

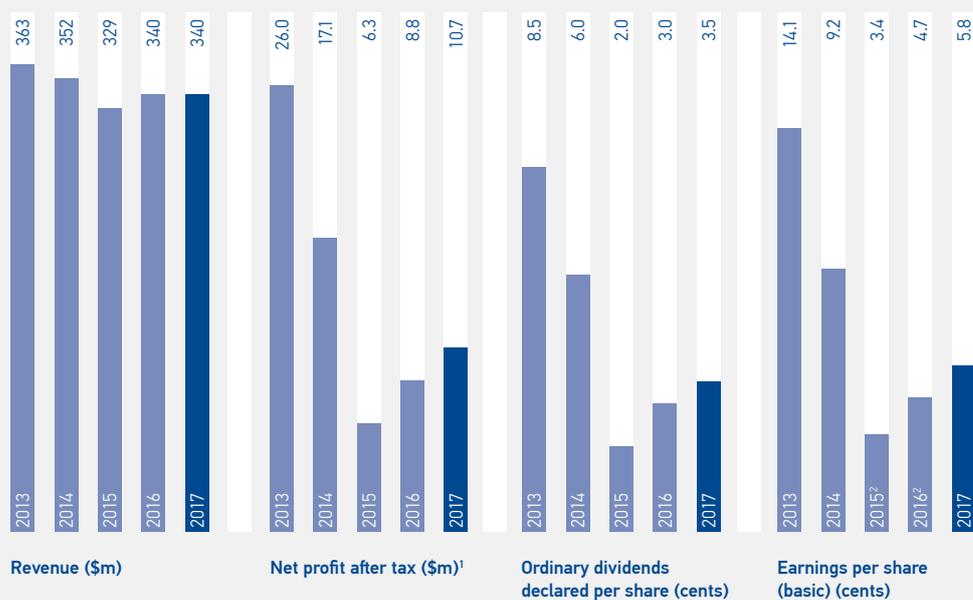


Annual Report 2017



**BUILT ON PRIDE**

# 2017 Highlights



**22%** ↑

Underlying NPAT

**22%** ↑

Underlying earnings per share (basic)

**4**

Industry awards

**47%** ↓

Reduction in lost time injury frequency rate

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<sup>1</sup> Underlying NPAT attributable to equity holders. <sup>2</sup> Excludes impairment charges and restructuring costs.

Cover from left to right: **Andrew Glenister** Dandenong Service and Repairs Manager **Karina Seylim** MaxiPARTS Marketing Manager **Greg Brown** Technical Manager.



The breadth of our brands and businesses helped us to a much improved overall result, with increased earnings and profitability compared to the prior year.

## Chairman's Letter

Dear Shareholder,

**MaxiTRANS has a long and proud history in the road transport industry. It is a leader in the heavy road transport trailer market and is a major player in the trailer parts market. We have developed an enviable stable of brands over many years built on customer-focused product innovation, high quality manufacturing with scale and a strong after-sales support network.**

### Change Agenda

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Our success has been driven by passionate people, guided by a stable Board and management. In order to build upon this legacy, it is imperative we continue to inject fresh ideas. As a result, the Board has embarked on a succession program at the Board and senior executive levels in recent years. In the last three years, two new non-executive directors have joined the Board with a further appointment likely, resulting in a renewal of more than half of the Board. There has also been a refresh of much of the senior executive team.

Our long-serving Managing Director, Michael Brockhoff announced his retirement in January 2017. Michael worked tirelessly with his team to build a strong business and he leaves the legacy of a very proud business which is well positioned to continue its next phase of growth. On behalf of the Board and the Company, I sincerely thank Michael for his long and dedicated service.

I would also like to welcome our new Managing Director, Dean Jenkins. Dean joins MaxiTRANS with a first class pedigree and a wealth of experience to continue the Company's progression and build on its market-leading position.

The Board is currently working with Dean and the executive team on our strategy to deliver superior shareholder returns.

### A Much Improved Result in FY17

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Our businesses experienced mixed fortunes, however the breadth of our brands and businesses helped us to a much improved overall result, with increased earnings and profitability compared to the prior year.

As a result, notwithstanding our continued investment in working capital and systems we were able to maintain our dividend distributions at a similar level as the prior year, with a full-year dividend of 3.5 cents per share, fully-franked.

### Looking Forward

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The Board will continue with its change agenda and continues to advance our strategic priorities in order to improve efficiency, shareholder returns and growth opportunities both domestically and regionally.

**Robert H. Wylie**  
Chairman



At MaxiTRANS, we aim to partner with operators and service providers in the freight transport industry to improve their efficiency and effectiveness with a focus on adding value to customers to reduce their operating risk with respect to safety, compliance, reliability and efficiency.

## Managing Director's Review

**It is a great honour to join MaxiTRANS as your new Managing Director. I am in the fortunate position of joining a company with a leading market position, a portfolio of great brands and the opportunity to lead a team of proud and passionate people.**

I would like to thank our former Managing Director, Michael Brockhoff, for building and leaving a legacy of a strong, resilient business. During his time, the Company built a portfolio of diverse products that enable the movement of freight across a range of different industries. He is also to be credited with building a strong dealership network and parts business, creating a whole-of-life support model for freight transport operators.

All of this provides a strong platform upon which we will continue to grow and I look forward to sharing these plans for growth with you in due course.

Our refreshed strategy will focus on the following priorities:

- Developing an organisation which has the talent and culture to lead MaxiTRANS into the future;
- Improving the operating efficiency and effectiveness of the current business;
- Continuing to maximise the opportunities in the markets we serve today;
- Identifying growth opportunities in new markets at home and abroad; and
- Revitalising the Company's brand and corporate image.

### FY17 Year in Review

MaxiTRANS delivered an improved result for the year ended 30 June 2017, with improved safety performance and increased profitability compared to the prior year.

Our safety performance continued to improve with an 11% reduction in the total injury rate and pleasingly a 47% reduction in the more serious lost time injury frequency rate. Whilst we have reduced the number of injuries by 58% over the past four years since commencing the MaxiSAFE program, there is still more work to do and this remains a priority across the business.

From a financial perspective, I'm pleased to report the reported net profit after tax attributable to equity holders improved by 104% and underlying net profit after tax attributable to equity holders improved by 22% to \$10.7m.

Revenue of \$340.1 million is consistent with the prior year. A 2% revenue growth from the Australian Trailer business was offset by a 27% decline in revenue from the New Zealand Trailer business resulting in revenue for the Trailers segment remaining flat on the prior year.

A 1.2% increase in MaxiPARTS external revenue and a 3% increase in revenue from our China business delivered an overall revenue increase of 1.4% for the Parts & Components segment.

Underlying net profit before tax for the Trailer segment declined 16% comprising a 6.7% improvement in the Australian trailer business which was more than offset by a 94% decline in New Zealand profitability due to the continued market uncertainty resulting from the transport regulation changes affecting trailer dimensions.

The Parts & Components segment net profit before tax improved 45%, driven by a significant improvement in the Australian MaxiPARTS business.

Operating cash flow of \$4.4m was adversely impacted by a net working capital outflow principally due to the higher levels of inventory held as a result of the increased trailer build rate. Net debt/equity ratio increased from 26% to 32% reflecting the increased investment in working capital and continued investment in the upgrade of the Group's core IT systems and technology. Notwithstanding this increase, the Group's financial position remains strong and we have significant headroom in our debt facilities. During the year, the Group refinanced its debt facilities to obtain funding security over the medium to long term.

## Australian Trailer Business

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We started to see an improvement in some market conditions with trailer registrations increasing slightly in 2016 after two years of decline. MaxiTRANS managed to hold its leading market share position, achieving a 3% increase in unit sales.

The Company's diverse product portfolio assisted in maintaining its market share position and improved profit result. Strong infrastructure construction activity, most notably in NSW and increased crop production, drove a 74% increase in tipper sales. However, sales of the Freightler general freight products declined during the year as market confidence remained subdued. Sales of the Maxi-CUBE refrigerated vans were also lower, however, this was partly due to the abnormally high sales in the prior year.

The contract awarded during the year to build 395 refrigerated vans and trailers for Coles Supermarkets commenced in the last quarter, however, it did not make a material contribution to the financial performance for the year. The increase in build rate to satisfy the order was a significant part of the working capital increase at the end of the year. The order will be largely satisfied during the first half of FY18 and as such we would expect an improvement in working capital in FY18.

Reflecting our focus on developing value-added solutions for our customers, we were proud to receive a number of awards for product innovation at the Brisbane Truck Show in May 2017, the largest truck show in Australia.

We are also pleased to announce that we acquired the minority interest in our South Australian dealership, Transport Connection, during the year, facilitating the continued development of our national trailer dealership business model. This business is now wholly owned by MaxiTRANS.

## Australian MaxiPARTS Parts Business

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After experiencing two years of decline, traction gained from new business initiatives, in particular the technology-enabled MaxiSTOCK customer managed inventory system and proprietary suspension system, AirMAX, more than offset the further decline in Queensland to deliver a 1.2% increase in external revenue for the MaxiPARTS business. MaxiSTOCK has experienced strong market acceptance and is delivering above 20% like-for-like sales growth from customers embracing this technology.

Additionally, improved product pricing discipline and strong overhead management saw profit grow significantly ahead of revenue.

## International Businesses

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### New Zealand

The transport regulation changes affecting trailer dimensions foreshadowed in last year's report that impacted the FY16 result continued to impact the FY17 result. These changes were enacted in February, 2017, however, orders did not improve until late in the year. As a result, both revenue and profit significantly declined. We expect a significant improvement in FY18 as orders improve.

### China

Our China panel business continued to grow, with revenue increasing by 15% and profit improving by 12% on a constant currency basis. New products launched in FY17 should provide opportunities for further growth in its local and export markets in future years.

## Outlook

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MaxiTRANS remains well positioned to grow in FY18.

With an order bank at the end of the year double the size from the prior corresponding period, the Australian trailer business will benefit from the delivery of trailers from the Coles Supermarkets contract in the first half of FY18 and the New Zealand business is expected to see improvements with a stable regulatory environment. This increase in build rate to record levels will create further opportunities to implement operational efficiency initiatives across the business.

We expect continued strong demand for tippers as infrastructure construction continues and whilst the current weather outlook for crop production looks favourable, this is unpredictable and susceptible to change.

We have not yet seen any meaningful commencement of the equipment replacement cycle, hence the average age of the Australian trailer fleet continues to increase. As business confidence improves, we expect this cycle to commence.

We are excited to announce that MaxiTRANS has formed a strategic alliance with Monash and Federation Universities to enhance our research and development activities. Via this new collaborative agreement, we aim to further push the boundaries of trailer design and construction to maximise the efficiency and environmental sustainability of our products. The agreement will provide MaxiTRANS with valuable independent insights via both universities' world-class research facilities, people and capabilities to validate and expand on our initiatives. Additionally, it presents university students with the opportunity to work on relevant commercial projects and form networking connections that may lead to future career paths, delivering mutual benefit to all parties.

As new initiatives are introduced across the MaxiPARTS business, including the introduction of new products into the portfolio, as well as the realisation of benefits from cost saving measures, we expect to see further growth and improved profitability from this business.

I look forward to being part of the MaxiTRANS team going forward and helping to build further on the proud heritage we have.



**Dean Jenkins**  
Managing Director and CEO



# Building a strong committed team

## Our People, Our Community

**FY17 was a positive year for MaxiTRANS in many respects. Through an increase in order intake across various divisions, our staffing levels increased by 13% since January 2017. One contributing factor was the record trailer order from Coles, which resulted in a significant number of new staff being engaged at our Ballarat facility. The jobs boost was announced to staff and media by the Honourable Wade Noonan, Victorian Minister for Industry and Employment, at a MaxiTRANS press conference in April and was a welcome development for the local community.**

### Safety

In our efforts to make ongoing improvements to employees' safety, over 20 MaxiTRANS sites completed the financial year without a lost time or medical treatment injury. Further, the lost time injury frequency rate reduced by 47% and total injury frequency rate reduced by over 11%. The result can be attributed to the continuing influence of MaxiSAFE, additional resources and improved accident prevention and injury management.

We continue to make a dedicated effort towards celebrating successes in the safety arena, with presentations, lunches and small safety-related gifts arranged for successfully achieving milestones.

### People

In late FY17, we undertook a 'Workplace Gender Diversity Survey', designed to garner insights into staff perception regarding flexible working, paid parental leave, communication whilst on parental leave and career development opportunities for women. As a result of the findings from the survey and to recognise the commitment to fostering a diverse, inclusive workplace that provides equal opportunities to all, the Board approved the introduction of a paid parental leave policy, which was launched in July 2017.

Following a successful trial in the MaxiPARTS division, the MaxiTRANS Employee Assistance Program (EAP) was expanded to the wider business throughout Australia and New Zealand in FY17. The program assists employees and their immediate family members with their wellbeing including counselling focused on issues impacting their personal and work life, such as stress, depression, anxiety, addictions, grief, bereavement, children or family member concerns.

### Corporate Social Responsibility (CSR)

A highlight of MaxiTRANS' community support in FY17 was our support of "The Soup Bus". Guided by its mission statement "the weather changes, but the need never does" The Soup Bus provides an after-dark meal service to Ballarat's homeless and less fortunate through the cooperation and support of the local community. MaxiTRANS provided in-kind support for the bus, by arranging for it to be painted in our paint lines in Ballarat. The cause was also embraced by staff, who contributed by buying sausages at a fund raiser held on site, while also donating over 500 litres of much-needed milk.

