

Expectations for solid full year growth in the MaxiPARTS business remain unchanged. The growth rate in the second half is expected to dampen - due to a stronger H2 prior year comparator and continued softness in the base market - but will remain positive.

Dividend

As per the 20 February 2019 market announcement, the Directors have determined not to pay an interim dividend.

Auditor’s independence declaration

The independence declaration of our auditor, KPMG, in accordance with s. 307C of the Corporations Act 2001 is set out on page 6 for the half year ended 31 December 2018 and forms part of the Directors' report.

Rounding of amounts

The parent entity has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and accordingly, amounts in the interim financial statements and the Director’s Report 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.

Dean Jenkins
Managing Director

Melbourne, 27 February 2019

DIRECTORS' DECLARATION

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

1 the interim consolidated financial statements and notes set out on pages 7 to 21, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

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

Signed for and on behalf of the Board in accordance with a resolution of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Robert H. Wylie
Chairman

Dean Jenkins
Managing Director

Melbourne, 27 February 2019

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 review of MaxiTRANS Industries Limited for the half-year ended 31 December 2018 there have been:

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

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

KPMG

KPMG

S E Bell

Suzanne Bell

Partner

Melbourne, Australia

27 February 2019

**CONSOLIDATED INCOME STATEMENT AND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

CONSOLIDATED INCOME STATEMENT	Note	31 Dec 2018 $'000	31 Dec 2017 * $'000
Continuing operations			
Sale of goods		**176,746**	**197,305**
Rendering of services		**8,500**	**6,847**
Changes in inventories of finished goods and work in progress		**10,289**	**9,389**
Raw materials and consumables used		**(119,527)**	**(136,005)**
Interest income	5	**10**	**29**
Other income		**179**	**38**
Employee expenses and contract labour		**(50,786)**	**(50,196)**
Warranty expenses		**(1,410)**	**(1,277)**
Depreciation and amortisation expenses	5	**(2,549)**	**(2,227)**
Finance costs	5	**(1,272)**	**(1,130)**
Other expenses including significant items		**(17,484)**	**(13,201)**
Share of net profits of joint ventures accounted for using the equity method	5	**683**	**671**
Operating profit		**3,379**	**10,243**
Income tax expense	5	**(719)**	**(2,742)**
Profit from continuing operations		**2,660**	**7,501**
Discontinued operation			
Profit (loss) from discontinued operation, net of tax	8	**(2)**	**254**
Profit (loss) on disposal of subsidiary, net of tax	8	**(1,602)**	**-**
Loss from discontinued operations, net of tax		**(1,604)**	**254**
Profit for the period	5	**1,056**	**7,755**
Profit attributable to:			
Equity holders of the company	8	**1,056**	**7,704**
Non-controlling interests		**-**	**51**
Profit for the period		**1,056**	**7,755**

* Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of business discontinued in the current year.

CONSOLIDATED INCOME STATEMENT AND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31 Dec 2018 $'000	31 Dec 2017 * $'000
Profit for the period	**1,056**	**7,755**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation of land and buildings	**2,586**	**1,272**
Related tax	**(740)**	**(373)**
Total items that will never be reclassified to profit or loss	**1,846**	**899**
Items that may subsequently be reclassified to profit or loss:		
Net exchange difference on translation of financial statements of foreign operations	**777**	**581**
Effective portion of changes in fair value of cash flow hedges	**(111)**	**6**
Related tax	**33**	**(2)**
Total items that may subsequently be reclassified to profit or loss	**699**	**585**
Other comprehensive income for the period, net of income tax	**2,545**	**1,484**
Total comprehensive income for the period	**3,601**	**9,239**
Total comprehensive income attributable to:		
Equity holders of the company	**3,614**	**9,157**
Non-controlling interests	**(13)**	**82**
Total comprehensive income for the period	**3,601**	**9,239**
Earnings per share		
Basic and Diluted earnings per share (cents per share) - Total	**0.57¢**	**4.19¢**
Basic and Diluted earnings per share (cents per share) - Continuing operations	**1.44¢**	**-**
	Number	**Number**
Weighted average number of shares:		
Number for basic earnings per share	**185,075,653**	**185,075,653**
Number for diluted earnings per share	**185,075,653**	**185,075,653**

	31 Dec 2018	30 Jun 2018
*Net Tangible Assets Backing (cents per share)***	**34.36¢**	**36.90¢**
Net Assets Backing (cents per share)	**72.55¢**	**73.39¢**

The consolidated income statement and consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the consolidated half-year financial statements.

* Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of business discontinued in the current year.

** Prior year comparative of Net tangible assets backing per share has been adjusted to exclude the $33m of intangible assets included in PP&E.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	30 Jun 2018 $'000
Current Assets			
Cash and cash equivalents		**9,255**	9,692
Trade and other receivables		**36,742**	39,120
Inventories		**62,666**	57,700
Current tax asset		**2,666**	2,237
Assets held for sale		**11,800**	19,813
Other current assets		**3,200**	1,584
Total Current Assets		**126,329**	130,146
Non-Current Assets			
Investments in Associates	3	**11,293**	4,826
Property, plant & equipment *		**55,826**	93,733
Intangible assets *		**70,680**	34,265
Deferred tax assets		**382**	-
Other non-current assets		**-**	1,249
Total Non-Current Assets		**138,181**	134,073
Total Assets		**264,511**	264,219
Current Liabilities			
Trade and other payables		**47,494**	47,327
Interest bearing loans and borrowings	4	**61,156**	752
Deferred Revenue		**4,898**	4,090
Provisions		**11,528**	13,126
Liabilities held for sale		**-**	9,550
Total Current Liabilities		**125,076**	74,845
Non-Current Liabilities			
Interest bearing loans and borrowings		**289**	49,908
Deferred tax liabilities		**3,579**	2,409
Provisions		**1,089**	1,141
Other non- current liabilities		**205**	97
Total Non-Current Liabilities		**5,162**	53,555
Total Liabilities		**130,238**	128,400
Net Assets		**134,273**	135,819
Equity			
Issued capital		**56,386**	56,386
Reserves		**22,509**	20,998
Retained earnings		**55,377**	57,097
Equity attributable to equity holders of the company		**134,272**	134,481
Non-controlling interest		**-**	1,338
Total Equity		**134,272**	135,819

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated half-year financial statements.

*The prior year comparative of PP&E includes $33m relating to capital expenditure on the ERP system which has been reclassified to Intangible assets in the current year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Note	Issued capital $'000	Asset revaluation reserve[1] $'000	Retained earnings $'000	Non-controlling interest $'000	Other reserves[2] $'000	Total $'000
Balance as at 1 July 2018		**56,386**	**17,886**	**57,097**	**1,338**	**3,112**	**135,819**
Comprehensive income for the period							
Profit for the period		-	-	1,056	-	-	1,056
Other comprehensive income							
Net exchange difference on translation of financial statements of foreign operations		-	-	-	(13)	790	777
Revaluation of land and buildings		-	1,846	-	-	-	1,846
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	(79)	(79)
Total comprehensive income for the period		-	1,846	1,056	(13)	713	3,600
Transactions with owners, recorded directly in equity							
Dividends to equity holders	2	-	-	(2,776)	-	-	(2,776)
De-recognition of MTC on disposal				-	(1,325)	(1,125)	(2,450)
Share based payment transactions		-	-	-	-	79	79
Total transactions with owners		-	-	(2,776)	(1,325)	(1,046)	(5,147)
Balance 31 December 2018		**56,386**	**19,732**	**55,377**	**0**	**2,779**	**134,272**
Balance as at 1 July 2017		**56,386**	**15,121**	**53,539**	**1,321**	**2,360**	**128,727**
Comprehensive income for the period							
Profit for the period		-	-	7,704	51	-	7,755
Other comprehensive income							
Net exchange difference on translation of financial statements of foreign operations		-	-	-	31	550	581
Revaluation of land and buildings		-	899	-	-	-	899
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	4	4
Total comprehensive income for the period		-	899	7,704	82	554	9,239
Transactions with owners, recorded directly in equity							
Dividends to equity holders	2	-	-	(2,776)	-	-	(2,776)
Final dividend to previous minority shareholder				(12)			(12)
Final payment for 20% minority share purchased on 30 Jun 2017				(31)			(31)
Share based payment transactions		-	-	-	-	118	118
Total transactions with owners		-	-	(2,819)	-	118	(2,701)
Balance 31 December 2017		**56,386**	**16,020**	**58,424**	**1,403**	**3,032**	**135,265**

