

# Appendix 4E

## Preliminary final report

Introduced 1/1/2003

Name of entity

MAXITRANS INDUSTRIES LIMITED

ABN 58 006 797 173

Year Ended 30 June 2013

### Results for announcement to the market

				\$A'000
Revenues from ordinary activities	up	31.0%	to	362,534
Profit (loss) from ordinary activities after tax attributable to members	up	110.5%	to	25,965
Net profit (loss) for the period attributable to members	up	110.5%	to	25,965
		<b>2013</b>		<b>2012</b>
<b>Basic earnings per share (cents per share)</b>		14.11¢		6.70¢
<b>Diluted earnings per share (cents per share)</b>		13.76¢		6.62¢
<b>Net Tangible Assets Backing (cents per ordinary share)</b>		38.95¢		29.91¢
<b>Net Assets Backing (cents per ordinary share)</b>		62.92¢		53.64¢
<b>Dividends (distributions) - Note 18</b>		Amount per security		Franked amount per security
Final dividend – Ordinary shares		4.25¢		4.25¢
Interim dividend – Ordinary shares		4.25¢		4.25¢
Previous corresponding period:				
Final dividend – Ordinary shares		2.25¢		2.25¢
Interim dividend – Ordinary shares		2.00¢		2.00¢
Record date for determining entitlements to the dividend.		27 September 2013		
Refer attached ASX announcement regarding commentary on revenue, earnings and business outlook. Refer attached Report of Directors and Financial Report.				

For personal use only



## RECORD RESULTS FOR THE YEAR ENDED 30 JUNE 2013 REVENUE UP 31%, NPAT UP 111%

MaxiTRANS Industries Limited ('MXI') today announced a record result with a 31% increase in revenue to \$363 million and a 111% increase in net profit after tax attributable to MXI shareholders of \$25.965 million for the year ended 30 June 2013.

Earnings per share (basic) have increased from 6.70 cents to 14.11 cents. Consequently, the Directors have declared a final dividend of 4.25 cents per share (fully franked) payable on 11 October 2013 to all holders of ordinary shares at the record date, 27 September 2013. This follows the fully franked dividend of 4.25 cents per share declared and paid to shareholders during the year and takes the total dividend for FY13 to 8.50 cents per share; representing a payout ratio of 60%.

(A\$'000)	Year ended 30/06/13	Year ended 30/06/12	% Increase
<b>Sales revenue</b>	<b>362,534</b>	<b>276,767</b>	<b>+31%</b>
<b>EBIT</b> <sup>1, 2</sup>	<b>38,316</b>	<b>18,116</b>	<b>+112%</b>
Interest expense	(1,958)	(1,321)	
<b>Net profit before tax</b>	<b>36,358</b>	<b>16,795</b>	<b>+116%</b>
Tax expense	(10,137)	(4,273)	
<b>Net profit after tax</b>	<b>26,221</b>	<b>12,522</b>	<b>+109%</b>
Non-controlling interests	(256)	(188)	
<b>Net profit attributable to MXI equity holders</b>	<b>25,965</b>	<b>12,334</b>	<b>+111%</b>
<b>EPS (basic) (cents per share)</b>	<b>14.11</b>	<b>6.70</b>	<b>+111%</b>
<b>Dividends Declared (cents per share)</b>	<b>8.50</b>	<b>4.25</b>	<b>+100%</b>

1. EBIT refers to profit for the period before income tax expense and finance costs.

2. Non-IFRS measures have not been subject to audit or review by external auditors.

In achieving this result, we have successfully integrated the two major acquisitions which were completed in 1H FY12 namely, Queensland Diesel Spares ("QDS") into the Parts & Service business and the AZMEB Global Trailers business ("AZMEB") into the Trailer business. The integration of QDS has also been instrumental in the increased contribution of the Parts & Service business to the overall result. The acquisition in October 2012 of 80% of Transport Connection, a leading South Australian trailer dealer, also contributed to this strong result.

Despite softening Australian economic conditions during the year, this record result reflects the strategy set by the Board in terms of:

- identifying strategic acquisitions that complement the current business model and integrating them successfully;
- increasing the relative contribution of the Parts & Service business so as to provide greater overall earnings sustainability and stability;
- optimising manufacturing efficiency by the rationalisation of the manufacturing footprint in Australia and focusing on improved utilisation across all manufacturing facilities; and

- diversifying industry sector and international penetration. The acquisition of AZMEB has enabled the Trailer business to gain greater exposure to the resources and waste management sectors through its unique innovative designs and high quality product range with an impressive market reputation. It has also provided a product offering which can be expanded into global markets.

By successfully implementing the above strategies, together with a rigorous focus on working capital management, we have seen operating cash flow improve and gearing decline, positioning the Group to further explore growth opportunities, both organically and through acquisitions.

#### *Successfully identifying and integrating acquisitions*

The acquisitions made in FY12 and FY13 of QDS, AZMEB and Transport Connection and their successful integration have continued to build a fully vertically integrated business model. These acquisitions have enabled the Group to achieve scale throughout the entire value chain, in particular:

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

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

With a full year's contribution from QDS, Parts & Service comprised 35% of the Group's revenue for FY13, up from 33% in FY12. The integration of QDS saw external revenue for the Parts & Service business grow 40% to \$127.6 million including the realisation of synergies.

In May 2013, we relaunched the Parts business under a single brand: MaxiPARTS. The existing Parts brands of Colrain, QDS and Gladstone Air Cleaner Services have been replaced with this single identity, highlighting to customers the scale and reach of this business and providing a strong platform for future growth.

#### *Improving manufacturing efficiency*

The strong order bank coming into FY13 enabled us to optimise the benefits of rationalisation of our manufacturing footprint, which has been a major strategic objective since 2010. An increase in unit sales of 27% enabled us to realise significant efficiencies, resulting in enhanced margins for the overall business.

#### *Expanding industry sector coverage*

Together with our existing tipper products, the FY12 acquisition and FY13 integration of AZMEB has seen enhanced exposure to the resources and waste management sectors.