### Team collaboration delivers outstanding safety result

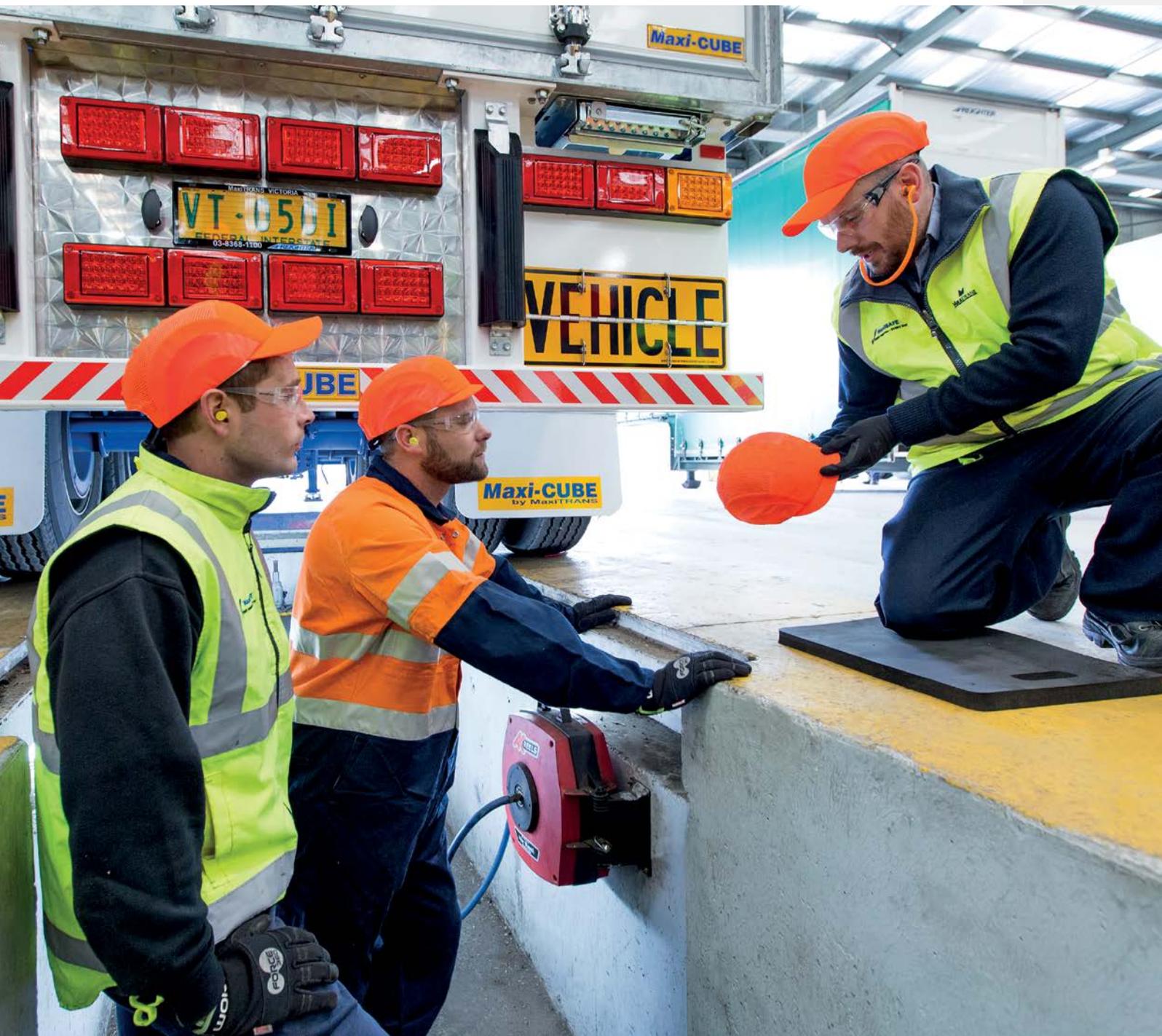
As at the end of FY17, our Derrimut site had achieved 13 months without a lost time or medical treatment injury. The milestone was achieved through a number of factors and led by the Site Safety Committee – a cross-functional team from the various site operations which collaborates to create a safer workplace for all employees, contractors and visitors alike. The Committee identified that clear communication regarding the MaxiSAFE safety expectations and strong leadership by management and team leaders would result in greater engagement on safety from staff. Combined with further training, better injury management and a focus on continuing to raise the bar with regards to housekeeping, Derrimut staff became further engaged in the safety culture, which in turn led to an outstanding safety result.



Staff levels  
increased by

**13%**

since January 2017





# Building leadership through improvement

## Manufacturing

**We have begun or refreshed a number of initiatives in our manufacturing operations throughout FY17 to drive positive outcomes. These initiatives are designed to deliver balanced outcomes in safety, people, quality, delivery and efficiency.**

### People

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We have improved our people leadership capability with the implementation of targeted and strategic recruitment for various critical positions. This investment in people brings best practice process and systems to enable planned and ongoing improvement.

With our new leadership team now in place, a distinct focus will be placed on leveraging their knowledge and expertise to introduce robust and repeatable processes and systems in FY18. Further, the introduction of an ERP system and processes into our business through the TRANSForm project will allow for better reporting and accountability, which will assist us to continue and increase the current rate of improvement.

### Safety

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Underpinning the Company's core value to send all our people home safely every day, we have commenced a bottom up approach to improve the safety culture across the manufacturing group, to align with initiatives across the wider business. To this end, we have invested in the resources and systems to enable continual improvement, with a view to creating a mindset that every incident is preventable. It is a multi-pronged approach, but is underpinned by a commitment to recognising our people and teams when meeting their safety performance goals.

### Operations

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A significant order bank has facilitated the initiatives focused on improving efficiency, delivery outcomes, design for manufacture and design for safety. The team has commenced the development of an auditable and transparent quality system to implement a robust and collaborative identification and problem solving process. We have also seen significant progress in the Richlands facility, primarily due to the continuous improvement initiatives implemented throughout the course of the financial year. Over time, this work will help MaxiTRANS to lower costs and improve the product value proposition for the benefit of our customers.





### Industry awards scooped for innovation and hard work

This year's Brisbane Truck Show demonstrated the strength of our cross-functional research and development, engineering and manufacturing teams, with one trailer winning four out of the seven awards on offer for all product categories at the show. Freighter T-Liner Mark II won the award for 'Best Trailer' while beating all of the major truck manufacturers on the way to winning the 'Best Australian Designed and Engineered Product' and 'Best Australian Manufactured Innovation' awards. Freighter Hanging Load Restraint Gates also won the award for the Best Component, Equipment or Service Innovation.

Two of the major judging criteria were technical innovation and safety, which validated and rewarded the hard work put in by our teams in these fields in the past year.

Following the Truck Show, the trophies were returned to our facility in Ballarat and a presentation ceremony was held for our team of over 400 to congratulate and thank them for their contribution towards the awards success.

# 20%

improvement in efficiency in Richlands facility



## Well positioned to grow market share

Australian Trailers



Tipper products experienced sales growth of

**74%**

year on year

### Forward thinking collaboration builds enduring partnership

VISA Global Logistics has formed a successful collaborative partnership with MaxiTRANS through a series of innovative trailer solutions. We have been able to assist VISA in achieving its goal of increasing productivity through a variety of forward-thinking trailer designs, from stag skel combinations to skel trailers with ramps.

Scott Walker, National Transport Manager at VISA Global Logistics, said the partnership between the two companies has lasted for over two decades thanks to MaxiTRANS' ability to listen and collaborate. "Using equipment optimised for the freight task is an enormous part of the VISA business strategy, so it is very important to partner with companies like MaxiTRANS who are willing to consult with us on the best ways to maximise our productivity," he said. "That added value in turn allows us to offer our own customers a better service offering."

A case in point is a recent development for VISA, two Freighter 30m quad/tri Super B-double skel combinations. The design is a re-imagining of the standard 26m B-double, which can usually carry one 20-foot container and one 40-foot container. Now, the elongated trailer combinations can carry two 40-foot containers, a 33 per cent productivity increase, while maintaining the same manoeuvrability as its predecessor.

Via an intelligent design, the 30m Super B-double combination's turning circle equals that of a standard B-double. Produced under the high productivity Performance-Based Standards (PBS) scheme, the 30m Super B-double's manoeuvrability makes it compliant to run on the Level 2B PBS routes in Victoria, providing access to the High Productivity Freight Vehicle (HPFV) network routes, along with the benefits of the extra 20 feet of container space.

**Our Australian trailer sales improved in FY17. Increased crop production and infrastructure construction activity led to an outstanding year for tipper manufacturers, however the general freight trailer market slowed. The result was an approximate 5% growth for trailer registrations in 2016, rebounding from the large contraction in 2015.**

As part of our goal to continue to improve our customer service every day, we restructured our sales and marketing department in FY17. With dedicated senior managers now in place in strategic positions, we are well placed for improved results and accountability. Further, the large Coles order has contributed to us finishing FY17 with a strong order book, double the same time last year, and well positioned to grow market share.

### Markets

Our strategic positioning into the waste transfer sector contributed two of our largest customers for the year. Unique product offerings such as the AZMEB High Volume Side Tipper, combined with our wide national footprint, provide us with a unique value proposition into the waste transfer market.

The gross value of Australian crop production experienced an estimated 20% increase in FY17, which was a major driver behind the 74% growth in our tipper sales. Crop production is forecast to decline slightly from FY17 but remain above its five-year average. An increase in roads construction investment, particularly in NSW, was another key factor behind our tipper growth and is also expected to continue into FY18 through projects such as Sydney's WestConnex.

### Product Range

In August, we released two new safe-operation load restraint gate systems to the market, followed by the Freighter T-Liner Mark II – an innovative new curtain sided trailer which reduces the buckles required to open and close it by up to 70%.

The Company then leveraged the Brisbane Truck Show in May to make a number of further product announcements. These included a major evolution to the Maxi-CUBE Classic which improves thermal efficiency, productivity and durability; two new Peki rigid truck bodies designed to complete MaxiTRANS' "Final Mile" solution; a new low tare chassis and proprietary tipper liner for Hamelex White rigid and dog products; and a new aesthetics package for Lusty EMS designed to modernise Australian tipper design. The products are all expected to be released to the market by December 2017.



# Strong demand driving parts expansion

## MaxiPARTS

**FY17 has seen a number of business initiatives start to drive results, specifically with regards to growth and profit improvement across our MaxiPARTS business.**

One such initiative is the MaxiSTOCK customer inventory management system, which has been well received by customers of all sizes. As at the end of FY17, over 150 systems have been installed, with average customer spend increasing by over 20% on average after the installation. MaxiSTOCK customers gain the benefit of parts being automatically replaced as they use them, increasing their efficiency. We expect to continue to roll out installations in FY18 while also ensuring that we help existing users to maximise the data that we can now offer.

### Product Range

We launched our range of parts to suit Volvo trucks and are starting to see sales lift from this initiative. We expect this product group to drive strong sales growth into FY18, during which we will expand the program to include parts to suit other truck brands, allowing us to better engage with our customers across the breadth of their truck and trailer parts requirements.

Towards the end of the year we expanded our tyre offering to include Toyo Tyres, which is considered a tier one tyre brand and has allowed us to better service our customers' steer and drive tyre requirements. Once again, we expect this initiative to drive further growth into FY18.

### Premises

During the last quarter of FY17 we conducted a cost-reduction analysis on our premises, which led to us relocating and renegotiating a number of leases. A large proportion of these savings will be realised in future years.

One further branch was sold to a local operator. This sale allowed us to reduce our cost base and working capital while also establishing a new wholesale customer relationship with the new business owner that we expect to drive further profit improvements in future years.

### Automated inventory system drives productivity gains and savings

Auscold Logistics identified a need to better manage their parts inventory and engaged with MaxiPARTS in Adelaide to install our MaxiSTOCK customer inventory management system. MaxiPARTS collaborated with Auscold to identify their stocking needs, help to reorganise their parts storeroom and implement MaxiSTOCK. Since the implementation in May, Auscold has been able to change its buying process from ad-hoc in nature to planned and consistent orders, ensuring it has optimum stock levels for its operation at all times.

Auscold Workshop Supervisor, Damien Farelly, said the major benefit for his company was simplifying its purchasing process. "Prior to MaxiSTOCK, we lost time on the phone and by travelling to various suppliers to pick up parts on a daily basis. Now, we hold the parts in our workshop and when we use them, they are replaced automatically by MaxiPARTS the following day, freeing up our staff to spend their time more effectively."

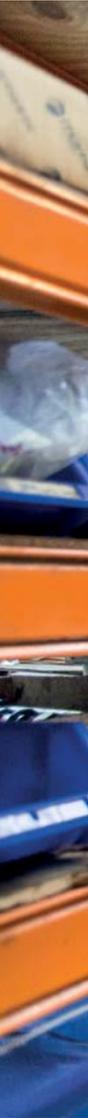
A further benefit for Auscold has been the "big data" that MaxiSTOCK provides. Through the packaged software, Damien is able to gain insights into the value of parts being used on the Company's trucks and trailers, in order to better understand each piece of equipment's whole of life cost.

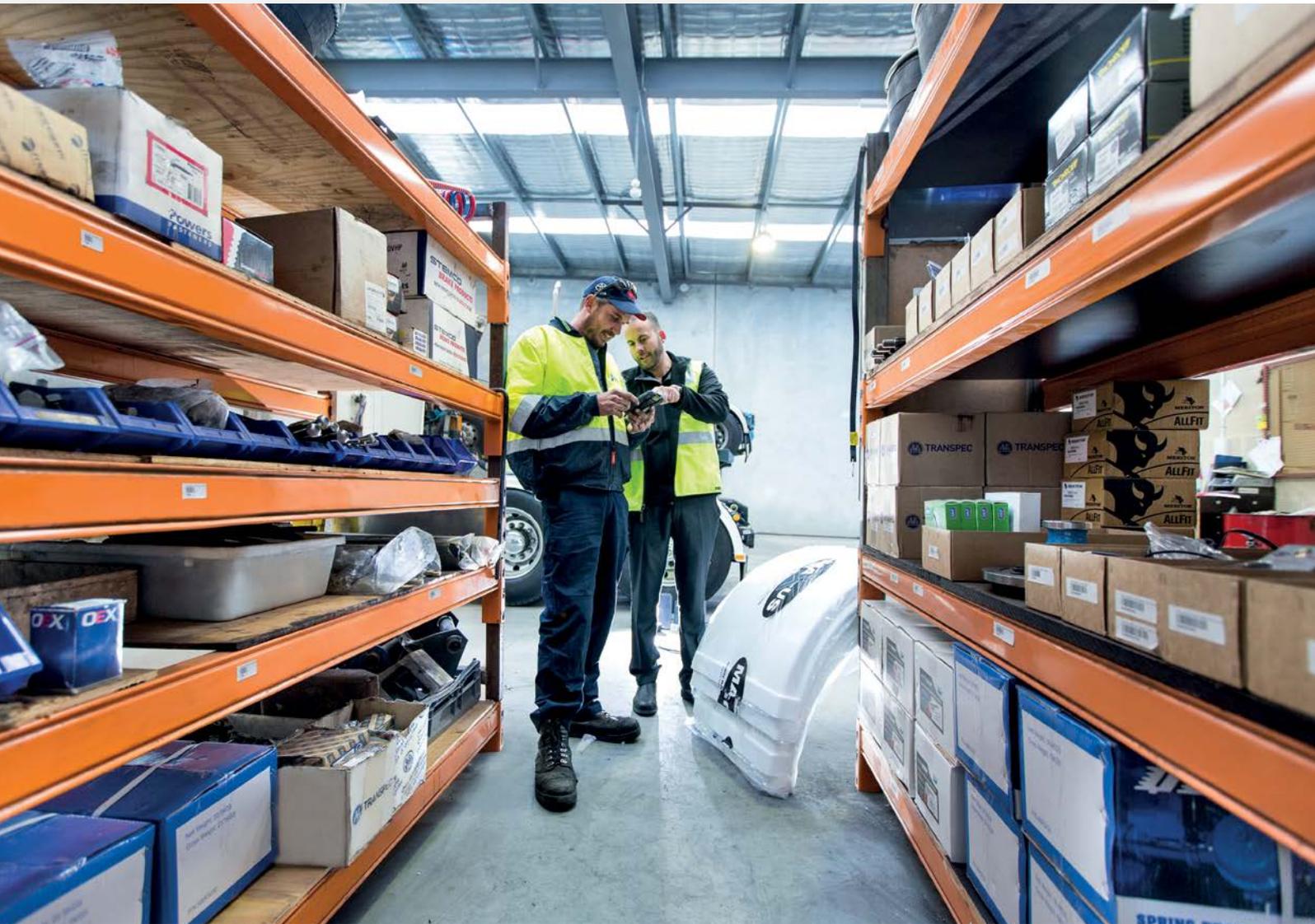
"MaxiSTOCK has made our business more efficient and is saving us money in the process," said Damien.