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 half-year financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Note	**31 Dec 2018 $'000**	31 Dec 2017 $'000
Cash Flows from Operating Activities			
Receipts from customers		**207,630**	238,629
Payments to suppliers & employees		**(204,663)**	(228,489)
Interest received		**10**	29
Interest & other costs of finance paid		**(1,272)**	(1,206)
Income tax paid		**(1,357)**	(2,104)
Net Cash Provided by/(Used in) Operating Activities		**348**	6,859
Cash Flows from Investing Activities			
Payments for property, plant & equipment		**(9,234)**	(6,039)
Acquisition of associates (net of cash)		**(6,333)**	(31)
Dividends received		**550**	613
Proceeds from disposal of subsidiary (net of cash and costs)		**6,141**	-
Proceeds from sale of property, plant & equipment		**24**	110
Net Cash Provided by/(Used in) Investing Activities		**(8,853)**	(5,347)
Cash Flows from Financing Activities			
Proceeds from borrowings		**12,176**	5,677
Repayment of borrowings		**(1,049)**	(1,900)
Payment of finance lease liabilities		**(342)**	(114)
Dividends paid	2	**(2,776)**	(2,788)
Net Cash Provided by/(Used in) Financing Activities		**8,009**	875
Net increase/(decrease) in cash		**(496)**	2,387
Cash and Cash equivalents at 1 July from continuing operations		**9,692**	6,140
Effect of exchange rate fluctuations on cash held		**58**	(11)
Cash and cash equivalents 31 December		**9,254**	8,516
Reconciliation of cash			
Cash at bank and on hand		**9,255**	8,516

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

1. Statement of Compliance and Significant Accounting Policies

Reporting entity

MaxiTRANS Industries Limited (the “Company”) is a company domiciled in Australia and its registered office is 346 Boundary Road, Derrimut, Victoria. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in joint ventures and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company’s registered office at 346 Boundary Rd, Derrimut, Victoria or at www.maxitrans.com

Statement of compliance

The consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial statements do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2018.

This consolidated interim financial statements were approved by the Board of Directors on 27 February 2019.

The Group has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and, accordingly, amounts in the interim financial statements have been rounded to the nearest thousand dollars unless specifically stated otherwise.

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

Significant accounting policies

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2018, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New accounting standards and interpretations

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

(i) AASB 15 Revenue from Contracts with Customers and related amending Standards

The Group has adopted 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 have not applied the requirements of AASB 15 to the comparative period presented.

AASB 15 establishes a principles-based approach for revenue recognition whereby revenue is recognised when performance obligations are satisfied and the control of goods or services is transferred. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at point in time or over time. The model features a contract based five step analysis of transactions to determine 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.

The major sources of the Group's revenue are from the sale of goods, rendering of services, and other income.

Revenue from the sale of goods

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

Revenue from the rendering of services

Revenue from the rendering of services is recognised as the services are completed.

Other income

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

Dividend income

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

(ii) *AASB 9 Financial Instruments* and related amending Standards

The Group has adopted AASB 9 Financial Instruments from 1 July 2018 which replaced AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, except the Group have not restated comparative information for prior periods with respect to classification and measurement (including impairment) changes.

The impact on the Group from the adoption of AASB 9 is set out below.

Credit losses on trade receivables

The group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A credit loss is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

Hedge accounting

In accordance with the transition provisions of AASB 9 for hedge accounting, the Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. There has been no change in the Groups transactions that are subject to hedge accounting from the adoption of AASB 9, being the interest rate swaps and forward foreign currency exchange contracts. Accordingly, there has been no impact on the hedging reserve from the adoption of AASB 9.

Impact of standard(s) issued but not yet applied by the entity:

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these condensed consolidated interim financial statements.

The Group has the following updates to information provided in the last annual financial statement about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statement.

AASB 16 *Leases*

AASB 16 replaces existing leases guidance, including AASB 117 *Leases,* Interpretation 4 *Determining whether an Arrangement contains a Lease,* Interpretation 115 *Operating Leases - Incentives and* Interpretation 127 *Evaluating the Substance of Transections Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 July 2019. Early adoption is permitted.

AASB 16 Leases requires companies to bring most leases on-balance sheet, which will likely result in the recognition of new assets and liabilities for assets currently classified as an operating lease. On transition to AASB 16, the Group can choose whether to apply the AASB 16 definition of a lease to all its contracts or apply a practical expedient and not reassess whether a contract is, or contains, a lease. There are recognition exemptions for short-term leases and leased of low-value items. As a lessee, the Group can either apply the standard using a retrospective approach or modified retrospective approach with optional practical expedients. In addition, there are likely to be changes to the timing of amounts recognised in the income statement. The new standard will be applied for the annual reporting period ending 30 June 2020.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statement in the period of initial application will depend on future economic decisions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group choose to use practical expedients and recognition exemptions.