A continued focus on building these revenue streams has been identified as a key priority of the Board, either through further organic growth or through acquisitions into domestic and global markets.

We have seen strong performances this year from both businesses, despite challenging market and competitive conditions, particularly in light of a softening general economy.

### **New Trailer business**

As a result of the strong order banks at the commencement of the year and strong first half demand, unit sales for FY13 grew by 27%. This led to external revenue growth of 27% and net profit before tax growth of 147%. This strong profit growth was attributed to favourable product mix and the realisation of manufacturing efficiencies.

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

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

Demand for Freighter products was typically broad based, with strong orders from a number of large fleets and also from the resources sector which continued to drive trailer sales in FY13, especially in the first half, and influenced the change in model mix to favour open semi-trailers and road trains over curtain siders. Skeletal demand remained strong supported by growth in container movements. Demand for curtain siders also grew in the second half of FY13, particularly down the eastern seaboard of Australia, with total Freighter unit sales growing by 31% over the prior year.

Maxi-CUBE refrigerated and dry freight vans had a strong year with unit sales up 8%. Demand was widespread, coming from a broad cross section of customers ranging from large fleets to smaller operators. MaxiTRANS' ability to manage a fast ramp up in van production rates assisted in winning a number of large orders.

The acquisition in October 2012 of 80% of the highly regarded South Australian trailer distributor, Transport Connection, has had a positive effect on the business. Transport Connection was already a distributor for MaxiTRANS' Hamelex White tipper brand and its acquisition has enabled the consolidation all of MaxiTRANS brands in a single distribution channel to optimise impact on the South Australian market.

#### ***Tipplers (Australia)***

FY13 proved to be a challenging one for the tipper market. Low rains negatively impacted demand from the agricultural sector in the 2012 grain season occurring in early FY13 and slower activity in the housing and construction sector during FY13 also had an adverse impact on tipper sales.

The acquisition of AZMEB in May 2012 drove a 36% increase in tipper sales.

This acquisition has increased MaxiTRANS' exposure to the resources and waste management sectors, with a highly reputable and stable product range. AZMEB has proven to be a valuable acquisition and less susceptible to the fluctuating demand experienced by our other tipper brands due to its specialised nature. By being part of the MaxiTRANS stable of brands, we see the benefits of scale further enhancing the performance of this product range.

There was good demand for Lusty EMS' high capacity off road mine haulage side tippers and conventional tippers however this was offset by slower demand from the construction sector.

The distribution of Hamelex White tippers was strengthened in mid FY13 by the appointment of our Queensland Freighter and Maxi-CUBE dealer, Trailer Sales Pty Ltd, as the sole Queensland distributor. Previously, Trailer Sales (which is partially owned by MaxiTRANS) only had the distribution rights for Hamelex White tippers in North Queensland.

### **New Zealand**

Unit sales of trailers and rigid body trucks were 9% down reflecting market uncertainty as a result of the introduction of new road regulations and a generally softer economic climate.

The New Zealand business has diversified its product portfolio by investing in the development of a number of new general freight products under the Freighter brand, specifically tailored to the New Zealand market. Traditionally, the New Zealand product range has concentrated on refrigerated truck bodies and trailers. The new Freighter range will substantially broaden the product portfolio, expand its sales potential, create new customer opportunities including with the largest freight providers in New Zealand, and reduce the reliance on the refrigerated freight sector.

This strategy has started to show a positive impact, with a strong order bank at the end of the year.

Efficiencies are starting to be realised in the new manufacturing facility that opened in Auckland in November 2011 and MaxiTRANS expects these to continue.

### **Parts & Service business**

The Parts & Service business sells truck and trailer parts at both a wholesale and retail level in Australia. The retail business sells parts to end customers as well as truck and trailer service and repair providers along the eastern seaboard of Australia and represents approximately 70% of the Group's total parts sales. The wholesale business operates in Victoria, Queensland, New South Wales and Western Australia and represents approximately 30% of the Group's total parts sales. Wholesale customers are typically truck dealers and trailer manufacturers. At the end of FY13, MaxiPARTS operated 17 wholesale and retail stores and had 66 licensed resellers around Australia.

In FY13, external revenue from the Parts & Service business increased by 40% and profit before tax grew by 46%, largely due to the successful integration of QDS.

The solid growth in the Parts & Service business in FY13 was underpinned by the full year contribution and successful integration of QDS and there will be a continued focus on building this income stream into the future.

As outlined above, the Parts & Service business also includes the panel manufacturing operation in China through our 80% shareholding in Yangzhou Maxi-CUBE Tong Composites Co Ltd ("MTC").

### **Australia**

The retail business has benefitted from the introduction of new product ranges such as high quality workshop tools and consumables from QDS, while the former QDS business has

benefitted from the addition of trailer parts to its product offering. This comprehensive product range creates a highly attractive one-stop shop offering for our customers.

At the Brisbane Truck Show in May 2013, MaxiTRANS announced the rebranding of the Colrain, QDS and Gladstone Air Cleaner Services businesses under the new MaxiPARTS brand. Re-branding of retail stores has commenced and will be rolled out across all stores in coming months, with all stores expected to be re-branded by mid FY14. The adoption of one common brand is expected to simplify sales and marketing activities, and provides an umbrella for future growth.

A new e-commerce site ([www.in2tyres.com.au](http://www.in2tyres.com.au)) was set up during FY13 marketing truck and trailer tyres on-line and early signs are encouraging. This new channel will continue to be developed and is the first of several potential online ventures that are being investigated.

Consistent with the general softening of the Australian economy, the parts market slowed from early 1H FY13. This was particularly noticeable in Queensland, due to heavy rains in Gladstone (a major parts market) in early 2H FY13 and a general slowdown in the resources sector. This trend may reverse with an improvement in business confidence after the 2013 federal election.