Average customer spend increasing by over

# 20%

on average after MaxiSTOCK installation







# Working together to grow offshore markets

## International

**The MaxiTRANS international businesses work together in the New Zealand market as well as operating independently in their own local markets.**

### People

In FY17, we appointed a Group General Manager, International to the Executive Leadership Team as part of a wider initiative to centralise reporting and increase the collaboration of our international businesses with each other and our Australian operations. In addition, a number of key New Zealand staff were promoted to local leadership positions, in which they have embraced and thrived.

### Performance

Our China operations experienced a successful year, with an increase in revenue attributed to the advancement of the local cold chain and logistics industries, as well as a trend towards higher quality, more productive vehicles. We continued our successful partnership with China Post, delivering a large order of dry freight panel kits.

In New Zealand, the Transport Authority's changes to vehicle dimension and mass regulations meant that we began FY17 with a small order bank, resulting in an annual reduction in unit sales. However, following the regulations being enacted in February, a large number of opportunities were converted, resulting in a year-end order bank 81% greater than the prior corresponding period.

### Products

The recent launch of a new rigid body model in New Zealand, developed in association with our China division, is expected to allow us to increase our market share in the small truck body segment in FY18. The model is engineered for durability and thermal efficiency, while being designed to allow high volume production for the large orders commonly placed by the small body market.

### Real client benefits through international cooperation

Demonstrating MaxiTRANS' international collaboration, our China division supplies dry freight and insulated panels for Maxi-CUBE units in New Zealand. Both are in daily communication, confirming orders, drawings and lead-time status.

The two teams recently worked together to produce three dog and two B-train Maxi-CUBE Hi-CUBE Dry Freight Van combinations for Fliway in New Zealand. Fliway is one of the country's largest fully integrated logistics providers. Publicly listed and with a team of over 400 people, Fliway uses our Maxi-CUBE trailers to cart electronics goods and other sensitive freight.

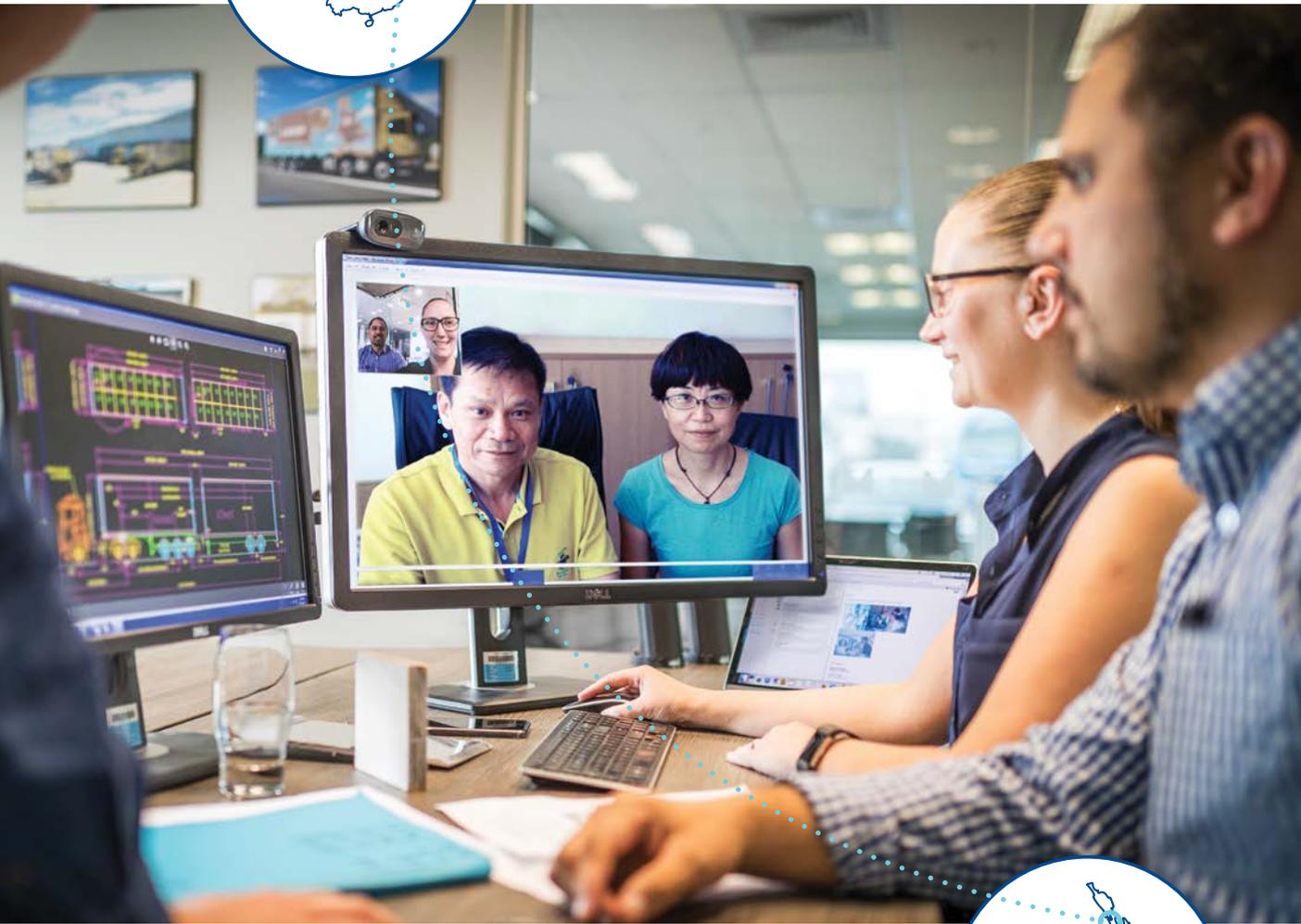
The new Hi-CUBE B-trains for Fliway are optimised for productivity, translating to 150m<sup>3</sup> of capacity to transport their customers' valuable cargo.

We ensure that our collaborative attitude is not just inward-looking. A further Maxi-CUBE truck body was previously manufactured for Fliway, designed specifically for the cartage of precious art. The secure temperature-controlled body was unique; rather than a refrigeration unit, it was fitted with a humidifier, which kept the art at an ideal 15-20 degrees.

The three-way relationship between China, New Zealand and Fliway typifies the MaxiTRANS cooperative approach, driving real benefits to shareholders and customers alike.



Yangzhou  
China



Trailer orders on our New Zealand operation increased year on year and order bank finished the year

**81%** ↑

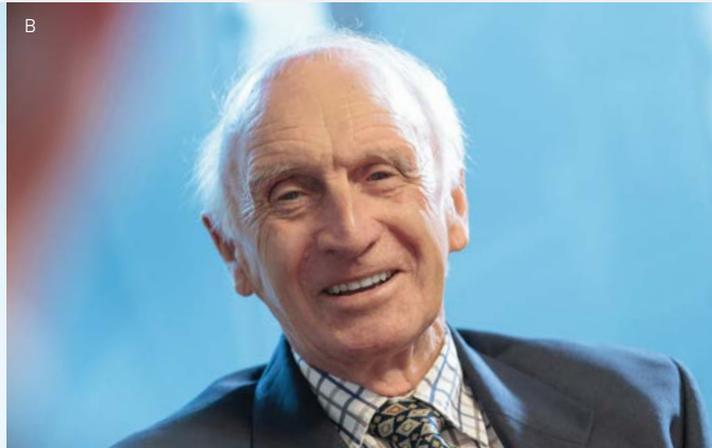
above the prior corresponding period

Auckland  
New Zealand

# Board of Directors



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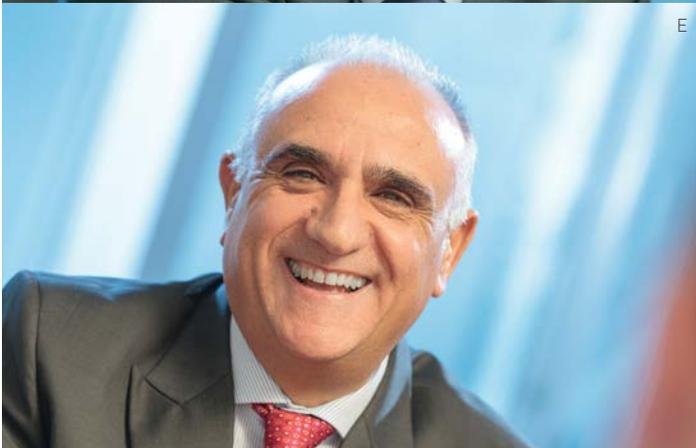
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C



D



E

**Robert Wylie** (A) – Chairman, Non-Executive  
**James Curtis** (B) – Deputy Chairman, Non-Executive  
**Dean Jenkins** (C) – Managing Director and CEO  
**Samantha Hogg** (D) – Director, Non-Executive  
**Joseph Rizzo** (E) – Director, Non-Executive

## Executive Leadership Team



**Campbell Richards** (A) – CFO and Company Secretary, **Andrew McKenzie** (B) – Group GM, Sales and Marketing, **Anthony Roder** (C) – Group GM, Manufacturing, **Peter Loimaranta** (D) – Group GM, International, **Angelique Zammit** (E) – Group Human Resources Manager, **Justin O'Brien** (F) – Acting General Manager, MaxiPARTS, **Scott Harkin** (G) – Group Supply Manager, **Dean Jenkins** – Managing Director and CEO (pictured left)

# Report of the Directors and Financial Report



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MaxiTRANS Industries Limited  
ACN 006 797 173  
and Controlled Entities

# Report of the Directors and Financial Report

FOR THE YEAR ENDED 30 JUNE 2017

## Financial Summary

		F2013	F2014	F2015	F2016	F2017
Revenue	<b>\$'000</b>	362,534	351,968	329,165	340,179	<b>340,072</b>
EBITDA (excluding significant items) <sup>[3]</sup>	<b>\$'000</b>	44,219	30,594	16,247	19,219	<b>21,439</b>
EBIT (excluding significant items) <sup>[3]</sup>	<b>\$'000</b>	38,316	25,185	10,604	14,199	<b>16,836</b>
NPBT (excluding significant items) <sup>[3]</sup>	<b>\$'000</b>	36,358	23,172	8,079	11,840	<b>14,520</b>
NPAT (excluding significant items) <sup>[3][4]</sup>	<b>\$'000</b>	25,965	17,075	6,303	8,752	<b>10,695</b>
Significant Items (net of tax)	<b>\$'000</b>	–	–	(1,806) <sup>[1]</sup>	(3,517) <sup>[2]</sup>	–
NPAT – attributable to equity holders	<b>\$'000</b>	25,965	17,075	4,497	5,235	<b>10,695</b>
Basic EPS	<b>cents</b>	14.11	9.26	2.43	2.83	<b>5.78</b>
Ordinary dividends/share declared	<b>cents</b>	8.50	6.00	2.00	3.00	<b>3.50</b>
Depreciation	<b>\$'000</b>	3,309	3,600	3,967	3,583	<b>3,541</b>
Amortisation – leased assets	<b>\$'000</b>	1,446	690	550	662	<b>562</b>
Amortisation – intangibles	<b>\$'000</b>	1,148	1,119	1,126	775	<b>500</b>
Capex additions	<b>\$'000</b>	6,706	13,239	10,893	9,530	<b>8,354</b>
Operating cash flow	<b>\$'000</b>	23,543	16,612	12,138	21,196	<b>4,445</b>
NTA	<b>\$'000</b>	71,662	75,876	78,380	86,278	<b>91,210</b>
Net assets	<b>\$'000</b>	115,764	121,813	120,612	123,337	<b>128,727</b>
Interest bearing liabilities	<b>\$'000</b>	26,218	42,580	47,302	43,152	<b>47,697</b>
Finance costs	<b>\$'000</b>	1,958	2,013	2,525	2,359	<b>2,316</b>
Total bank debt	<b>\$'000</b>	3,013	39,713	45,196	41,465	<b>46,214</b>
Net debt/equity	<b>%</b>	21%	31%	36%	26%	<b>32%</b>
Interest cover (excluding significant items)	<b>times</b>	19.57	12.51	4.20	5.75	<b>7.27</b>

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

<sup>[2]</sup> 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).

<sup>[3]</sup> 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.

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

# Report of the Directors

FOR THE YEAR ENDED 30 JUNE 2017

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Your directors submit their report together with the consolidated financial report of MaxiTRANS Industries Limited ("the Company") and its subsidiaries (together referred to as the "Group"), and the Group's interest in associates for the year ended 30 June 2017 and the auditor's report thereon.

## Directors

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

<b>Mr Robert H. Wylie</b>	(Chairman since 30 June 2016)
<b>Mr James R. Curtis</b>	(Director since 1987 – Deputy Chairman since October 1994)
<b>Mr Michael A. Brockhoff</b>	(Retired as Director on 1 March 2017)
<b>Mr Geoffrey F. Lord</b>	(Retired as Director on 21 October 2016)
<b>Mr Joseph Rizzo</b>	(Director since June 2014)
<b>Ms Samantha Hogg</b>	(Director since April 2016)
<b>Mr Dean Jenkins</b>	(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 2017 totalling \$3,701,513.

A fully franked final dividend of 1.5 cents per share has been proposed by the directors after reporting date for payment on 13 October 2017. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017 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](http://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 2017.

## 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 and Components businesses comprising MaxiPARTS, a trailer and truck parts business in Australia and an 80% share in a Chinese company, Yangzhou Maxi-CUBE Tong Composites Co Ltd ("MTC"), that manufactures panels in China for refrigerated and dry freight trailers for both its domestic and export markets.

### 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 2017

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## *Australia*

The Australian trailer market started to show improvement with trailer registrations increasing slightly in 2016 after two years of decline.

The Company's diverse product portfolio assisted in maintaining its market share position and achieving a 3% increase in unit sales. Strong infrastructure construction activity, most notably in NSW and good rains, yielding increased crop production, drove a 74% increase in tipper sales. However, sales of the Freighter general freight trailers declined during the year as market confidence remained subdued. Sales of the Maxi-CUBE refrigerated vans also declined, however, the prior year included abnormally high sales.