The Group expects to adopt these standard in the financial year they apply. The financial impact of adopting the new or amended standard(s) is in the process of being determined.

Accounting Estimates and Judgements

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2018, except for new significant judgments and key sources of estimation uncertainty related to the application of AASB 9 and AASB 15.

2. Dividends

	31 Dec 2018 $'000	31 Dec 2017 $'000
Dividends paid:		
A final dividend of 1.50 cent (2017: 1.50 cent) per share franked at the rate of 30% was paid for the financial year ended 30 June 2018.	**2,776**	2,776
Dividends proposed:		
Interim dividend of 0 (2017: 2.00) cents per share (2017 franked at 30%).	**-**	3,702
Dividend franking account		
Class C (30%) franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	**24,634**	23,840

As per ASX announcement on the 20 February 2019, the Directors have determined not to pay an interim dividend. The Board currently expects that the Company will pay a final dividend.

The above franking credits available amounts are based on the balance of the dividend franking account at 31 December 2018.

The operation of the Company's dividend reinvestment plan ('DRP') was suspended on 21 June 2011 until further notice.

3. Investment in Associates

In December 2018 the Group acquired an 80% interest in Australasian Machinery Sales Pty Ltd. Based on the contractual agreement the Group has determined that the acquired entity is jointly controlled and shall therefore be accounted for under the equity method.

		Ownership Interest	
Name of Entity	**Principal Activity**	**31 Dec 2018 %**	30 Jun 2018 %
Trailer Sales Pty Ltd	Trailer retailer. Repair and service provider. Sale of Spare parts	36.67	36.67
Australasian Machinery Sales Pty Ltd	Manufacturer and supplier of live bottom trailers.	80.00	-
		$'000	$'000
Carrying amount of investments in associates		**11,293**	4,826

4. Interest bearing loans and borrowings

Group's banking partners are Commonwealth Bank of Australia and HSBC Bank (the Lenders). During the period, there were no changes to the Group's borrowing facilities. The amount drawn at the end of each reporting period varies based on the Group's cash requirements.

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

Interest rates are a combination of fixed and variable.

The terms and conditions of the bank facilities contain covenants in relation to gearing ratio, interest cover and leverage ratio. Interest cover and gearing ratios were satisfied during the first half of 2019 financial year and 2018 financial year.

The Group breached its leverage ratio during the period and at 31 December 2018 and accordingly the debt was classified as current at 31 December 2018. Subsequent to year-end, the Group's Lenders provided a waiver of the 31 December 2018 covenant breach and varied the terms of the covenants. The Group's forecast indicates that the Group will comply with all covenants for the next 12 months.

5. Segment Information

It is the Group's policy that inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Total finance costs of the Group are included in unallocated corporate costs.

The following summary describes the operations in each of the Group's reportable segments:
Trailer solution - consist of manufacturing, retail, rental, used and service business units.
Parts and components - consist of parts business.
Corporate/eliminations - comprise interest bearing loans, borrowing and expenses, corporate and finance costs.
Discontinued operation - consist of the MTC business sold 2 November 2018.

Prior year comparative information has been adjusted to align with the Group's reporting structure in FY19.