### **China**

The FY13 performance of MTC was broadly in line with FY12. While there is a general economic softening in China, demand for MTC's refrigerated panel product has remained strong. MTC's result has been temporarily adversely impacted by capacity constraints resulting from the transition from MTC's old site to a new manufacturing facility in Yangzhou. The new manufacturing facility is three times larger than the existing site and incorporates new panel manufacturing technology. This will cater for expected growth in demand for MTC's refrigerated panel product in both domestic and export markets in coming years. The new facility is expected to be operational and should commence producing panels in late Quarter 2 FY14.

### **OUTLOOK**

In Australia, FY14 has commenced as a year of low general business and consumer confidence exacerbated by political uncertainty. This is causing customers to be cautious in making investment decisions in the short term.

Performance of the trailer business in Australia will be largely dependent on the continuation of investment in the resources, rural and the housing and construction sectors. Should we see activity and capital investment in these sectors improve after the Australian federal election, we expect this to have a positive impact on the trailer business. Good rains and minimal grain reserves in the agriculture sector should have a positive impact on first half FY14 tipper performance.

We will also be directing increased sales effort into diversifying into overseas markets, with a particular focus on developing economies.

We expect a strong contribution from the Parts & Service business over the outlook period as we seek opportunities to service new markets. To this end, we will be opening a greenfield MaxiPARTS store in Mackay, northern Queensland, and will be actively investigating other locations.

In our offshore markets, New Zealand should continue to benefit from an expanded product range and larger facilities in a trailer market which is continuing to improve.

The increased capacity of our new MTC manufacturing facility in China places us in a good position to take advantage of continued strong demand for our product in China.

We enter FY14 in a strong financial position with low gearing levels, well placed to support further incremental investment initiatives.

For more information please contact the Managing Director, Mr. Michael Brockhoff, or the Chief Financial Officer, Mr. Campbell Richards on (03) 8368 1100.

**Ian Davis**  
**Chairman**

**Michael Brockhoff**  
**Managing Director**

**23 August 2013**

For personal use only

# REPORT OF THE DIRECTORS AND FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

MaxiTRANS Industries Ltd ACN 006 797 173 and Controlled Entities

## Contents

Corporate Governance Statement	2	Consolidated Statement of Changes in Equity	29
Report of the Directors	9	Consolidated Statement of Cash Flows	31
Directors Declaration	26	Notes to the Consolidated Financial Statements	32
Consolidated Statement of Profit or Loss	27	Independent Auditor's Report	71
Consolidated Statement of Comprehensive Income	27	ASX Additional Information	72
Consolidated Balance Sheet	28		

## Financial Summary

		F2009	F2010	F2011	F2012	F2013
Revenue	\$'000	252,621	235,387	202,476	276,767	362,534
EBITDA	\$'000	7,339	14,741	11,230	23,549	44,219
EBIT	\$'000	1,373	8,712	5,879	18,116	38,316
NPBT	\$'000	(993)	7,124	4,341	16,795	36,358
NPAT - attributable to equity holders	\$'000	(1,894)	5,766	4,171	12,334	25,965
Significant Items in NPBT	\$'000	(7,565)	(1,218)	(70)	-	-
Basic EPS	cents	(1.09)	3.17	2.27	6.70	14.11
Ordinary dividends/share declared	cents	1.00	2.00	1.50	4.25	8.50
Depreciation	\$'000	4,356	4,296	3,697	3,818	3,309
Amortisation - leased assets	\$'000	678	801	874	835	1,446
Amortisation - intangibles	\$'000	932	932	780	780	1,148
Capex additions	\$'000	4,116	6,329	3,888	4,701	6,706
Operating cash flow	\$'000	14,072	8,723	9,058	17,567	23,543
NTA	\$'000	58,141	63,432	64,652	55,033	71,662
Net assets	\$'000	84,154	88,513	91,722	98,695	115,764
Interest bearing liabilities	\$'000	26,593	24,039	16,161	29,884	26,218
Finance costs	\$'000	2,366	1,588	1,538	1,321	1,958
Total bank debt	\$'000	22,935	20,000	12,700	26,000	23,013
Net debt/equity	%	29%	25%	11%	26%	21%
Interest cover	times	3.78 <sup>(i)</sup>	6.25 <sup>(i)</sup>	3.87 <sup>(i)</sup>	13.71	19.57

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



# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

This statement reflects MaxiTRANS Industries Limited's ('MaxiTRANS' or 'the Company') corporate governance policies and practices as at 30 June 2013 and which, unless otherwise stated, were in place throughout the year. The essential corporate governance principles incorporating the best practice recommendations of the ASX Corporate Governance Council ('Council'), together with MaxiTRANS' policies and procedures and the Company's compliance with the Council recommendations, are as follows:

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

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

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

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

The Board is responsible for:

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

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

#### Role and responsibility of senior management

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

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

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

For personal use only

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

## Recommendation 1.2:

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

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

## Recommendation 1.3:

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

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

## 2. PRINCIPLE 2:

### STRUCTURE THE BOARD TO ADD VALUE

## Recommendation 2.1:

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

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

## Non-Executive Directors

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

## Executive Director

Mr. Michael Brockhoff (Managing Director) – Not Independent

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

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

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

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2013

- (ii) Take steps as are necessary and reasonable to resolve any conflict of interest;
- (iii) Comply with the Corporations Act 2001 provisions on disclosing interests and restrictions on voting; and
- (iv) If a conflict situation exists, it is expected that where a matter is being discussed by the Board to which the conflict relates, the director will be absent from the room.

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

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

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

#### **Recommendation 2.2:**

##### **The Chairperson should be an independent director**

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

#### **Recommendation 2.3:**

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

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

#### **Recommendation 2.4:**

##### **The Board should establish a nomination committee**

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

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

- To assess and develop the necessary and desirable competencies of Board members;
- To develop and review Board succession plans;
- To evaluate the performance of the Board;
- To ensure the appropriate mix of skills and the diversity of the Board members is considered when assessing the composition of the Board; and
- To recommend to the Board, the appointment and removal of directors.