We continue to see an increase in the average age of trailer fleets, thereby placing increased pressure on operators to upgrade their fleets to take advantage of efficiency improvements resulting from trailer design innovation and to minimize maintenance costs.

The significant contract awarded during the year to build 395 refrigerated vans and trailers for Coles Supermarkets commenced in the last quarter, however, it did not make a material contribution to the financial performance for the year. The increase in build rate to satisfy the order was a significant part of the working capital increase at the end of the year. The order will be largely satisfied during the first half of FY18 and as such, we would expect an improvement in working capital in FY18.

The Company's focus on developing value-added solutions for customers was recognised with us receiving a number of awards for product innovation at the Brisbane Truck Show in May 2017, the largest truck show in Australia.

During the year, the Company acquired the minority interest in its South Australian dealership, Transport Connection, facilitating the continued development of our national trailer dealership business model. This business is now wholly owned by MaxiTRANS.

## *New Zealand*

The transport regulation changes affecting trailer dimensions foreshadowed in last year's report that impacted the FY16 result continued to impact FY17's result. These changes were enacted in February 2017, however, orders did not improve until late in the year. As a result, both revenue and profit significantly declined. We expect a significant improvement in FY18 as orders improve.

## **Parts & Components Business**

The Parts & Components 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. 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 FY17, MaxiPARTS operated 20 wholesale sites and retail stores.

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

## *Australia*

After experiencing two years of decline, traction gained from new business initiatives, in particular the technology-enabled MaxiSTOCK customer managed inventory system and the proprietary suspension system, AirMAX, more than offset further decline in Queensland and helped to deliver a 1% increase in external revenue for the MaxiPARTS business. MaxiSTOCK has experienced strong market acceptance and is delivering above 20% like-for-like sales growth from customers embracing this technology.

Additionally, improved product pricing discipline and strong overhead management saw profit grow significantly ahead of revenue.

## *China*

Our China panel business continued to grow, with revenue increasing by 15% and profit improved by 12% on a constant currency basis. New products launched in FY17 should provide opportunities for further growth in its local and export markets in future years.

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## FINANCIAL REVIEW

### Sales

Total revenue remained flat against prior year with revenue of \$340.1m.

A 2% increase in Australian trailer sales revenue was offset by a 27% decline in NZ resulting in external sales from the Trailer business declining marginally to \$233.4 million.

The Parts & Components business recorded a 1.4% external revenue increase to finish FY17 with revenue of \$106.7 million. Revenue in the Australian MaxiPARTS business grew by 1.2% and the MTC China business grew revenue by 2.8% (reported currency).

### Profit

Net profit after tax attributable to MXI equity holders was \$10.7 million in FY17, an increase of 104% of reported profit and 22% over FY16 underlying net profit after tax.

Trading margins in the Trailer business were lower in FY17 due to the higher product mix in favour of lower margin tippers. Sales of Freighter and Maxi-CUBE during the year were also at lower margins compared to the prior year.

Performance of the Parts & Components businesses improved significantly over the prior year due to the following:

- Cost reduction measures initiated in the MaxiPARTS business;
- New business initiatives in MaxiPARTS, in particular the MaxiSTOCK customer inventory management system as well as the aftermarket truck parts program and successful launch of our AirMAX suspension system; and
- Improved trading performance of MTC in China.

### Cash Generation & Capital Management

Operating cash flow of \$4.4 million was generated during FY17 which was 79% lower than FY16.

Working capital has increased significantly on the prior year predominantly due to an increase in inventory arising from the increased trailer build rate associated with the Coles contract. It is expected that working capital will reduce during FY18 to improve cashflow.

The major investment activity during the year was associated with Project TRANSform, our program to replace our ageing and end-of-life IT systems. No businesses were acquired during the year, however, the Group acquired the 20% minority interest in our South Australian dealer, Transport Connection. This business is now wholly owned by MaxiTRANS.

Due to the increased working capital and further investment in our IT systems, gearing levels were higher at the end of FY17.

Net debt for FY17 increased to 32% of equity, up from 26% in FY16.

### External Financing Facilities

During the year, MaxiTRANS renegotiated its debt facilities totalling \$70 million and has entered into a syndicated facility with the Commonwealth Bank of Australia and HSBC Bank. The facility will be used to fund ongoing business requirements and facilitate funding future growth opportunities. The facility has both three years and five year maturities and 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.

### Dividends

The total dividend to shareholders relating to the financial year ending 30 June 2017 will be 3.5 cents per share and will be fully franked. The total ordinary dividend of 3.5 cents per share compared with 3.0 cents per share in the prior year and represents a 60% payout ratio of FY17 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 2017

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## Operational Risks

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

- The Trailer business, which contributes in excess of 65% of Group revenue and in excess of 60% 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 sectors;
  - expanding the Parts & Components business to provide more stable recurring income; and
  - expanding into international markets including by broadening product offerings in New Zealand and improving manufacturing capacity in China.
- The risk of greater competition from offshore competitors selling imported trailers in the Australian market 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; and
- minimising lead times to delivery.

## Foreign Exchange & Commodities Risk

The Group has exposure to movements in the Australian dollar against the United States dollar and the Euro. The Trailer business has exposures to these currencies arising from the purchase of raw materials and components consumed in the manufacture of trailers. The Trailer business also has significant exposure to commodity price fluctuations for steel and aluminium used in the manufacturing process. Similarly, the Parts & Components businesses also have 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 and engage all employees in a cultural shift in respect of work health and safety.

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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In FY17, the program yielded an 11% improvement in safety performance over the prior year and represents a 58% improvement since the program began in FY14. This safety performance is the best experienced by the business in the past decade. The program has had a positive effect on organizational culture and employee engagement.

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

## STRATEGY

MaxiTRANS is currently undertaking a refresh of its corporate strategy. The strategy will focus 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 MaxiTRANS 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 our 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 across the business. This will allow the Company to streamline many business processes, thus creating operational efficiencies and mitigating business risk.

During FY17, the new ERP system continued to be developed and will be further deployed across the business during FY18.

## OUTLOOK

With an order bank at the end of the year double the size from the prior corresponding period, the Australian trailer business will benefit from the delivery of trailers from the Coles Supermarkets contract in the first half of FY18 and the New Zealand business is expected to see improvements with a stable regulatory environment. This increase in build rate to record levels will create further opportunities to implement operational efficiency initiatives across the business.

We expect continued strong demand for tippers as infrastructure construction continues and whilst the current weather outlook for crop production looks favourable, this is unpredictable and susceptible to change.

We have not yet seen any meaningful commencement of the equipment replacement cycle, hence the average age of the Australian trailer fleet continues to increase. As business confidence improves, we expect this cycle to commence.

We are excited to announce that MaxiTRANS has formed a strategic alliance with Monash and Federation Universities to enhance our research and development activities. Via this new collaborative agreement, we aim to further push the boundaries of trailer design and construction to maximise their efficiency and environmental sustainability. The agreement will provide MaxiTRANS with valuable independent insights via both universities' world-class research facilities, people and capabilities to validate and expand on our initiatives. Additionally, it presents university students with the opportunity to work on relevant commercial projects and form networking connections that may lead to future career paths, delivering mutual benefit to all parties.

As new initiatives are introduced across the MaxiPARTS business, including the introduction of new products into the portfolio, as well as the realisation of benefits from cost saving measures, we expect to see further growth and improved profitability from this business.

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## Information of Directors

<b>Mr. Robert H. Wylie</b>	Chairman, Independent Non-Executive, (appointed 30 June 2016), Age 67
Qualifications & Experience:	<p>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.</p> <p>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.</p>
Special Responsibilities:	Chairman of Corporate Governance Committee and Nomination Committee. Member of the Audit & Risk Management Committee and Remuneration Committee.
Interest in Shares:	21,364 ordinary shares beneficially held.
Options over Ordinary Shares:	Nil
<b>Mr. Dean S Jenkins</b>	Managing Director, Executive, Age 45
Qualifications & Experience:	<p>Appointed Managing Director on 1 March 2017.</p> <p>Most recently Chief Operating Officer &amp; 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.</p>
Interest in Shares:	Nil ordinary shares beneficially held.
Options over Ordinary Shares:	Nil

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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<b>Mr. James R. Curtis</b>	Deputy Chairman, Non-Executive, Age 82
Qualifications & Experience:	Appointed Deputy Chairman in 1994.  Mr. Curtis was one of the founders of the Group in 1972. He has over 50 years' experience in the transport equipment industry and is a pioneer of fibreglass road transport equipment in Australia.
Special Responsibilities:	Member of Corporate Governance Committee, Audit & Risk Management Committee, Remuneration Committee and Nomination Committee.
Interest in Shares:	24,943,030 ordinary shares beneficially held.
Options over Ordinary Shares:	Nil
<b>Mr. Michael A. Brockhoff</b>	Managing Director, Executive, Age 64
Qualifications & Experience:	Appointed Managing Director in June 2000 and retired on 1 March 2017.  Thirty-eight years' experience in the road transport industry.
Special Responsibilities:	Former Member of the Nomination Committee.
Interest in Shares:	3,090,172 ordinary shares beneficially held at the date of retirement.
Options over Ordinary Shares:	Nil
<b>Mr. Geoffrey F. Lord</b>	Independent Non-Executive Director, Age 72
Qualifications & Experience:	B. Econ. (Honours), M.B.A. (Distinction), ASSA, Fellow of the Australian Institute of Company Directors. Appointed Director in October 2000 and retired on 21 October 2016.  Chairman and Chief Executive Officer of Belgravia Group. Chairman of Terrain Capital Ltd. Former chairman of LCM Litigation Fund Pty Ltd. Former Chairman and Deputy Chairman of UXC Limited since September 2002. Deputy Chairman of Institute of Drug Technology Limited since October 1998. Board member of the Melbourne Business School. Formerly a Director of Northern Energy Corporation from December 2007 to October 2011. Former Chairman/inaugural member of Melbourne Victory.
Special Responsibilities:	Former Member of Audit & Risk Management Committee, Corporate Governance Committee, Remuneration Committee and Nomination Committee.
Interest in Shares:	1,049,604 ordinary shares beneficially held at the date of retirement.
Options over Ordinary Shares:	Nil

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## **Mr. Joseph Rizzo**

Independent Non-Executive Director, Age 61

### 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 thirty-five 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 Committee and Member of the Audit & Risk Management Committee, Corporate Governance 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 50

### Qualifications & Experience:

Currently the Chairperson of Tasmanian Irrigation and a director of Hydro Tasmania and TasRail 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 Corporate Governance Committee, Remuneration Committee and Nomination Committee.

### Interest in Shares:

Nil ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

## Company Secretaries

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

B. Bus. (Acc), CA

Appointed to the position of Company Secretary in June 2013.

### **Mr. Albert Retief**

B. Bus. (Acc), CA

Appointed to the position of Assistant Company Secretary in May 2016.

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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

	Directors' Meetings		Audit & Risk Management Committee		Remuneration Committee		Nomination Committee	
	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	16	16	4	4	4	4	-	-
James Curtis	16	16	4	4	4	3	-	-
Michael Brockhoff	10	10	3	3	-	-	-	-
Geoffrey Lord	6	5	1	1	2	1	-	-
Joseph Rizzo	16	16	4	4	4	4	-	-
Samantha Hogg	16	16	4	4	4	4	-	-
Dean Jenkins	6	6	-	-	-	-	-	-

## Remuneration Report

Information contained in the Remuneration Report is audited.

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

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

The remuneration structures take into account:

- The capability and experience of the directors and senior executives;
- The directors' and senior executives' ability to control the relevant segment/s' performance;

- The Group's performance including the Group's earnings per share; and
- The amount of incentives within each director's and senior executive's remuneration.

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

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

- the structure of executive director and senior management remuneration includes a mix of fixed and performance-linked components;
- the mix of total remuneration between fixed and performance-linked components to average 60% and 40% respectively;
- the performance-linked component of total remuneration comprises a Short Term Incentive ('STI') scheme and a Long Term Incentive ('LTI') scheme; and
- the mix of performance-linked remuneration (as a percentage of total remuneration) between STI and LTI components to average 15% and 25% respectively. This mix will change to 20%/20% from 1 July 2017.

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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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.

Except in the case of the Managing Director and Chief Financial Officer where the key financial performance objective is "net profit after tax," the key financial performance objective for other executives is "net profit before tax" compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

At the end of the financial year the actual performance of the Group, the relevant segment and individual is measured against the KPIs set at the beginning of the financial year.

The method of assessment was chosen as it provides an objective assessment of the individual's performance.

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

## **LTI**

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

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

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## 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.

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 and Company Secretary, has a contract of employment with the Company dated 3 May 2013.

The contract can be terminated either by the Company or Mr Richards providing three months' notice. The Company may make a payment in lieu of notice of three months, equal to base salary and superannuation.

## Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2012 AGM, is not to exceed \$600,000 per annum and directors' fees are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees (inclusive of superannuation) for the year were \$75,000 per annum. The Chairperson received \$140,000 per annum. Non-executive directors do not receive performance related remuneration and are not entitled to either 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 \$38,060 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 2017

## Directors' and executive officers' remuneration

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

Year	Primary			Post	Equity	Other (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)					
	\$	\$	\$	\$	\$	\$	\$	%	%	
<b>DIRECTORS</b>										
<b>Non-executive</b>										
<b>Mr R Wylie</b>	<b>2017</b>	<b>105,000</b>	-	-	<b>35,000</b>	-	-	<b>140,000</b>	-	-
Chairman	2016	40,000	-	-	35,000	-	-	75,000	-	-
<b>Mr I Davis</b>	<b>2017</b>	-	-	-	-	-	-	-	-	-
Former Chairman	2016	127,854	-	-	12,146	-	-	140,000	-	-
<b>Mr J Curtis</b>	<b>2017</b>	<b>68,493</b>	-	-	<b>6,507</b>	-	-	<b>75,000</b>	-	-
	2016	68,493	-	-	6,507	-	-	75,000	-	-
<b>Mr G Lord (v)</b>	<b>2017</b>	<b>21,064</b>	-	-	<b>2,001</b>	-	-	<b>23,065</b>	-	-
	2016	68,493	-	-	6,507	-	-	75,000	-	-
<b>Mr J Rizzo</b>	<b>2017</b>	<b>47,303</b>	-	-	<b>27,697</b>	-	-	<b>75,000</b>	-	-
	2016	40,000	-	-	35,000	-	-	75,000	-	-
<b>Ms S Hogg (vi)</b>	<b>2017</b>	<b>68,493</b>	-	-	<b>6,507</b>	-	-	<b>75,000</b>	-	-
	2016	12,381	-	-	1,176	-	-	13,557	-	-
<b>Executive</b>										
<b>Mr D Jenkins (vii)</b>	<b>2017</b>	<b>248,003</b>	-	-	<b>23,135</b>	-	<b>13,333</b>	<b>284,471</b>	-	-
Managing Director	2016	-	-	-	-	-	-	-	-	-
<b>Mr M Brockhoff (viii)</b>	<b>2017</b>	<b>655,497</b>	-	<b>29,652</b>	<b>68,094</b>	<b>(112,152)</b>	<b>61,199</b>	<b>702,290</b>	<b>(16.0%)</b>	<b>(16.0%)</b>
Former Managing Director	2016	672,749	-	15,404	69,835	(119,032)	50,614	689,570	(17.3%)	(17.3%)
<b>EXECUTIVES</b>										
<b>Mr C Richards</b>	<b>2017</b>	<b>332,924</b>	-	-	<b>31,500</b>	<b>(1,094)</b>	-	<b>363,330</b>	<b>(0.3%)</b>	<b>(0.3%)</b>
Chief Financial Officer and Company Secretary	2016	343,197	-	-	31,500	2,238	-	376,935	0.6%	0.6%
<b>Mr A Wibberley (ix)</b>	<b>2017</b>	<b>84,323</b>	-	<b>1,963</b>	<b>18,615</b>	<b>(54,230)</b>	<b>96,210</b>	<b>146,880</b>	<b>(36.9%)</b>	<b>(36.9%)</b>
Former Group General Manager – Manufacturing	2016	312,605	-	-	34,447	(49,369)	30,301	327,984	(15.1%)	(15.1%)
<b>Mr P Buttler (x)</b>	<b>2017</b>	<b>1,550</b>	-	-	<b>6,042</b>	<b>(43,336)</b>	<b>62,596</b>	<b>26,851</b>	<b>(161.4%)</b>	<b>(161.4%)</b>
Former General Manager – Ballarat MaxiTRANS Australia Pty Ltd	2016	227,401	-	-	26,909	(46,779)	29,214	236,745	(19.8%)	(19.8%)
<b>Mr A McKenzie</b>	<b>2017</b>	<b>295,408</b>	-	<b>3,278</b>	<b>30,365</b>	<b>35,346</b>	<b>22,000</b>	<b>386,398</b>	<b>9.1%</b>	<b>9.1%</b>
Group General Manager – Sales and Distribution	2016	292,238	-	-	29,278	16,330	22,000	359,846	4.5%	4.5%

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

	Year	Primary			Post	Equity	Other	Total	Proportion of remuneration performance related	Value of PRs as proportion of remuneration
		Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PRs (iii)	(iv)			
		\$	\$	\$	\$	\$	\$	%	%	
<b>EXECUTIVES (continued)</b>										
<b>Mr P Loimaranta</b>	<b>2017</b>	<b>280,430</b>	-	-	<b>28,439</b>	<b>(1,070)</b>	<b>34,446</b>	<b>342,245</b>	<b>(0.3%)</b>	<b>(0.3%)</b>
General Manager	2016	266,785	-	-	28,431	(57,516)	29,798	267,498	(21.5%)	(21.5%)
- MaxiPARTS Pty Ltd										
<b>Mr C Wallace (xi)</b>	<b>2017</b>	<b>162,289</b>	-	<b>19,412</b>	<b>22,190</b>	<b>(32,434)</b>	<b>171,141</b>	<b>342,598</b>	<b>(9.5%)</b>	<b>(9.5%)</b>
Former General Manager	2016	200,742	-	24,571	23,195	(40,507)	3,710	211,711	(19.1%)	(19.1%)
- Vic Branch MaxiTRANS Australia Pty Ltd										
<b>Mr A Roder (xii)</b>	<b>2017</b>	<b>255,055</b>	-	-	<b>23,316</b>	<b>15,160</b>	-	<b>293,532</b>	<b>5.2%</b>	<b>5.2%</b>
Group General Manager	2016	-	-	-	-	-	-	-	-	-
- Manufacturing										

## 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 2017 financial year using the criteria set out in the Remuneration Report. The amounts were determined after performance reviews were completed. All STI entitlements were forfeited during the year.
- (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) Ms S Hogg was appointed on 27 April 2016.
- (vii) Mr D Jenkins was appointed on 1 March 2017.
- (viii) Mr M Brockhoff retired effective 1 March 2017. All PRs held by Mr Brockhoff at that time were cancelled.
- (ix) Mr A Wibberley resigned effective 28 October 2016. All PRs held by Mr Wibberley at that time were cancelled.
- (x) Mr P Buttler resigned effective 1 July 2016. All PRs held by Mr Buttler at that time were cancelled.
- (xi) Mr C Wallace was made redundant on 19 April 2017. All PRs held by Mr Wallace at that time were cancelled.
- (xii) Mr A Roder was appointed on 5 September 2016.

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 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
<b>Directors</b>					
Mr M Brockhoff <sup>(1)</sup>	670,435	31 Aug. 2016	0.4599	31 Aug. 2019	31 Aug. 2023
<b>Company executives</b>					
Mr C Richards	328,948	31 Aug. 2016	0.4599	31 Aug. 2019	31 Aug. 2023
<b>Consolidated entity executives</b>					
Mr A Roder	294,447	31 Aug. 2016	0.4599	31 Aug. 2019	31 Aug. 2023
Mr P Loimaranta	296,895	31 Aug. 2016	0.4599	31 Aug. 2019	31 Aug. 2023
Mr A McKenzie	305,740	31 Aug. 2016	0.4599	31 Aug. 2019	31 Aug. 2023
Mr S Harkin	200,437	31 Aug. 2016	0.4599	31 Aug. 2019	31 Aug. 2023
Mr C Wallace <sup>(2)</sup>	217,952	31 Aug. 2016	0.4599	31 Aug. 2019	31 Aug. 2023

1. PRs were issued to Mr Brockhoff and approved by the shareholders at the Annual General Meeting held on 21 October 2016, but not accepted by Mr Brockhoff due to his retirement.
2. On 19 April 2017, the date when Mr Wallace was made redundant, Mr Wallace's PRs were cancelled.

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

	2017	2016	2015	2014	2013
Net profit/(loss) attributable to equity holders of the parent	<b>\$10,694,940</b>	\$5,235,234	\$4,496,951	\$17,074,194	\$25,965,182
Basic EPS	<b>5.78¢</b>	2.83¢	2.43¢	9.26¢	14.11¢
Dividends declared	<b>\$6,477,648</b>	\$5,552,270	\$3,701,513	\$11,104,542	\$15,639,438
Dividends declared per share	<b>3.50¢</b>	3.00¢	2.00¢	6.00¢	8.50¢
Share price	<b>67.0¢</b>	45.0¢	39.5¢	97.0¢	\$1.065

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 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:

### 2017 Shares

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

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

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

### 2016 Shares

MaxiTRANS Industries Limited	Held at 1 July 2015	Purchases	Sales	Held at 30 June 2016
<b>Directors:</b>				
Mr M Brockhoff	3,090,172	-	-	3,090,172
Mr I Davis (retired 30 June 2016)	1,502,193	100,000	-	1,602,193
Mr J Curtis	24,943,030	-	-	24,943,030
Mr G Lord	1,049,604	-	-	1,049,604
Mr R Wylie	21,364	-	-	21,364
Mr J Rizzo	50,000	-	-	50,000
<b>Executives:</b>				
Mr P Loimaranta	260,716	-	-	260,716
Mr A Wibberley	221,507	-	45,000	176,507
Mr P Buttler	145,321	-	145,321	-
Mr C Wallace	119,571	-	119,571	-

Ms Hogg, Mr Richards, Mr McKenzie and Mr Harkin did not hold any shares at 30 June 2016.

End of Remuneration Report

# Report of the Directors (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## Audit and Risk Management Committee

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

## Indemnity

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

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

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

During the financial year, the Group paid premiums of \$41,882 (2016: \$45,406) 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 2017

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## 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	
	2017	2016
	\$	\$
<hr/>		
<b>Remuneration of auditor</b>		
Remuneration of the auditor of the Group for:		
<b>KPMG Australia:</b>		
– auditing and reviewing the financial statements	306,967	263,700
– other services (taxation and advisory)	166,219	111,762
	<b>473,186</b>	375,462
<hr/>		
<b>Overseas KPMG Firms:</b>		
– auditing and reviewing financial statements	82,219	79,344
– other services (taxation, advisory and due diligence)	12,605	19,052
	<b>94,824</b>	98,396
<b>Total</b>	<b>568,010</b>	473,858

## 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 2017

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## 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 25th day of August 2017



## 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 2017 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  
25 August 2017



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 2017

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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 77, 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 2017 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 98/1418.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

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

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



Mr. Robert H Wylie, Director



Mr. Dean Stuart Jenkins, Director

Dated this 25th day of August 2017

# Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Consolidated	
		2017 \$'000	2016 \$'000
Sale of goods		327,484	330,286
Rendering of services		12,588	9,893
Changes in inventories of finished goods and work in progress		5,760	(543)
Raw materials and consumables used		(209,346)	(205,277)
Interest income		86	80
Other income – sale of assets		161	592
Employee and contract labour expenses	2	(86,108)	(83,326)
Warranty expenses		(1,796)	(1,900)
Depreciation and amortisation expenses	6,7	(4,603)	(5,020)
Impairment loss on intangible assets	7	–	(4,398)
Finance costs	9	(2,316)	(2,359)
Other expenses		(28,274)	(32,301)
Share of net profits of associates accounted for using the equity method	21	884	1,089
Profit before income tax		14,520	6,816
Income tax expense	3(a)	(3,475)	(1,320)
<b>Profit for the year</b>		<b>11,045</b>	<b>5,496</b>
Profit attributable to:			
Equity holders of the Company		10,695	5,235
Non-controlling interests		350	261
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents per share)	12	5.78	2.83
Diluted earnings per share (cents per share)	12	5.78	2.83

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Profit for the year</b>		<b>11,045</b>	<b>5,496</b>
<b>Other comprehensive income</b>			
<i>Items that may subsequently be re-classified to profit or loss:</i>			
Net exchange difference on translation of financial statements of foreign operations		(1,609)	765
Other sundry movements		114	34
<i>Items that will never be re-classified to profit or loss:</i>			
Revaluation of land and buildings	6	3,557	777
Related tax		(1,041)	(218)
Other comprehensive income for the year, net of tax		1,021	1,358
<b>Total comprehensive income for the year</b>		<b>12,066</b>	<b>6,854</b>
Total comprehensive income attributable to:			
Equity holders of the Company		11,782	6,640
Non-controlling interests		284	214

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 2017

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		6,140	10,831
Trade and other receivables	4	42,122	38,386
Inventories	5	60,368	53,341
Current tax assets	3(c)	1,209	2,863
Other		1,562	1,120
<b>Total Current Assets</b>		<b>111,401</b>	106,541
<b>Non-Current Assets</b>			
Investment in associate		4,442	4,187
Property, plant and equipment	6	88,526	78,563
Intangible assets	7	37,517	37,059
Deferred tax assets	3(b)	472	1,780
Other		1,135	1,156
<b>Total Non-Current Assets</b>		<b>132,092</b>	122,745
<b>Total Assets</b>		<b>243,493</b>	229,286
<b>Current Liabilities</b>			
Trade and other payables	8	52,600	48,276
Interest bearing loans and borrowings	9	2,563	1,829
Current tax liability	3(c)	118	253
Provisions	10	12,421	12,476
<b>Total Current Liabilities</b>		<b>67,702</b>	62,834
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	9	45,134	41,323
Deferred tax liabilities	3(b)	752	446
Provisions	10	1,144	1,147
Other		34	199
<b>Total Non-Current Liabilities</b>		<b>47,064</b>	43,115
<b>Total Liabilities</b>		<b>114,766</b>	105,949
<b>Net Assets</b>		<b>128,727</b>	123,337
<b>Equity</b>			
Issued capital	11	56,386	56,386
Reserves		17,481	16,643
Retained earnings		53,539	48,337
<b>Equity attributable to equity holders of the Company</b>		<b>127,406</b>	121,366
Non-controlling interest		1,321	1,971
<b>Total Equity</b>		<b>128,727</b>	123,337

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 2017

	Note	Issued capital \$'000	Asset revaluation reserve <sup>1</sup> \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Other reserves <sup>2</sup> \$'000	Total \$'000
<b>Balance at 1 July 2016</b>		56,386	12,605	48,337	1,971	4,038	123,337
<b>Comprehensive income for the year</b>							
Profit for the year		-	-	10,695	350	-	11,045
<i>Other comprehensive income</i>							
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
<b>Total comprehensive income for the year</b>		-	2,516	10,695	284	(1,429)	12,066
<b>Transactions with owners recorded directly in equity</b>							
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)
<b>Total transactions with owners</b>		-	-	(5,493)	(934)	(249)	(6,676)
<b>Balance at 30 June 2017</b>		<b>56,386</b>	<b>15,121</b>	<b>53,539</b>	<b>1,321</b>	<b>2,360</b>	<b>128,727</b>

## 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 2017

	Note	Issued capital \$'000	Asset revaluation reserve <sup>1</sup> \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Other reserves <sup>2</sup> \$'000	Total \$'000
<b>Balance at 1 July 2015</b>		56,386	12,046	46,805	1,838	3,537	120,612
<b>Comprehensive income for the year</b>							
Profit for the year		-	-	5,235	261	-	5,496
<i>Other comprehensive income</i>							
Net exchange differences on translation of financial statements of foreign operations		-	-	-	(47)	812	765
Revaluation of land and buildings		-	559	-	-	-	559
Other sundry movements		-	-	-	-	34	34
<b>Total comprehensive income for the year</b>		-	559	5,235	214	846	6,854
<b>Transactions with owners recorded directly in equity</b>							
Dividends to equity holders	13	-	-	(3,702)	(81)	-	(3,783)
Share-based payment transactions	15	-	-	-	-	(345)	(345)
<b>Total transactions with owners</b>		-	-	(3,702)	(81)	(345)	(4,128)
<b>Balance at 30 June 2016</b>		<b>56,386</b>	<b>12,605</b>	<b>48,337</b>	<b>1,971</b>	<b>4,038</b>	<b>123,337</b>

## 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 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		381,950	387,830
Payments to suppliers and employees		(374,000)	(360,793)
Interest received		86	80
Interest and other costs of finance paid		(2,316)	(2,359)
Income tax paid		(1,275)	(3,562)
<b>Net cash provided by operating activities</b>	22	<b>4,445</b>	<b>21,196</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(8,194)	(8,703)
Acquisition of non-controlling interest		(536)	-
Dividends received		629	828
Proceeds from sale of property, plant and equipment		309	2,047
<b>Net cash used in investing activities</b>		<b>(7,792)</b>	<b>(5,828)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(36,000)	(3,786)
Proceeds from borrowings		40,749	-
Payment of finance lease liabilities		(204)	(1,313)
Dividends paid	13	(5,889)	(3,783)
<b>Net cash used in financing activities</b>		<b>(1,344)</b>	<b>(8,882)</b>
Net increase/(decrease) in cash		(4,691)	6,486
Cash and cash equivalents at beginning of year		10,831	4,345
<b>Cash and cash equivalents at end of year</b>		<b>6,140</b>	<b>10,831</b>

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 2017

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## 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 2017 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 25 August 2017.