Six months ended 31 December 2018

Business Segments	**Trailer Solutions**	**Parts & components**	**Corporate / Eliminations**	**Total continuing activities**	**Discontinued operation**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External segment revenue	130,191	55,055	-	185,246	5,435	190,681
Inter-segment revenue	368	13,984	(14,352)	-	-	-
Total segment revenue	130,559	69,039	(14,352)	185,246	5,435	190,681
Total Revenue	130,559	69,039	(14,352)	185,246	5,435	190,681
Segment Result						
Segment net profit before tax (Excluding significant items)	5,513	4,736	(5,018)	5,231	(3)	5,228
Share of net profit of equity accounted investments	683			683		683
Interest income			10	10		10
Interest expense			(1,272)	(1,272)	-	(1,272)
Segment net profit before tax (Excluding significant items)	**6,196**	**4,736**	**(6,280)**	**4,652**	**(3)**	**4,649**
Significant items, before tax						
Gain/(loss) on disposal of subsidiary				-	(1,602)	(1,602)
ERP system implementation expenses			(1,030)	(1,030)		(1,030)
Acquisition Transaction costs			(243)	(243)		(243)
Segment net profit before tax (including significant items)	6,196	4,736	(7,553)	3,379	(1,605)	1,774
Income tax expense	-	-	(719)	(719)	1	(718)
Net profit after tax	**6,196**	**4,736**	**(8,272)**	**2,660**	**(1,604)**	**1,056**
Depreciation and amortisation	924	394	1,231	2,549	245	2,794
Total Depreciation	**924**	**394**	**1,231**	**2,549**	**245**	**2,794**
As at 31 December 2018						
Assets						
Segment assets	136,110	65,670	-	201,780	-	201,780
Unallocated corporate assets			62,730	62,730	-	62,730
Consolidated total assets	**136,110**	**65,670**	**62,730**	**264,510**	**-**	**264,510**
Liabilities						
Segment liabilities	37,277	17,831	-	55,108	-	55,108
Unallocated corporate liabilities			75,130	75,130	-	75,130
Consolidated total liabilities	**37,277**	**17,831**	**75,130**	**130,238**	**-**	**130,238**
Capital expenditure	5,237	45	-	5,282	-	5,282
Unallocated capital expenditure			3,981	3,981	-	3,981
Total capital expenditure	**5,237**	**45**	**3,981**	**9,263**	**-**	**9,263**

5. Segment Information (cont.)

Six months ended 31 December 2017

Business Segments	**Trailer Solutions**	**Parts & components**	**Corporate/ Eliminations**	**Total continuing activities**	**Discontinued operation**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External segment revenue	156,348	47,804	-	204,152	9,989	214,141
Inter-segment revenue	5,567	13,017	(20,469)	(1,885)	1,885	-
Total segment revenue	**161,915**	**60,820**	**(20,469)**	**202,267**	**11,875**	**214,141**
Total Revenue	**161,915**	**60,820**	**(20,469)**	**202,267**	**11,875**	**214,141**
Segment Result						
Segment net profit before tax (Excluding significant items)	10,705	4,067	(4,099)	10,673	353	11,026
Share of net profit of equity accounted investments	671			671		671
Interest income			29	29		29
Interest expense			(1,130)	(1,130)		(1,130)
Segment net profit before tax (Excluding significant items)	**11,376**	**4,067**	**(5,200)**	**10,244**	**353**	**10,596**
Significant items	-	-	-	-	-	-
Income tax expense			(2,742)	(2,742)	(99)	(2,841)
Net profit after tax	**11,376**	**4,067**	**(7,941)**	**7,502**	**253**	**7,755**
Depreciation and amortisation	1,541	438	96	2,075	351	2,426
Total depreciation	**1,541**	**438**	**96**	**2,075**	**351**	**2,426**
As at June 2018						
Assets						
Segment assets	142,883	67,090	-	209,973	19,813	229,786
Unallocated corporate assets			34,433	34,433		34,433
Consolidated total assets	**142,883**	**67,090**	**34,433**	**244,406**	**19,813**	**264,219**
Liabilities						
Segment liabilities	60,088	16,840	-	76,928	9,550	86,478
Unallocated corporate liabilities			41,922	41,922		41,922
Consolidated total liabilities	**60,088**	**16,840**	**41,922**	**118,850**	**9,550**	**128,400**
Capital expenditure	3,088	358	-	3,446	325	3,771
Unallocated capital expenditure			10,715	10,715		10,715
Total capital expenditure	**3,088**	**358**	**10,715**	**14,161**	**325**	**14,486**

SECONDARY REPORTING

The Group's external revenues are predominately 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.

6. Financial Instruments

Carrying amounts and fair values

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

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

The following table presents MaxiTRANS assets and liabilities measured and recognised at fair value and their classification within the fair value hierarchy at 31 December 2018.

As at 31 December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivatives	-	-	-	-
Non-financial assets				
Land and buildings	-	-	37,460	37,460
	-	-	37,460	37,460
Financial Liabilities				
Derivatives	-	(21)	-	(21)
	-	(21)	37,460	37,439

As at 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivatives	- -		-	-
Non-financial assets				
Land and buildings	-	-	46,205	46,205
	-	-	46,205	46,205
Financial Liabilities				
Derivatives	-	41	-	41
	-	41	46,205	46,246

The fair value of Level 2 financial instruments is determined by reference to observable inputs from markets not considered active. The forward foreign currency exchange contracts and interest rate swaps are priced with reference to an active yield or rate, but with an adjustment applied to reflect the timing of maturity dates. Level 3 assets include MaxiTRANS land and buildings reflecting the use of directly unobservable market inputs in their valuation.