#### **Recommendation 2.5:**

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

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

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

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

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

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

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

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

For personal use only

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

### Recommendation 3.1:

Establish and disclose a code of conduct as to:

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

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

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

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

### Recommendation 3.2:

Establish and disclose a policy concerning diversity

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

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

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

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

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

### Recommendation 3.3:

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

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

### Recommendation 3.4:

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

As at 30 June 2013 women employees represented approximately 9% (9% in 2012) of the total workforce. There are currently no women in senior executive positions or on the Board. A copy of the company's 2013 Workplace Gender Equality Report is accessible under the Corporate Governance section of the MaxiTRANS website, [www.maxitrans.com](http://www.maxitrans.com).

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

### Recommendation 4.1:

#### The Board should establish an audit committee

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

### Recommendation 4.2:

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

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

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

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

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

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

### Recommendation 4.3:

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

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

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

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

## 5. PRINCIPLE 5:

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

#### Recommendation 5.1:

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

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

The Continuous Disclosure Protocol provides guidelines on:

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

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

For personal use only

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

### Recommendation 6.1:

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

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

The Company publishes all ASX announcements on the MaxiTRANS website, and also sends information to shareholders by mail or e-mail (where nominated).

The MaxiTRANS website contains important information on the Company which is of use to shareholders in obtaining a greater understanding of the Company.

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

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

## 7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### Recommendation 7.1:

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

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

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

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

### Recommendation 7.2:

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

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

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

### Recommendation 7.3:

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

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

# CORPORATE GOVERNANCE STATEMENT (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

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

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

The MaxiTRANS Remuneration Committee was established in 1994.

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

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

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

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

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

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

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

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

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

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

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

For personal use only

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 and the auditor's report thereon.

## Directors

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

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

## Principal Activities

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

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

## Dividends

Dividends paid or declared for payment are as follows:

### Ordinary shares

A fully franked dividend of 2.25 cents per share was paid on 12 October 2012 totalling \$4,139,851.

A fully franked dividend of 4.25 cents per share was paid on 19 April 2013 totalling \$7,819,719.

A fully franked dividend of 4.25 cents per share has been proposed by the directors after reporting date for payment on 11 October 2013. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports.

## State of Affairs

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

## Events Subsequent to Balance Date

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

## Environmental Regulation

The Group's environmental obligations are regulated under Local, State and Federal Law. All environmental performance obligations are internally monitored and subjected to regular government agency audit and site inspections. The Group has a policy of complying with its environmental performance obligations. No breach of any environmental regulation or law has been notified to the Group during or since the year ended 30 June 2013.

MaxiTRANS has considered the impact of The Clean Energy Future Legislative Package 2011 and are monitoring recent announcements surrounding the related carbon emissions trading scheme and pricing mechanism. Estimates have been factored into the Group's budgets and planning and will be monitored on an ongoing basis. It is anticipated that costs will be passed through where possible.

## Operating & Financial Review

### REVIEW OF OPERATIONS

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

We have seen strong performances this year from both businesses, despite challenging market and competitive conditions, particularly in light of a softening general economy.

### New Trailer business

As a result of the strong order banks at the commencement of the year and strong first half demand, unit sales for FY13 grew by 27%. This led to external revenue growth of 27% and net profit before tax growth of 147%. This strong profit growth was attributed to favourable product mix and the realisation of manufacturing efficiencies.

The New Trailer business has a diverse portfolio of trailing solutions with market leading brands and a reputation for high quality with customers. Sales of products through our expanding dealer network, comprising both owned



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2013

dealerships and licenced dealerships, has increased customer awareness and provides a full solution including after sales service and parts to those customers.

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

Demand for Freighter products was typically broad based, with strong orders from a number of large fleets and also from the resources sector which continued to drive trailer sales in FY13, especially in the first half, and influenced the change in model mix to favour open semi-trailers and road trains over curtain siders. Skeletal demand remained strong supported by growth in container movements. Demand for curtain siders also grew in the second half of FY13, particularly down the eastern seaboard of Australia, with total Freighter unit sales growing by 31% over the prior year.

Maxi-CUBE refrigerated and dry freight vans had a strong year with unit sales up 8%. Demand was widespread, coming from a broad cross section of customers ranging from large fleets to smaller operators. MaxiTRANS' ability to manage a fast ramp up in van production rates assisted in winning a number of large orders.

The acquisition in October 2012 of 80% of the highly regarded South Australian trailer distributor, Transport Connection, has had a positive effect on the business. Transport Connection was already a distributor for MaxiTRANS' Hamelex White tipper brand and its acquisition has enabled the consolidation all of MaxiTRANS brands in a single distribution channel to optimise impact on the South Australian market.

## *Tipplers (Australia)*

FY13 proved to be a challenging one for the tipper market. Low rains negatively impacted demand from the agricultural sector in the 2012 grain season occurring in early FY13 and slower activity in the housing and construction sector during FY13 also had an adverse impact on tipper sales.

The acquisition of AZMEB in May 2012 drove a 36% increase in tipper sales.

This acquisition has increased MaxiTRANS' exposure to the resources and waste management sectors, with a highly reputable and stable product range. AZMEB has proven to be a valuable acquisition and less susceptible to the fluctuating demand experienced by our other tipper brands due to its specialised nature. By being part of the MaxiTRANS stable of brands, we see the benefits of scale further enhancing the performance of this product range.

There was good demand for Lusty EMS' high capacity off road mine haulage side tippers and conventional tippers however this was offset by slower demand from the construction sector.

The distribution of Hamelex White tippers was strengthened in mid FY13 by the appointment of our Queensland Freighter and Maxi-CUBE dealer, Trailer Sales Pty Ltd, as the sole Queensland distributor. Previously, Trailer Sales (which is partially owned by MaxiTRANS) only had the distribution rights for Hamelex White tippers in North Queensland.

## *New Zealand*

Unit sales of trailers and rigid body trucks were 9% down reflecting market uncertainty as a result of the introduction of new road regulations and a generally softer economic climate.

The New Zealand business has diversified its product portfolio by investing in the development of a number of new general freight products under the Freighter brand, specifically tailored to the New Zealand market. Traditionally, the New Zealand product range has concentrated on refrigerated truck bodies and trailers. The new Freighter range will substantially broaden the product portfolio, expand its sales potential, create new customer opportunities including with the largest freight providers in New Zealand, and reduce the reliance on the refrigerated freight sector.