The relevant Australian Accounting Standards and Interpretations that became effective and that were early adopted by the Group since 30 June 2016 were:

- AASB 1057 Application of Australian Accounting Standards; AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application paragraphs (mandatory for years beginning on or after 1 July 2016).
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to 101 (mandatory for years beginning on or after 1 July 2016).
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (mandatory for years beginning on or after 1 July 2016).
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable methods of depreciation and amortisation (mandatory for years beginning on or after 1 July 2016).

### Standards taking effect from 1 July 2017 and later

#### • AASB 9 – Financial Instruments

##### (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, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

##### (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 as to how changes in economic factors effect 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.

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

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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

- 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.

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 without a significant financing component; an entity may choose to apply this policy also for trade receivables with a significant financing component.

The Group does not believe that impairment losses are likely to increase and become more volatile for assets in the scope of the AASB 9 impairment model. However, the Company has not yet finalised the impairment methodologies that it will apply under AASB 9.

### (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 FWTPL 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 other comprehensive income; and
- The remaining amount of change in the fair value is presented in profit or loss.

The Group has not performed a preliminary assessment of the impact if AASB 9's requirements on the classification of financial liabilities were applied at 30 June 2017.

### (iv) Disclosures

AASB 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Group has not performed a preliminary assessment of the impact if AASB 9's requirements were applied as at 30 June 2017.

### (v) Transition

The Group plans to 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.

### • 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 Constructions Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply AASB 15 initially on 1 July 2018.

### (i) Sale of goods and services

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 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.

Under AASB 15, revenue will be recognised when a customer obtains control of the goods. For some made-to-order product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognised as the products are

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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

being manufactured. 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 in its financial statements for the year ending 30 June 2019 however, once further analysis has been performed the transition approach will be determined. The Group is currently performing an assessment of the impact of the application of AASB 15 and expects to disclose additional quantitative information before it adopts AASB 15.

#### • 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.

- 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.

The amendments clarify:

- cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments i.e. the modified grant date method
- classification of share-based payments settled net of tax withholdings; and
- accounting for a modification of a share-based payment from cash-settled to equity settled.

The Group expects to adopt these standards in the financial year they apply. The financial impact of adopting the new or amended standards has not yet been determined.

### 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 2017

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## 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 pattern.

### (d) Property, plant and equipment

#### (i) Owned assets

##### Land and buildings

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

Independent valuations were obtained during the financial year ending 30 June 2017 in relation to all land and buildings.

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 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. Land is not depreciated. The estimated useful lives are reflected in the following rates in the current and comparative periods:

	2017	2016
Buildings	2.5-4.0%	2.5-4.0%
Plant and equipment	5-50%	5-50%
Leased plant and equipment	10-30%	10-30%

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

## (e) Intangibles

### (i) Goodwill

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

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

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

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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

### (ii) Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

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

### (iii) 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 indefinite 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 (see following) 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:

	2017	2016
Intellectual property	0-4.0%	0-4.0%
Software	10%	-

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

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

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### (g) Trade and other receivables

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

### (h) Cash and cash equivalents

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

### (i) Impairment

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

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

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## 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 \$5,166,573 (2016: \$5,262,760) 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 2017

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## 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. Where relevant, in valuing the performance rights, market conditions have been taken into account in both the current and prior period.

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

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

### (n) Provisions

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

### (o) Warranties

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

### (p) Income tax

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

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## 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 performed/rendered.

#### (iii) Other income

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

#### (iv) Dividend income

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

### (t) Goods and services tax

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

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

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

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

### (u) Trade and other payables

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

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## 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 2017

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## 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 2017 was 32% (2016: 26%). 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 2017

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## 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 current grants relate to assets, and have been presented in the balance sheet by deducting the grant value from the cost of the asset in arriving at the asset carrying amount.

As at 30 June 2017, the Group has accounted for three government grants.

The first grant, relating to the relocation of the Hamelex White manufacture and assembly production line from Hallam to Ballarat, amounts to \$2.5 million. At 30 June 2017 \$2.35 million has been received. In accordance with the terms of the grant, the Group is required to recruit and maintain certain levels of employee numbers, and maintain and operate the facility for a period of not less than 3 years from the date of completion. The grant has been offset against the cost of setting up the new production line within plant and equipment.

The second grant, relating to relocation compensation for the MTC (China) facility amounts to \$3.42 million. At 30 June 2016 the full amount has been received. Conditions relating to this grant have been met, and the Company has initially applied the grant against the write off of the old facility (\$0.8m), and the balance of the grant has been applied against the cost of the new facility (\$2.62m).

The third grant, relating to the purchase and installation of a Laser Cutter Machine to improve efficiency, output and design capabilities within the Ballarat manufacturing plant, amounts to \$0.25m. Conditions relating to this grant have been met and as at 30 June 2017 the full amount has been received.

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>2. PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Employee and contract labour expenses:</b>		
– employee expenses	76,336	73,637
– contract labour expenses	9,772	9,689
<b>Total employee and contract labour expenses</b>	<b>86,108</b>	<b>83,326</b>
<b>Net (income)/expenses from movements in provision for:</b>		
– employee entitlements	(178)	53
– warranty	120	(327)
– other	244	260
<b>Net (income)/expense resulting from movements in provisions</b>	<b>186</b>	<b>(14)</b>
Rental expense on operating leases	6,455	6,265
Research and development expenditure written off as incurred	682	892
Crediting as income:		
Net gain on disposal of:		
– property, plant and equipment	161	592
<b>3. TAXATION</b>		
<b>(a) Income tax</b>		
Reconciliation of tax expense		
Prima facie tax payable on profit before tax at 30% (2016: 30%)	4,356	2,045
Add/[deduct] tax effect of:		
Research and development allowance	(295)	(232)
Non-assessable income	(28)	(17)
Associate equity accounted income	(265)	(327)
Prior year adjustments	(245)	(48)
Impact of tax rates in foreign jurisdictions	(48)	(101)
	(881)	(725)
<b>Income tax expense in consolidated statement of profit or loss</b>	<b>3,475</b>	<b>1,320</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 3. TAXATION (continued)

	Consolidated	
	2017 \$'000	2016 \$'000
Income tax expense attributable to operating profit is made up of:		
Current tax expense	2,947	2,222
Prior year adjustment – current tax	(206)	13
Deferred tax expense		
– origination and reversal of temporary difference	773	(854)
– prior year adjustment – deferred differences	(39)	(61)
<b>Income tax expense in consolidated statement of profit or loss</b>	<b>3,475</b>	<b>1,320</b>

### (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	5,414	5,976
– Property, plant and equipment	(5,596)	(4,667)
– Leases	–	–
– Intangible assets	(972)	(945)
– Inventory	968	923
– Other	(94)	47
<b>Net deferred tax asset/(liability)</b>	<b>(280)</b>	<b>1,334</b>
Balance at beginning of year	1,334	673
Recognised in profit or loss	(734)	886
Recognised in equity	(880)	(225)
<b>Net deferred tax asset/(liability)</b>	<b>(280)</b>	<b>1,334</b>

### (c) Current tax asset/(liability)

The Group's current tax asset of \$1,209,051 (2016: \$2,862,977) and current tax liability of \$118,499 (2016: \$252,721) represents the amount of income taxes receivable/(payable) in respect of current and prior financial periods.

## 4. TRADE AND OTHER RECEIVABLES

	Consolidated 2017			Consolidated 2016		
	Gross \$'000	Impairment \$'000	Total \$'000	Gross \$'000	Impairment \$'000	Total \$'000
<b>Impairment losses</b>						
Not past due	26,440	(166)	26,274	24,354	(145)	24,209
Past due 0 – 30 days	9,139	(69)	9,070	8,759	(58)	8,701
Past due 31 – 60 days	2,316	(23)	2,293	2,583	(21)	2,562
Past due over 61 days	3,620	(49)	3,571	1,655	(108)	1,547
<b>Trade debtors</b>	<b>41,515</b>	<b>(307)</b>	<b>41,208</b>	<b>37,351</b>	<b>(332)</b>	<b>37,019</b>
Other receivables			914			1,367
<b>Total trade and other receivables</b>			<b>42,122</b>			<b>38,386</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated	
	2017 \$'000	2016 \$'000
<b>5. INVENTORIES</b>		
Second-hand units – at net realisable value	3,044	5,298
Finished goods – at cost	35,242	31,745
Work in progress – at cost	6,913	4,650
Raw materials – at cost	18,358	14,568
Less: provision for impairment loss	(3,189)	(2,920)
<b>Total inventories</b>	<b>60,368</b>	<b>53,341</b>
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings at fair value	43,526	41,171
Accumulated depreciation	(201)	(887)
<b>Total land and buildings</b>	<b>43,325</b>	<b>40,284</b>
<b>Plant and Equipment</b>		
Plant and equipment at cost	41,828	38,638
Accumulated depreciation	(28,046)	(27,870)
	<b>13,782</b>	<b>10,768</b>
Office equipment at cost	9,522	8,981
Accumulated depreciation	(8,075)	(6,997)
	<b>1,447</b>	<b>1,984</b>
Leased property, plant and equipment	7,990	7,819
Accumulated depreciation	(1,692)	(643)
	<b>6,298</b>	<b>7,176</b>
Capital work in progress	23,674	18,351
<b>Total plant and equipment</b>	<b>45,201</b>	<b>38,279</b>
<b>Total property, plant and equipment</b>	<b>88,526</b>	<b>78,563</b>

Independent valuations/market assessments were obtained during 30 June 2017 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 2017

## 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	
	2017 \$'000	2016 \$'000
<b>Land and buildings</b>		
Carrying amount at the beginning of the financial year	40,284	39,334
Additions	-	-
Fair value increment	3,557	777
Disposals	-	-
Depreciation	(524)	(504)
Other sundry movements	8	677
<b>Carrying amount at the end of the financial year</b>	<b>43,325</b>	<b>40,284</b>
<b>Plant and equipment</b>		
Carrying amount at the beginning of the financial year	10,768	11,033
Additions	1,496	1,409
Transfer from inventories	3,784	-
Transfers from leased plant and equipment	15	52
Transfers from capital works in progress	91	545
Disposals	(135)	(309)
Depreciation	(2,133)	(1,988)
Other sundry movements	(104)	26
<b>Carrying amount at the end of the financial year</b>	<b>13,782</b>	<b>10,768</b>
<b>Office equipment</b>		
Carrying amount at the beginning of the financial year	1,984	2,532
Additions	362	542
Transfers from capital works in progress	8	-
Transfer from leased plant and equipment	2	-
Disposals	(13)	(2)
Depreciation	(884)	(1,090)
Other sundry movements	(12)	2
<b>Carrying amount at the end of the financial year</b>	<b>1,447</b>	<b>1,984</b>
<b>Leased property, plant and equipment</b>		
Carrying amount at the beginning of the financial year	7,176	7,791
Additions	116	1,347
Transfers to plant and equipment	(17)	(52)
Disposals	-	(1,143)
Other sundry movements	(415)	(105)
Amortisation	(562)	(662)
<b>Carrying amount at the end of the financial year</b>	<b>6,298</b>	<b>7,176</b>
<b>Capital works in progress</b>		
Carrying amount at the beginning of the financial year	18,351	12,664
Additions	6,380	6,232
Transfers to software	(958)	-
Transfers to property, plant and equipment	(99)	(545)
<b>Carrying amount at the end of the financial year</b>	<b>23,674</b>	<b>18,351</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated	
	2017 \$'000	2016 \$'000
<b>7. INTANGIBLES</b>		
Software at cost	958	-
Accumulated depreciation	(96)	-
	<b>862</b>	<b>-</b>
Goodwill at cost	24,645	24,645
Brand names at cost	6,930	6,930
Accumulated amortisation	(691)	(691)
	<b>6,239</b>	<b>6,239</b>
Intellectual property at cost	22,665	22,665
Accumulated amortisation	(16,894)	(16,490)
	<b>5,771</b>	<b>6,175</b>
Patents and trademarks at cost	891	891
Accumulated amortisation	(891)	(891)
	<b>-</b>	<b>-</b>
<b>Total intangibles</b>	<b>37,517</b>	<b>37,059</b>
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of intangible assets are set out below:		
<b>Software</b>		
Carrying amount at the beginning of the financial year	-	-
Transfers from capital work in progress	958	-
Depreciation	(96)	-
<b>Carrying amount at the end of the financial year</b>	<b>862</b>	<b>-</b>
<b>Goodwill</b>		
Carrying amount at the beginning of the financial year	24,645	24,645
Impairment losses	-	-
<b>Carrying amount at the end of the financial year</b>	<b>24,645</b>	<b>24,645</b>
<b>Brand names</b>		
Carrying amount at the beginning of the financial year	6,239	6,239
<b>Carrying amount at the end of the financial year</b>	<b>6,239</b>	<b>6,239</b>
<b>Intellectual property</b>		
Carrying amount at the beginning of the financial year	6,175	10,992
Amortisation	(404)	(731)
Impairment Losses	-	(4,086)
<b>Carrying amount at the end of the financial year</b>	<b>5,771</b>	<b>6,175</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 7. INTANGIBLES (continued)

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Patents and trademarks</b>		
Carrying amount at the beginning of the financial year	-	356
Amortisation	-	(44)
Impairment losses	-	(312)
<b>Carrying amount at the end of the financial year</b>	<b>-</b>	<b>-</b>

CGU	Consolidated			
	Other Intangibles Allocation		Goodwill Allocation	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Australian Trailers	12,872	12,414	5,193	5,193
MaxiPARTS	-	-	16,699	16,699
Yangzhou Maxi-CUBE Tong Composites (China)	-	-	2,753	2,753
MaxiTRANS New Zealand	-	-	-	-
	<b>12,872</b>	<b>12,414</b>	<b>24,645</b>	<b>24,645</b>

### 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. These projections are derived based on current market conditions, order intake and expectations with regards to market share. Projections are extrapolated using estimated growth rates for a five year period with a terminal growth rate of 2% – 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 8.8% – 9.8% (2016: 8.9% – 9.9%).

The recoverable amount of all CGUs was found to be in excess of their respective carrying values. As such, no impairment charges were required for the year ended 30 June 2017.

	Consolidated	
	2017 \$'000	2016 \$'000
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade payables	39,776	35,113
Other payables and accruals	12,824	13,163
<b>Total trade and other payables</b>	<b>52,600</b>	<b>48,276</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 9. INTEREST BEARING LOANS AND BORROWINGS

		Consolidated	
		2017	2016
		\$'000	\$'000
<b>Current</b>			
Bank loans – secured	26	1,729	1,013
Lease liability		834	816
<b>Total current interest bearing liabilities</b>		<b>2,563</b>	<b>1,829</b>
<b>Non-current</b>			
Bank loans – secured	26	44,485	40,452
Lease liability		649	871
<b>Total non-current interest bearing liabilities</b>		<b>45,134</b>	<b>41,323</b>

Bank loans are subject to a floating interest rate. Interest rate swaps have been executed in respect of \$20.0m (2016: \$24.0m) of this debt in order to mitigate interest rate risk. Refer to note 26(b) for further details.