Formal valuations were obtained at 31 December 2018 for the New Zealand property and all properties held in Australia.

Valuations are conducted by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The following table presents the changes in Level 3 assets during the half year ended 31 December 2018 for recurring fair value measurements of non-financial assets.

6. Financial Instruments (cont'd)

	Land and Buildings $'000
Opening balance as at 1 July 2018	46,205
Fair value revaluation	2,586
Additions	-
Disposals	-
Land and Building held for sale	(11,800)
Depreciation recognised in the consolidated income statement	(75)
Exchange rate variance	544
Closing balance as at 31 December 2018	37,460

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

Description	**Fair Value $'000**	**Valuation Technique**	**Unobservable Inputs**	**Fair Value Movement Due to +/- Change in Unobservable Inputs $'000**
Land and Buildings	37,460	Highest and best use to market participants	Derived assumptions including rents, yields and discount rates obtained from analysed transactions	2,586

7. Events Subsequent to Reporting Date

The Group breached its leverage ratio during the period and at 31 December 2018 and accordingly the debt was classified as current at 31 December 2018. Subsequent to year-end, the Group's Lenders provided a waiver of the 31 December 2018 covenant breach and varied the terms of the covenants. The Group's forecast indicates that the Group will comply with all covenants for the next 12 months.

8. Discontinued operation

On 2 November 2018 Group sold its 80% share of Yangzhou Maxi-CUBE Tong Composites Co Ltd (MTC). During June 2018, management committed to a plan to sell MaxiTRANS Industries Limited's 80% share of MTC which forms part of the Parts & Components segment. The assets and liabilities associated with these assets were classified as held for sale as at 30 June 2018 and the results reported as a discontinued operation in this financial report.

The comparative condensed statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

a. Results of discontinued operation	**31 Dec 18** **$'000**	**31 Dec 17** **$'000**
Sale of goods	5,435	11,875
Changes in inventories of finished goods and work in progress	1	(15)
Raw materials and consumables used	(4,220)	(9,375)
Employee and contract labour expenses	(276)	(432)
Depreciation and amortisation expenses	(245)	(351)
Finance costs	(49)	(76)
Other expenses	(649)	(1,273)
Profit/(loss) from discontinued operation before tax	**(3)**	**353**
Income tax expense	1	(99)
Profit/(loss) from discontinued operation	**(2)**	**254**
Loss on sale of discontinued operation	(1,602)	-
Income tax on loss on sale of discontinued operation	-	-
Less: Non controlling interest	-	(51)
Profit/Loss from discontinued operations, net of tax	**(1,604)**	**203**
Basic and Diluted earnings per share (cents per share) – Discontinued operations	**(0.87¢)**	**0.11¢**

The loss for the period from discontinued operation of $1.6 million (2017: profit of $0.203 million) was 80% attributable to the owners of the Company.

b. Cash flows from (used in) discontinued operation	**31 Dec 18** **$'000**	**31 Dec 17** **$'000**
Cash used in operating activities	(492)	1,371
Cash from investing activities	(29)	(211)
Cash from financing activities	(840)	(507)
Cash flow for the period	**(1,361)**	**653**

8. Discontinued operation (cont'd)

c. Effect of disposal on the financial position of the Group	31 Dec 18 $'000	30 Jun 18 $'000
Assets		
Cash and cash equivalents	1,029	2,390
Trade and other receivables	5,125	5,332
Inventories	1,473	1,473
Other	412	397
Property, plant and equipment	7,223	6,600
Intangible assets	2,758	2,759
Total Assets	**18,020**	**18,951**
Liabilities		
Trade and other payables	4,696	5,696
Interest bearing loans and borrowings	2,229	3,068
Provisions	854	739
Total Liabilities	**7,779**	**9,503**
Net assets and liabilities	**10,241**	**9,448**

Independent Auditor's Review Report

To the shareholders of MaxiTRANS Industries Limited

Report on the Interim Financial Statements

Conclusion

We have reviewed the accompanying ***Interim Financial Statements*** of MaxiTRANS Industries Limited.

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the six months ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Statement*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated income statement and consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises MaxiTRANS Industries Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended on 31 December 2018.

Responsibilities of the Directors for the Interim Financial Statements

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Statements based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Statements is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the Interim Period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of MaxiTRANS Industries Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

S E Bell

Suzanne Bell

Partner

Melbourne, Australia

27 February 2019