This strategy has started to show a positive impact, with a strong order bank at the end of the year.

Efficiencies are starting to be realised in the new manufacturing facility that opened in Auckland in November 2011 and MaxiTRANS expects these to continue.

## **Parts & Service business**

The Parts & Service business sells truck and trailer parts at both a wholesale and retail level in Australia. The retail business sells parts to end customers as well as truck and trailer service and repair providers along the eastern seaboard of Australia and represents approximately 70% of the Group's total parts sales. The wholesale business operates in Victoria, Queensland, New South Wales and Western Australia and represents approximately 30% of the Group's total parts sales. Wholesale customers are typically truck dealers and trailer manufacturers. At the end of FY13, MaxiPARTS operated 17 wholesale and retail stores and had 66 licensed resellers around Australia.

For personal use only

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2013

In FY13, external revenue from the Parts & Service business increased by 40% and profit before tax grew by 46%, largely due to the successful integration of QDS.

The solid growth in the Parts & Service business in FY13 was underpinned by the full year contribution and successful integration of QDS and there will be a continued focus on building this income stream into the future.

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

## *Australia*

The retail business has benefitted from the introduction of new product ranges such as high quality workshop tools and consumables from QDS, while the former QDS business has benefitted from the addition of trailer parts to its product offering. This comprehensive product range creates a highly attractive one-stop shop offering for our customers.

At the Brisbane Truck Show in May 2013, MaxiTRANS announced the rebranding of the Colrain, QDS and Gladstone Air Cleaner Services businesses under the new MaxiPARTS brand. Re-branding of retail stores has commenced and will be rolled out across all stores in coming months, with all stores expected to be re-branded by mid FY14. The adoption of one common brand is expected to simplify sales and marketing activities, and provides an umbrella for future growth.

A new e-commerce site ([www.in2tyres.com.au](http://www.in2tyres.com.au)) was set up during FY13 marketing truck and trailer tyres on-line and early signs are encouraging. This new channel will continue to be developed and is the first of several potential online ventures that are being investigated.

Consistent with the general softening of the Australian economy, the parts market slowed from early 1H FY13. This was particularly noticeable in Queensland, due to heavy rains in Gladstone (a major parts market) in early 2H FY13 and a general slowdown in the resources sector. This trend may reverse with an improvement in business confidence after the 2013 federal election.

## *China*

The FY13 performance of MTC was broadly in line with FY12. While there is a general economic softening in China, demand for MTC's refrigerated panel product has remained strong. MTC's result has been temporarily adversely impacted by capacity constraints resulting from the transition from MTC's old site to a new manufacturing

facility in Yangzhou. The new manufacturing facility is three times larger than the existing site and incorporates new panel manufacturing technology. This will cater for expected growth in demand for MTC's refrigerated panel product in both domestic and export markets in coming years. The new facility is expected to be operational and should commence producing panels in late Quarter 2 FY14.

## FINANCIAL REVIEW

### Sales

Total revenue increased by 31% to \$363 million for FY13, up from \$277 million in FY12. Both the Trailer business and the Parts & Service business posted strong performances to contribute to this record revenue result.

The Trailer business achieved external sales revenue of \$229.5m, a 27% increase over FY12 revenue of \$181 million. This revenue growth was attributed to a 27% increase in unit sales. This result was assisted by a full year's contribution from AZMEB in FY13 after its acquisition and integration in late FY12 as well as strong contributions from the Group's expanded dealer network including Transport Connection in South Australia and Trailer Sales in Queensland.

The Parts & Service business also recorded 40% external revenue growth to finish FY13 with revenue of \$127.6 million, up from \$91 million in FY12. This result was also aided by a full year's contribution from QDS following its acquisition in the 2H FY12.

### Profit

Net profit after tax attributable to MXI equity holders was \$25.965 million in FY13, an increase of 111% on FY12.

Trading margins continued to improve from FY12, particularly from the sale of trailers due to increased volumes and favourable product mix as well as improved manufacturing efficiencies.

This was partially offset by an increase in selling costs over the prior year, commensurate with the increase in sales volumes. Further, the costs associated with the operation of Transport Connection from October 2012 also contributed to the higher selling costs compared to FY12. Non-selling overheads were higher than the prior year due to including a full year of operating QDS and AZMEB, and due to the acquisition of 80% of Transport Connection, however, as a percentage of revenue, these overheads declined year on year reflecting strong cost control.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2013

Financing costs of \$1.9 million were higher in FY13 than FY12 due to the cost of financing the acquisitions of QDS, AZMEB and Transport Connection.

## Cash Generation & Capital Management

Operating cash flow of \$23.5 million was generated during FY13 which was 34% higher than operating cash flow for FY12 of \$17.6 million. The main contributing factor was the strong operating results of both the Trailer business and the Parts & Service business.

As result of the recent acquisitions, working capital, in particular trade debtors and inventory, has naturally increased over FY13. Working capital continues to be rigorously managed.

Net cash outflows from investing activities were significantly lower as the only acquisition in FY13 was that of the 80% share in Transport Connection.

Cash outflows from financing activities were higher as a result of the increased dividends paid in FY13.

Due to the strong operating cash flows and tight working capital management, gearing levels were lower at the end of FY13 than at the end of FY12. Net debt for FY13 reduced to 21% of equity, down from 26% for FY12.

## External Financing Facilities

MaxiTRANS maintains loan facilities, an overdraft facility and asset finance facilities with the ANZ Banking Group, the Commonwealth Bank of Australia, Westpac Banking Corporation and China Merchant Bank totalling \$49 million. These facilities are sufficient to support the business in its current form.

The facilities are secured against the assets and undertaking of the Group and also have covenant and ratio requirements. The Group has complied with these covenants throughout FY13.

The core loan facilities mature in October 2014 and will be refinanced in the first half of FY14. The group will assess the sufficiency of these facilities to meet its future strategic needs as it undertakes the refinancing.