<b>Finance costs:</b>			
– Interest on bank loans		2,218	2,275
– Finance lease charges		98	84
<b>Total finance costs</b>		<b>2,316</b>	<b>2,359</b>

## 10. PROVISIONS

<b>Current</b>			
Employee entitlements		9,420	9,595
Warranty		3,001	2,881
<b>Total current provisions</b>		<b>12,421</b>	<b>12,476</b>
<b>Non-current</b>			
Employee entitlements		1,092	1,095
Other		52	52
<b>Total non-current provisions</b>		<b>1,144</b>	<b>1,147</b>
<b>Aggregate employee entitlements liability</b>		<b>10,512</b>	<b>10,690</b>

Provisions at 30 June 2017 is analysed as follows:

	Warranty	Other
	\$'000	\$'000
<b>Carrying amount at 1 July 2016</b>	<b>2,881</b>	<b>52</b>
Provisions made during the year	988	34
Provisions written back during the year	(182)	–
Payments made during the year	(690)	(34)
Foreign Currency Exchange differences	4	–
<b>Carrying amount at 30 June 2017</b>	<b>3,001</b>	<b>52</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 11. ISSUED CAPITAL

	Number of Ordinary Shares	Share Capital \$'000
Balance at 30 June 2016	185,075,653	56,386
<b>Balance at 30 June 2017</b>	<b>185,075,653</b>	<b>56,386</b>

### 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.

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	
	2017 – \$'000	2016 – \$'000
<b>Earnings reconciliation</b>		
Net profit attributable to equity holders of the Company	10,695	5,235
<b>Basic earnings</b>	<b>10,695</b>	<b>5,235</b>

	2017 – Number	2016 – Number
<b>Weighted average number of shares</b>		
Ordinary shares on issue at 1 July	185,075,653	185,075,653
Effect of shares issued during the year	-	-
<b>Weighted average number for basic earnings per share</b>	<b>185,075,653</b>	<b>185,075,653</b>

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2017 is based on net profit attributable to equity holders of the company of \$10,694,940 and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of nil.

	2017 – Number	2016 – Number
<b>Weighted average number of shares (diluted)</b>		
Weighted average number of shares (basic)	185,075,653	185,075,653
Effect of Performance Rights on issue	-	-
<b>Weighted average number for diluted earnings per share</b>	<b>185,075,653</b>	<b>185,075,653</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 13. DIVIDENDS

Dividends paid	Cents Per Share	Total Amount \$'000	Date of Payment	Tax Rate for Franking Credit	Percent Franked
<b>2017</b>					
Interim – ordinary	2.00	3,702	13 April 2017	30%	100%
<b>Total dividends paid</b>	<b>2.00</b>	<b>3,702</b>			
<b>2016</b>					
Interim – ordinary	2.00	3,702	14 April 2016	30%	100%
Final – ordinary	1.00	1,851	14 October 2016	30%	100%
<b>Total dividends paid</b>	<b>3.00</b>	<b>5,553</b>			

During the financial year an internal dividend of \$1,679,741 was declared by one of the Group's subsidiaries Transport Connection Pty Ltd of which \$335,948 was paid to its minority shareholder.

### Dividends proposed

Final – ordinary	<b>1.50¢</b>	<b>2,776</b>	13 October 2017	30%	100%
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The above dividend was declared after the end of the financial year and will be paid on 13 October 2017. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial statements.

Dividend franking account	The Company	
	2017 \$'000	2016 \$'000
Franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	<b>22,657</b>	20,826

The ability to utilise the franking credits is dependent upon the ongoing solvency of the Company.

The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by \$1,189,772 (2016: \$793,181).

## 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 expenses, 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 2017

## 14. SEGMENT INFORMATION (continued)

Year ended 30 June 2017

Business Segments	Trailer Solutions	Parts & Components	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
External segment revenue	233,373	106,699	-	340,072
Inter-segment revenue	1,706	13,182	(14,888)	-
<b>Total segment revenue</b>	<b>235,079</b>	<b>119,881</b>	<b>-</b>	<b>340,072</b>
Unallocated sundry revenue				-
<b>Total revenue</b>				<b>340,072</b>
<b>Segment net profit before tax</b>	<b>9,099</b>	<b>5,293</b>	<b>-</b>	<b>14,392</b>
Share of net profit of equity accounted investments				884
Unallocated corporate expenses				(756)
Profit before related income tax expense				14,520
Income tax expense				(3,475)
<b>Net profit</b>				<b>11,045</b>
Depreciation and amortisation	2,632	1,741	-	4,373
Unallocated depreciation and amortisation				230
<b>Total depreciation and amortisation</b>				<b>4,603</b>
<b>Assets</b>				
Segment assets	147,998	75,651	-	223,649
Unallocated corporate assets				19,845
<b>Consolidated total assets</b>				<b>243,493</b>
<b>Liabilities</b>				
Segment liabilities	53,865	27,288	-	81,153
Unallocated corporate liabilities				33,613
<b>Consolidated total liabilities</b>				<b>114,766</b>
Capital expenditure <sup>(i)</sup>	1,691	708	-	2,399
Unallocated capital expenditure				5,955
<b>Consolidated capital expenditure</b>				<b>8,354</b>

(i) Capital expenditure includes the acquisition of leased assets

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 14. SEGMENT INFORMATION (continued)

Year ended 30 June 2016

Business Segments	Trailer Solutions	Parts & Components	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
External segment revenue	235,220	104,959	-	340,179
Inter-segment revenue	1,898	11,087	(12,985)	-
<b>Total segment revenue</b>	<b>237,118</b>	<b>116,046</b>	<b>(12,985)</b>	<b>340,179</b>
Unallocated sundry revenue				-
<b>Total revenue</b>				<b>340,179</b>
<b>Segment net profit before tax</b>	<b>5,961</b>	<b>3,648</b>	<b>-</b>	<b>9,609</b>
Share of net profit of equity accounted investments				1,089
Unallocated corporate expenses				(3,882)
Profit before related income tax expense				6,816
Income tax expense				(1,320)
<b>Net profit</b>				<b>5,496</b>
Depreciation and amortisation	2,809	2,004	-	4,813
Unallocated depreciation and amortisation				207
<b>Total depreciation and amortisation</b>				<b>5,020</b>
<b>Assets</b>				
Segment assets	127,171	76,097	-	203,268
Unallocated corporate assets				26,018
<b>Consolidated total assets</b>				<b>229,286</b>
<b>Liabilities</b>				
Segment liabilities	46,562	28,486	-	75,048
Unallocated corporate liabilities				30,901
<b>Consolidated total liabilities</b>				<b>105,949</b>
Capital expenditure <sup>(i)</sup>	2,590	740	-	3,330
Unallocated capital expenditure				6,200
<b>Consolidated capital expenditure</b>				<b>9,530</b>

(i) Capital expenditure includes the acquisition of leased assets

### Geographical segments

The Group's external revenues are predominantly derived from customers located within Australia.

The customer base is sufficiently diverse to ensure the Group is not reliant on any particular customer.

The Group's assets and capital expenditure activities are predominantly located within Australia.

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 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 2015 – 30 June 2018	1 July 2016– 30 June 2019
Grant date	30 September 2015	30 September 2016
Total PRs issued	4,985,368	3,817,578
Total PRs forfeited	2,813,334	1,533,399
Total PRs remaining on issue	2,172,034	2,284,179
Vesting conditions	ROIC – 50% EPS – 50%	ROIC – 50% EPS – 50%
Base Return on Invested Capital (ROIC)	5.21% (year ended 30 June 2015)	6.17% (year ended 30 June 2016)
Target increase in ROIC	Average of 1.75% per annum (10.46% over 3 years)	Average of 1.75% per annum (5.25% over 3 years)
Percentage increase in base ROIC required	101%	85%
Minimum % of ROIC target that must be achieved for Performance Rights to vest	70% (i.e. average of 1.22% per annum)	70% (i.e. average of 1.22% per annum)
Target EPS	Basic EPS of 10.50¢. Growth over 2014 EPS of 9.26¢ given that 2015 EPS was impacted by non-recurring costs	Basic EPS – 9.82¢ Growth over 2014 EPS at 9.26¢ 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 during the year:	
Total PRs issued – 2014	2,072,978
Total PRs forfeited	2,072,978
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:

	2017	2016
Fair value at grant date	45.99¢	34.18¢
Share price at grant date	61.00¢	44.00¢
Expected volatility	50.00%	50.00%
Expected dividend yield	6 – 7%	5.50%
Risk-free rate of return	2.30%	2.50%
Liquidity discount	15.00%	15.00%

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 15. SHARE BASED PAYMENTS (continued)

Expense/(income) recognised in profit and loss	Consolidated	
	2017 \$'000	2016 \$'000
Share based payments expense recognised	503	592
Share based payments reversed	(752)	(937)
<b>Total share based payment expense/(income) recognised as employee costs</b>	<b>(249)</b>	<b>(345)</b>

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 goods and services received over the life of the 2014 schemes was reversed. In addition where an employee has left the business their PR expense was reversed. The reversal amount is comprised of:

	\$'000
2014 PR scheme	512
2015 PR scheme	182
2016 PR scheme	58

## 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 G Lord (retired on 21 Oct 2016)
- Mr R Wylie (Chairman)
- Mr J Rizzo
- Ms S Hogg

#### Executive directors

- Mr M Brockhoff (Former Managing Director – retired on 1 March 2017)
- Mr D Jenkins (Managing Director – appointed 1 March 2017)

#### Executives

- Mr C Richards (CFO and Company Secretary)
- Mr A Wibberley (Former Group General Manager – Manufacturing – resigned 28 October 2016)
- Mr A Roder (Group General Manager – Manufacturing – appointed 5 September 2016)
- Mr P Buttler (Former General Manager – Ballarat – resigned 1 July 2016)
- Mr P Loimaranta (General Manager – MaxiPARTS)
- Mr A McKenzie (Group General Manager – Sales and Distribution)
- Mr C Wallace (Former General Manager – Vic Branch – was made redundant on 19 April 2017)

### (b) Directors' transactions in shares

Directors and their related entities acquired no (2016: \$811,817) existing ordinary shares in MaxiTRANS Industries Limited during the year.

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

MaxiTRANS Industries Limited and controlled entities paid consulting fees of \$nil (2016: \$62,370) to UXC Red Rock Pty Ltd, a subsidiary of UXC Limited of which Mr G Lord was Deputy Chairman. All dealings were in the ordinary course of business and on normal commercial terms and conditions. During the 2016 year, the contractual arrangements between the parties came to an end. Amounts owing at year end total \$nil (2016: \$nil).

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## 16. RELATED PARTY DISCLOSURES (continued)

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.

### (d) Transactions with associate

During the year the Group derived revenue from the associate of \$26,708,172 (2016: \$37,666,993) for the sale of new units, parts and the provisions of services. Amounts receivable from the associate at year end total \$1,479,408 (2016: \$519,072).

During the year the Group paid for services and parts from the associate totalling \$1,260,496 (2016: \$1,350,175). Amounts owing at year end total \$45,511 (2016: \$118,579).

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	
	2017	2016
Short-term employee benefits	3,147,072	3,085,725
Post-employment benefits	329,407	356,795
Share based payment benefits	(193,811)	(284,314)
	<b>3,282,668</b>	3,158,206

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 17. PARENT ENTITY

As at 30 June 2017 and throughout the financial year ending on that date, the parent company of the Group was MaxiTRANS Industries Limited.

	Company	
	2017 \$'000	2016 \$'000
<b>Results of the parent company</b>		
Profit/(loss) for the year	(785)	(400)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(785)</b>	<b>(400)</b>
<b>Financial position of the parent company</b>		
Current assets	64,832	32,417
Total assets	116,263	79,475
Current liabilities	1,076	459
Total liabilities	43,833	459
Net assets	72,430	79,016
<b>Total equity of the parent company comprising of:</b>		
Issued capital	56,386	56,386
Reserves	586	836
Retained earnings	15,458	21,795
<b>Total equity</b>	<b>72,430</b>	<b>79,016</b>

### Parent company investment in subsidiaries and joint ventures

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

### Parent company 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 2017

## 18. CONTROLLED ENTITIES

### Particulars in relation to controlled entities

	Country of Incorp.	Class of Shares	Interest Held	
			2017 %	2016 %
<b>The Company:</b>				
MaxiTRANS Industries Limited				
<b>Controlled entities of MaxiTRANS Industries Limited:</b>				
MaxiTRANS Australia Pty Ltd	Aust.	Ord.	100	100
– Transport Connection Pty Ltd <sup>(iii)</sup>	Aust.	Ord.	100	80
Transtech Research Pty Ltd	Aust.	Ord.	100	100
Trail Truck Parts Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiTRANS Industries (N.Z.) Pty Ltd	Aust.	Ord.	100	100
Peki Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
Ultraparts Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiTRANS Services Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS Finance Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
Lusty EMS Pty Ltd	Aust.	Ord.	100	100
Hamelex White Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiPARTS Pty Ltd (formerly Colrain Pty Ltd)	Aust.	Ord.	100	100
– Colrain Queensland Pty Ltd	Aust.	Ord.	100	100
– Colrain (Albury) Pty Ltd	Aust.	Ord.	100	100
– Queensland Diesel Spares Pty Ltd (formerly Colrain (Ballarat) Pty Ltd) <sup>(i)</sup>	Aust.	Ord.	100	100
– Colrain Pty Ltd (formerly Colrain (Geelong) Pty Ltd) <sup>(i)</sup>	Aust.	Ord.	100	100
– MaxiPARTS (Qld) Pty Ltd (formerly Queensland Diesel Spares Pty Ltd)	Aust.	Ord.	100	100
MaxiTRANS Employee Share Plan Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS (China) Limited <sup>(i)</sup>	Hong Kong	Ord.	100	100
Yangzhou Maxi-CUBE Tong Composites Co Ltd	China	Ord.	80	80

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

<sup>(iii)</sup> 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%. 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.

	2017 \$'000	2016 \$'000
Carrying amount of NCI acquired (\$2,982,252 x 20%)	596	–
Consideration paid to NCI	536	–
<b>Increase in equity attributable to owners of the Company</b>	<b>60</b>	<b>–</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 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 (98/1418) made by the Australian Securities & Investments Commission which was granted on 30 June 2006.

A consolidated statement of comprehensive income and consolidated balance sheet, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2017 is set out as follows:

### Consolidated statement of comprehensive income

	Consolidated	
	2017 \$'000	2016 \$'000
Total revenue	285,214	297,609
Changes in inventories of finished goods and work in progress	3,847	(2,116)
Raw materials and consumables used	(162,586)	(170,353)
Other income	161	634
Employee expenses	(82,695)	(80,042)
Warranty expenses	(1,796)	(1,900)
Depreciation and amortisation expenses	(3,875)	(4,217)
Impairment loss on intangible assets	-	(4,398)
Finance costs	(2,127)	(2,078)
Other expenses	(24,963)	(29,294)
Share of net profits of joint ventures accounted for using the equity method	884	1,089
Profit before income tax	12,064	4,934
Income tax expense	(2,770)	(744)
<b>Profit for the year</b>	<b>9,294</b>	<b>4,190</b>
Other comprehensive income		
<i>Items that may subsequently be re-classified to profit or loss:</i>		
Net exchange difference on translation of financial statements of foreign operations	(1,275)	997
Other sundry movements	114	34
<i>Items that will never be reclassified to profit or loss:</i>		
Revaluation of land and buildings	3,557	777
Related tax	(1,041)	(218)
Other comprehensive income/(loss) for the year, net of tax	1,355	1,590
<b>Total comprehensive income for the year</b>	<b>10,649</b>	<b>5,780</b>
Profit attributable to:		
Equity holders of the company	9,294	4,190
Total comprehensive income attributable to:		
Equity holders of the company	10,649	5,780

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 20. DEED OF CROSS GUARANTEE (continued)

### Consolidated balance sheet

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	4,695	8,539
Trade and other receivables	31,889	29,154
Inventories	56,610	50,386
Current tax assets	1,209	2,863
Other	1,310	1,037
<b>Total Current Assets</b>	<b>95,713</b>	<b>91,979</b>
<b>Non-Current Assets</b>		
Investment in joint venture	4,442	4,187
Investments in controlled entities	7,162	6,625
Property, plant and equipment	77,988	69,832
Intangible assets	33,183	32,721
Deferred tax assets	215	1,443
Other	1,133	1,157
<b>Total Non-Current Assets</b>	<b>124,123</b>	<b>115,965</b>
<b>Total Assets</b>	<b>219,836</b>	<b>207,944</b>
<b>Current Liabilities</b>		
Trade and other payables	42,512	39,839
Interest bearing loans and borrowings	834	816
Current tax liability	-	253
Provisions	11,438	11,464
<b>Total Current Liabilities</b>	<b>54,784</b>	<b>52,372</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	43,406	37,371
Deferred tax liabilities	701	395
Provisions	1,144	1,147
Other	35	199
<b>Total Non-Current Liabilities</b>	<b>45,286</b>	<b>39,112</b>
<b>Total Liabilities</b>	<b>100,070</b>	<b>91,484</b>
<b>Net Assets</b>	<b>119,766</b>	<b>116,460</b>
<b>Equity</b>		
Issued capital	56,386	56,386
Reserves	15,215	14,904
Retained profits	47,302	45,170
<b>Total Equity</b>	<b>119,766</b>	<b>116,460</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 21. INVESTMENT IN ASSOCIATE

Name of Entity	Principal Activity	Ownership	
		2017 %	2016 %
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

	Revenues (100%)	Net Profit after Tax (100%)	Share of Associate Profit Recognised	Total Assets	Total Liabilities	Net Assets as Reported by Associate
<b>\$'000</b>						
2017	56,210	2,411	884	18,041	7,052	10,988
2016	70,352	2,971	1,089	20,050	9,758	10,292

### Commitments

The share of the associate's capital commitments contracted but not provided for or payable within one year was \$nil at 30 June 2017 (2016: \$nil).

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

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

	Consolidated	
	2017 \$'000	2016 \$'000
Profit for the year	11,045	5,496
<b>Non cash items in operating profit</b>		
Depreciation/amortisation of assets	4,603	5,020
Impairment loss on intangible assets	-	4,398
Profit on sale of fixed assets	(161)	(592)
Share of associates profit	(884)	(1,089)
Share based payments expense	(249)	(345)
<b>Change in assets and liabilities</b>		
(Increase)/decrease in receivables	(4,735)	4,697
(Increase)/decrease in other assets	35	757
(Increase)/decrease in inventories	(11,426)	569
Increase/(decrease) in trade payables and other liabilities	4,331	5,038
Increase/(decrease) in income tax payable	1,633	(1,595)
Increase/(decrease) in deferred taxes	517	(864)
Increase/(decrease) in provisions	(264)	(294)
<b>Net cash flows from operating activities</b>	<b>4,445</b>	<b>21,196</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 23. CAPITAL AND LEASING COMMITMENTS

### (a) Operating lease commitments

	Consolidated	
	2017 \$'000	2016 \$'000
Future operating lease rentals not provided for in the financial statements and payable:		
– not later than 1 year	4,426	4,291
– later than 1 year but not later than 5 years	9,890	7,484
– later than 5 years	1,636	3,506
<b>Total operating lease commitments</b>	<b>15,952</b>	<b>15,281</b>

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	13,180	7,080
– later than 1 year but not later than 5 years	3,580	–
<b>Total capital expenditure commitments</b>	<b>16,760</b>	<b>7,080</b>

## 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:	\$	\$
<b>KPMG Australia:</b>		
– auditing and reviewing the financial statements	306,967	263,700
– other services (taxation and advisory)	166,219	111,762
	<b>473,186</b>	<b>375,462</b>
<b>Overseas KPMG Firms:</b>		
– auditing and reviewing financial statements	82,219	79,344
– other services (taxation, advisory and due diligence)	12,605	19,052
	<b>94,824</b>	<b>98,396</b>
<b>Total auditor remuneration</b>	<b>568,010</b>	<b>473,858</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 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	
	2017 \$'000	2016 \$'000
Borrowings – fixed rate	23,682	12,933
Borrowings – floating rate	24,015	30,219
	<b>47,697</b>	43,152

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	(140)	(191)
100bp decrease	140	191

### (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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Buy USD Dollar	0.7505	0.7309	5,132	3,228	6,839	4,417	(149)	(55)

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 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	
	2017 \$'000	2016 \$'000
USD 10.0 cents increase	(652)	(435)

### (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 counterparty. The majority of accounts receivable are due from entities within the transport industry.

#### Guarantees

Performance guarantees of \$1,296,594 (2016: \$887,695) 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 the Australia and New Zealand Bank (China) Company Limited. 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.

	Carrying Amount \$'000	6 months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
<b>30 June 2017 – Consolidated</b>					
Trade and other payables and accruals	(52,600)	(52,600)	–	–	–
Borrowings	(47,697)	(1,099)	(1,464)	(1,970)	(43,164)
<b>Effect of derivative instruments</b>					
– Forward exchange contracts	(149)	(149)	–	–	–
	<b>(100,446)</b>	<b>(53,848)</b>	<b>(1,464)</b>	<b>(1,970)</b>	<b>(43,164)</b>

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 26. FINANCIAL INSTRUMENTS (continued)

30 June 2016 – 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	(48,276)	(48,276)	–	–	–
Borrowings	(43,152)	(1,623)	(206)	(30,238)	(11,085)
<b>Effect of derivative instruments</b>					
– Forward exchange contracts	(61)	(61)	–	–	–
	<b>(91,489)</b>	<b>(49,960)</b>	<b>(206)</b>	<b>(30,238)</b>	<b>(11,085)</b>

### Finance facilities

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

Consolidated	Facility Amount		Utilised		Available	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Loan facility	64,801	64,965	46,214	41,465	18,587	23,500
Overdraft facility	1,000	2,000	–	–	1,000	2,000
Multi-option facility	9,000	13,000	4,273	4,103	4,727	11,313
	<b>74,801</b>	<b>79,965</b>	<b>50,487</b>	<b>45,568</b>	<b>24,314</b>	<b>36,813</b>

On 29 June 2017, the Group refinanced its financing facilities. Commonwealth Bank of Australia and HSBC 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.

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 MTC (China) core loan facility is a 3 year facility of RMB 20.0m and is with the ANZ Banking Group in China. It also has an uncommitted facility of RMB 5.0m.

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 2017 and 2016 financial years.

### (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.

# Notes to the Consolidated Financial Statements (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## 26. FINANCIAL INSTRUMENTS (continued)

### 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 2017.

- 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	
	2017	2016
	\$'000	\$'000
Derivative assets	-	-
Derivative liabilities	193	267

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 2017 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 2016/17, including changes to the unobservable inputs.

	Consolidated
	Land and Buildings
	\$'000
Opening balance as at 1 July 2016	40,284
Fair value revaluation	3,557
Depreciation recognised in the statement of profit and loss	(524)
Exchange rate variance	8
Closing balance as at 30 June 2017	43,325

## 27. 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 2017.

# Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2017

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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 2017 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 2017
- 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.

### KEY AUDIT MATTERS

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.

This matter was 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 this matter.

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Liability limited by a scheme approved under Professional Standards Legislation.

# Independent Auditor's Report (cont)

FOR THE YEAR ENDED 30 JUNE 2017

## RECOVERABILITY OF GOODWILL AND OTHER INTANGIBLE ASSETS (AUD \$37.5M)

### Refer to Note 7 Intangibles

The key audit matter	How the matter was addressed in our audit
<p>A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment, given the size of the balance (being 15% of total assets). Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the significant forward-looking assumptions the Group applied in their value in use, including:</p> <ul style="list-style-type: none"> <li>▪ forecast operating cash flows, growth rates and terminal growth rates – the Group has experienced competitive market conditions in the current year, as a result of emerging regulatory change in New Zealand, and lower customer demand in the freight sector in Australia. This impacted the Group through a reduction in the demand for products. These conditions increase the possibility of goodwill and intangible assets being impaired, plus the risk of inaccurate forecasts.</li> <li>▪ 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 models approach to incorporating risks into the cash flows or discount rates. We involved our valuations specialists with the assessment.</li> </ul> <p>In addition to the above, the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of goodwill and intangibles being impaired. This further increased our audit effort in this key audit area.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>▪ We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.</li> <li>▪ We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.</li> <li>▪ We assessed the Group's allocation of corporate assets to CGUs for consistency based on the requirements of the accounting standards.</li> <li>▪ We assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the forecast cash flows contained in the value in use model, for consistency with our understanding of the business and the criteria in the accounting standards.</li> <li>▪ We compared the forecast cash flows contained in the value in use models to Board approved forecasts.</li> <li>▪ We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.</li> <li>▪ We considered the sensitivity of the models by varying key assumptions, such as forecast 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.</li> <li>▪ We compared forecast growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience.</li> <li>▪ 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.</li> <li>▪ We compared the trading multiples from comparable companies to the multiples from the Group's value-in-use models.</li> <li>▪ We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.</li> </ul>

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# Independent Auditor's Report (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## OTHER INFORMATION

Other Information is financial and non-financial information in MaxiTRANS Industries Limited's annual report, which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information. This includes the Chairman and Managing Director Review, Financial Summary, Report of the Directors, Remuneration Report and ASX Additional Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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's ability to continue as a going concern. 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 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 this 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\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our Auditor's Report.

# Independent Auditor's Report (cont)

FOR THE YEAR ENDED 30 JUNE 2017

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## REPORT ON THE REMUNERATION REPORT

### Opinion

In our opinion, the Remuneration Report of MaxiTRANS Industries Limited for the year ended 30 June 2017, 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 2017.

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



KPMG  
Melbourne  
25 August 2017



Suzanne Bell  
Partner

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# Australian Stock Exchange Additional Information

FOR THE YEAR ENDED 30 JUNE 2017

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

## SHAREHOLDINGS

### Substantial shareholders

The names of the substantial shareholders listed in the Company's register as at 31 July 2017 are:

	Ordinary Shares
HGT Investments Pty Ltd	20,000,000
Transcap Pty Ltd and related parties	14,940,739

### Voting rights

As at 31 July 2017, there were 3,877 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 2017, there were no unquoted options over unissued ordinary shares.

## Distribution of shareholders

(As at 31 July 2017)

Category – No of Shares	No of Shareholders
1 – 1,000	471
1,001 – 5,000	1,023
5,001 – 10,000	681
10,001 – 100,000	1,488
100,001 and over	214
	<b>3,877</b>

### Shareholders with less than a marketable parcel

As at 31 July 2017, there were 264 shareholders holding less than a marketable parcel of 715 ordinary shares (\$0.70 on 31 July 2017) in the Company totalling 69,810 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 2017

## TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES AS AT 31 JULY 2017

Name	Units	% of Units
1. HGT INVESTMENTS PTY LTD	20,000,000	10.81
2. TRANSCAP PTY LTD	14,940,739	8.07
3. CITICORP NOMINEES PTY LIMITED	11,710,944	6.33
4. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,271,577	3.39
5. TOROA PTY LTD	4,286,241	2.32
6. J P MORGAN NOMINEES AUSTRALIA LIMITED	4,097,809	2.21
7. TRANSCAP PTT LTD	2,994,810	1.62
8. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	2,438,571	1.32
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. HORRIE PTY LTD	1,345,000	0.73
14. JAMES R CURTIS	1,328,439	0.72
15. BNP PARIBAS NOMINEES PTY LTD	1,254,824	0.68
16. MAHATA PTY LTD	1,222,392	0.66
17. TANERKA PTY LTD	1,202,620	0.65
18. BNP PARIBAS NOMS PTY LTD	1,058,402	0.57
19. BELGRAVIA STRATEGIC EQUITIES PTY LTD	1,049,604	0.57
20. MANDEL PTY LTD	1,000,000	0.54
<b>Total ordinary fully paid shares – top 20 holders</b>	<b>82,701,875</b>	<b>44.69</b>
<b>Total remaining holders balance</b>	<b>102,373,778</b>	<b>55.31</b>

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# Offices & Officers

**Company Secretary**  
Mr. C. Richards

**Registered Office**  
346 Boundary Road  
Derrimut VIC 3030

**Principal Place  
of Business**  
346 Boundary Road  
Derrimut VIC 3030

**Contact numbers**  
Tel +61 3 8368 1100  
Fax +61 3 8368 1178

**Share Registry**  
Computershare Investor Services  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

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

**Auditor**  
KPMG  
Tower 2  
Collins Square  
727 Collins St  
Melbourne VIC 3000

**Bankers**  
Commonwealth Bank of Australia  
HSBC Bank Australia Limited

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

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

E HONEST FORTHRIGHT  
RESULTS ACCOUNTABLE  
RATIVE BETTER EVERY  
SAFE DAY SAFE HONEST  
FORTHRIGHT ETHICAL  
RESULTS ACCOUNTABLE  
SAFE COLLABORATIVE  
AL BETTER EVERY DAY  
RESULTS SAFE HONEST  
FORTHRIGHT ETHICAL  
RESULTS ACCOUNTABLE  
NEST COLLABORATIVE  
FE BETTER EVERY DAY



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

**FREIGHTER**

**Maxi-CUBE**

**HamelexWhite**



**LUSTY EMS**

**M MaxiPARTS**

**PANEL Masta**