## Dividends

The total dividend to shareholders for the year was 8.5 cents per share and was fully franked. The total ordinary dividend of 8.5 cents per share compared with 4.25 cents per share in the prior year, and represented a 60% pay out ratio of FY13 net profit after tax attributable to MXI shareholders.

## RISK

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

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

The Audit & Risk Management Committee reviews the identified risks and the mitigation plans twice annually.

## Operational Risks

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

- The Trailer business, which contributes in excess of 60% of Group revenue and 69% of net profit before tax, is engaged in the manufacture and sale of high value discretionary capital goods. The success of this business is largely dependent on the prosperity of the economy driving freight movement. There is a risk that any decline in the domestic economy will reduce freight movement and therefore the demand for new trailing solutions and expanding customer fleets.

The Group has sought to mitigate this risk by:

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

For personal use only

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2013

The Group has sought to mitigate this risk by:

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

## Foreign Exchange & Commodities Risk

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

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

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 improvements; 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 Board has approved a major program, to commence in FY14, to step change safety standards and provide a high level of care for all employees. While gains have been made in recent years in improving safety standards across MaxiTRANS' facilities, further continuous improvement is required to achieve the high standards set by the Board.

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

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

## STRATEGY

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

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

### Successfully identifying and integrating acquisitions

The acquisitions made in FY12 and FY13 of QDS, AZMEB and Transport Connection and their successful integration have continued to build a fully vertically integrated business model. These acquisitions have enabled the Group to achieve scale throughout the entire value chain, in particular:

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

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

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2013

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

With a full year's contribution from QDS, the Parts & Service business comprised 35% of the Group's revenue for FY13, up from 33% in FY12. The integration of QDS saw external revenue for the Parts & Service business grow 40% to \$127.6 million including the realisation of synergies.

In May 2013, we relaunched the Parts business under a single brand: MaxiPARTS. The existing Parts brands of Colrain, QDS and Gladstone Air Cleaner Services have been replaced with this single identity highlighting to customers the scale and reach of this business and providing a platform for future growth.

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

## **Improving manufacturing efficiency**

MaxiTRANS' strong order bank at the commencement of FY13 enabled the Group to optimise the benefits of rationalisation of its manufacturing footprint which has been a major strategic objective since 2010. An increase in unit sales of 27% enabled the Group to realise significant efficiencies, resulting in enhanced margins for the overall business.

The new manufacturing facility in China will provide increased capacity and new manufacturing technology will enhance productivity and improve product quality.

## **Expanding industry sector and geographical coverage**

Together with existing tipper products, the FY12 acquisition and FY13 integration of AZMEB has seen enhanced exposure to the resources and waste management sectors. We will continue to leverage this strong brand in these sectors and also seek international opportunities in developing markets.

A continued focus on building these revenue streams has been identified as a key priority of the Board, through both further organic growth and acquisitions in domestic and global markets.

## **OUTLOOK**

In Australia, FY14 has commenced as a year of low general business and consumer confidence exacerbated by political uncertainty. This is causing customers to be cautious in making investment decisions in the short term.

Performance of the trailer business in Australia will be largely dependent on the continuation of investment in the resources, rural and the housing and construction sectors. Should we see activity and capital investment in these sectors improve after the Australian federal election, we expect this to have a positive impact on the trailer business. Good rains and minimal grain reserves in the agriculture sector should have a positive impact on first half FY14 tipper performance.

We will also be directing increased sales effort into diversifying into overseas markets, with a particular focus on developing economies.

We expect a strong contribution from the Parts & Service business over the outlook period as we seek opportunities to service new markets. To this end, we will be opening a greenfield MaxiPARTS store in Mackay, northern Queensland, and will be actively investigating other locations.

In our offshore markets, New Zealand should continue to benefit from an expanded product range and larger facilities in a trailer market which is continuing to improve.

The increased capacity of our new MTC manufacturing facility in China places us in a good position to take advantage of continued strong demand for our product in China.

We enter FY14 in a strong financial position with low gearing levels, well placed to support further incremental investment initiatives.

For personal use only

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## Information of Directors

### Mr. Ian R. Davis

Chairman, Independent Non-Executive, Age 68

#### Qualifications & Experience:

Law degree with honours from University of Melbourne.

Appointed Chairman 1994.

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

#### Special Responsibilities:

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

#### Interest in Shares:

1,502,193 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil

### Mr. James R. Curtis

Deputy Chairman, Non-Executive, Age 78

#### 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:

24,205,030 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil

### Mr. Michael A. Brockhoff

Managing Director, Executive, Age 60

#### Qualifications & Experience:

Appointed Managing Director in June 2000.

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

#### Special Responsibilities

Member of Nomination Committee

#### Interest in Shares:

2,642,500 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

For personal use only

## Mr. Geoffrey F. Lord

Independent Non-Executive Director, Age 68

### Qualifications & Experience:

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

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

### Special Responsibilities:

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

### Interest in Shares:

1,049,604 ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

## Mr. Robert H. Wylie

Independent Non-Executive Director, Age 63

### Qualifications & Experience:

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

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

### Special Responsibilities:

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

### Interest in Shares:

21,364 ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

## Company Secretaries

### Mr. Campbell R. Richards

B. Bus. (Acc), CA  
Appointed to the position of Company Secretary in June 2013.

### Mr. Marcello Mattia

B. Bus. (Acc), FCA  
Australian Institute of Company Directors, Appointed to the position of Company Secretary in 2008. Resigned 15 March 2013.

### Mr. Aaron M. Harvey

B. Commerce, CA  
Appointed to the position of Assistant Company Secretary in January 2010.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

	Directors' Meetings		Audit & Risk Management Committee		Remuneration Committee		Corporate Governance 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
Ian Davis	12	12	4	4	1	1	1	1
James Curtis	12	12	4	4	1	1	1	1
Michael Brockhoff	12	12	-	-	-	-	-	-
Geoffrey Lord	12	11	4	4	1	1	1	1
Robert Wylie	12	12	4	4	-	-	1	1

## 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.

At the commencement of the 2011 financial year the Directors reviewed the structure and composition of the Company's remuneration for executive directors and senior executives with the assistance of external consultants and

advisors as well as a review of best practices adopted by other ASX companies of a similar size to MaxiTRANS.

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;
- over a 3 year period commencing in the 2011 financial year, the mix of total remuneration between fixed and performance-linked components has moved to an average of 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
- over a 3 year period commencing in the 2011 financial year, the mix of performance-linked remuneration (as a percentage of total remuneration) between STI and LTI components has moved to an average of 15% and 25% respectively;

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

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



# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## Fixed remuneration

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

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

## Performance-linked remuneration

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

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

## STI

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

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

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

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

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

## LTI

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

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

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

If the minimum target is reached, 50% of the Performance Rights will vest. For each additional percentage point of the target that is achieved the percentage of Performance Rights that vest increases on a sliding scale. 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

Period <sup>(i)</sup>	1 July 2012 - 30 June 2015	1 July 2011 - 30 June 2014	1 July 2010 - 30 June 2013
Base ROIC	10.1% (year ended 30 June 2012)	4.2% (year ended 30 June 2011)	5.4% (year ended 30 June 2010)
Target increase in ROIC	Average of 1.15% per annum (3.45% over 3 years)	Average of 2.5% per annum (7.5% over 3 years)	Average of 2% per annum (6% over 3 years)
Percentage increase in base ROIC required	34%	179%	111%
Minimum % of target that must be achieved for Performance Rights to vest	70% (i.e. average of 0.81% per annum)	70% (i.e. average of 1.75% per annum)	70% (i.e. average of 1.4% per annum)

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

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

of unvested Performance Rights.

## Other benefits

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

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

## Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the indices highlighted in the table on page 22. Net profit before tax is considered as one of the financial performance targets in setting the STI.

## Service agreements

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

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

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

Mr Michael Alan Brockhoff, Managing Director, has a contract of employment with the Company dated 3 May 2000.

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

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

## Non-executive directors

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

## Services of remuneration consultant

In keeping with the above policies, the Remuneration Committee engaged Mercer as remuneration consultant to review the amount of non-executive director and senior executive remuneration during the year. Mercer was paid \$30,450 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 2013

## Directors' and executive officers' remuneration

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

	Year	Primary			Post	Equity	Other	Total	Proportion of remuneration performance related	Value of PR's as proportion of remuneration
		Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PR's (iii)	(iv)			
		\$	\$	\$	\$	\$	\$	%	%	
<b>DIRECTORS</b>										
<b>Non-executive</b>										
<b>Mr I Davis</b>	<b>2013</b>	<b>128,440</b>	-	-	<b>11,560</b>	-	-	<b>140,000</b>	-	-
Chairman	2012	115,000	-	-	10,350	-	-	125,350	-	-
<b>Mr J Curtis (iv)</b>	<b>2013</b>	<b>75,000</b>	-	-	-	-	<b>18,000</b>	<b>93,000</b>	-	-
	2012	64,000	-	-	-	-	15,000	79,000	-	-
<b>Mr G Lord</b>	<b>2013</b>	<b>68,807</b>	-	-	<b>6,193</b>	-	-	<b>75,000</b>	-	-
	2012	64,000	-	-	5,760	-	-	69,760	-	-
<b>Mr R Wylie</b>	<b>2013</b>	<b>51,606</b>	-	-	<b>23,394</b>	-	-	<b>75,000</b>	-	-
	2012	48,000	-	-	21,760	-	-	69,760	-	-
<b>Executive</b>										
<b>Mr M Brockhoff</b>	<b>2013</b>	<b>627,755</b>	<b>130,000</b>	<b>4,873</b>	<b>69,498</b>	<b>149,386</b>	<b>69,886</b>	<b>1,051,398</b>	<b>26.6%</b>	<b>14.2%</b>
Managing Director	2012	517,723	-	4,377	36,676	46,688	48,407	653,871	7.1%	7.1%
<b>EXECUTIVES</b>										
<b>Mr C Richards (vi)</b>	<b>2013</b>	<b>8,710</b>	-	-	<b>762</b>	-	-	<b>9,472</b>	-	-
Chief Financial Officer and Company Secretary	2012	-	-	-	-	-	-	-	-	-
<b>Mr M Mattia (vii)</b>	<b>2013</b>	<b>222,210</b>	<b>100,000</b>	<b>18,760</b>	<b>20,041</b>	-	-	<b>361,011</b>	<b>27.7%</b>	-
Chief Financial Officer and Company Secretary	2012	289,957	-	26,540	25,663	22,354	-	364,514	6.1%	6.1%
<b>Mr A Wibberley</b>	<b>2013</b>	<b>240,956</b>	-	<b>27,488</b>	<b>21,262</b>	<b>51,569</b>	<b>9,665</b>	<b>350,940</b>	<b>14.7%</b>	<b>14.7%</b>
General Manager - Lusty EMS Pty Ltd	2012	216,326	-	24,587	18,720	15,686	4,963	280,282	5.6%	5.6%
<b>Mr P Buttler (iv)</b>	<b>2013</b>	<b>211,145</b>	<b>16,101</b>	<b>27,488</b>	<b>19,989</b>	<b>27,982</b>	<b>6,319</b>	<b>309,024</b>	<b>14.3%</b>	<b>9.1%</b>
General Manager - Manufacturing MaxiTRANS Australia Pty Ltd	2012	203,777	13,761	18,770	18,608	8,496	21,038	284,450	7.8%	3.0%
<b>Mr C Wallace</b>	<b>2013</b>	<b>183,148</b>	-	<b>27,488</b>	<b>15,750</b>	<b>33,647</b>	<b>4,063</b>	<b>264,096</b>	<b>12.7%</b>	<b>12.7%</b>
General Manager - Hamelex White, MaxiTRANS Australia Pty Ltd	2012	157,652	35,000	22,630	17,795	9,903	11,062	254,042	3.9%	3.9%

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

Year	Primary			Post	Equity	Other (iv)	Total	Proportion of remuneration performance related	Value of PR's as proportion of remuneration	
	Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PR's (iii)					
	\$	\$	\$	\$	\$	\$	\$	%	%	
<b>EXECUTIVES (continued)</b>										
<b>Mr N Zantuck</b>	<b>2013</b>	<b>189,968</b>	<b>30,473</b>	<b>-</b>	<b>21,442</b>	<b>43,358</b>	<b>30,877</b>	<b>316,118</b>	<b>23.4%</b>	<b>13.7%</b>
General Manager	2012	177,518	-	-	17,096	13,201	23,874	231,689	5.7%	5.7%
- Vic Branch, MaxiTRANS Australia Pty Ltd										
<b>Mr P Loimaranta</b>	<b>2013</b>	<b>261,885</b>	<b>60,000</b>	<b>1,922</b>	<b>24,994</b>	<b>49,579</b>	<b>33,182</b>	<b>431,562</b>	<b>25.4%</b>	<b>11.5%</b>
General Manager	2012	206,748	45,872	22,629	22,578	14,651	5,942	318,420	19.0%	4.6%
- MaxiPARTS Pty Ltd										

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

- (i) Includes the accrual of short-term statutory entitlements. Where relevant, presentation of comparatives have been adjusted for consistency.
- (ii) STI entitlement is 15% (2012: varies from 14.3% to 17.5%) of total remuneration for each of the individuals listed above. The short-term cash incentives disclosed above are for performance for the 30 June 2012 and 2011 financial years respectively using the criteria set out in the Remuneration Report. The amounts were determined after performance reviews were completed. The proportion of STI entitlements which vested during the year were as follows based on the operating performance of the relevant business units to which each individual belongs:
- Mr M Brockhoff (85%);
  - Mr M Mattia (126%)\*;
  - Mr P Buttler (31%);
  - Mr N Zantuck (69%);
  - Mr P Loimaranta (115%)\*.

\* An additional amount was paid due to the over-achievement of agreed KPI's.

The balance of STI entitlements was forfeited.

- (iii) The fair value of performance rights (PR's) is calculated at the date of grant using the Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to vesting date, adjusted for any changes in the probability of performance and service targets being achieved. The value disclosed is the portion of the fair value recognised in this reporting period. In valuing the PR's, market conditions have been taken into account. No PR's vested during the reporting period. Further details in respect of PR's are contained on the following page of the Remuneration Report.
- (iv) Includes the accrual of long-term statutory entitlements. Where relevant, presentation of comparatives have been adjusted for consistency.
- (v) Other remuneration relates to the provision of consulting services to the Group.
- (vi) Mr C Richards was appointed on 24 June 2013.
- (vii) Mr M Mattia resigned effective 15 March 2013. All PR's held by Mr Mattia at that time were cancelled.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## Analysis of share-based payments granted as remuneration

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

	PR's granted (no.)	Grant date	Fair value at grant date (\$)	Vesting date	Expiry date	Vested during FY2013 (%)	Forfeited during FY2013 (%)
<b>Directors</b>							
Mr M Brockhoff	413,698	30 Sep. 2012*	0.5965	30 Sept. 2015	30 Sept. 2019	-	-
<b>Company executives</b>							
Mr. M Mattia	257,739	30 Sep. 2012	0.5965	30 Sept. 2015	30 Sept. 2019	-	100%
<b>Consolidated entity executives</b>							
Mr A Wibberley	185,107	30 Sep. 2012	0.5965	30 Sept. 2015	30 Sept. 2019	-	-
Mr P Buttler	174,630	30 Sep. 2012	0.5965	30 Sept. 2015	30 Sept. 2019	-	-
Mr C Wallace	150,181	30 Sep. 2012	0.5965	30 Sept. 2015	30 Sept. 2019	-	-
Mr N Zantuck	153,674	30 Sep. 2012	0.5965	30 Sept. 2015	30 Sept. 2019	-	-
Mr P Loimaranta	198,698	30 Sep. 2012	0.5965	30 Sept. 2015	30 Sept. 2019	-	-

\* PR's were issued to Mr Brockhoff subject to the approval of shareholders at the Annual General Meeting held on 19 October 2012.

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

The % forfeited during the year represents the reduction from the maximum number of PR's available to vest due to continued employment criteria not being met.

Based on the current share price, the estimated maximum value of PR's on issue for future years is \$1.065. This is subject to future movements in the share price. The estimated minimum value is \$nil.

## Unissued Shares Under Rights

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

## Consolidated Results and Shareholder Returns

	2013	2012	2011	2010	2009
Net profit/(loss) attributable to equity holders of the parent	\$25,965,000	\$12,334,000	\$4,171,000	\$5,766,000	\$(1,894,000)
Basic EPS	14.11¢	6.70¢	2.27¢	3.17¢	(1.09)¢
Dividends declared	\$15,639,438	\$7,819,719	\$2,759,901	\$3,642,694	\$1,717,422
Dividends declared per share	8.50¢	4.25¢	1.50¢	2.00¢	1.00¢
Share price	\$1.065	61.5¢	23.0¢	26.0¢	22.0¢

End of Remuneration Report

For personal use only

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 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.

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

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

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

## Share Options

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

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

## Shares Issued on the Exercise of Options

No options were exercised during the financial year.

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

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 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 25.

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	
	2013	2012
	\$	\$
<b>Remuneration of Auditor</b>		
Remuneration of the auditor of the Group for:		
<b>KPMG Australia:</b>		
- auditing and reviewing the financial statements	215,000	204,650
- other services (taxation & advisory)	126,505	153,946
	<b>341,505</b>	<b>358,596</b>
<b>Overseas KPMG Firms:</b>		
- auditing and reviewing financial statements	55,199	51,407
- other services (taxation, advisory & due diligence)	10,006	9,799

## 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 2013

## Rounding of Accounts

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

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



Mr. Ian Russell Davis, Director



Mr. Michael Alan Brockhoff, Director

Dated this 23rd day of August 2013



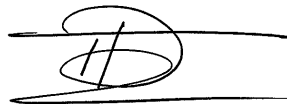
## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of MaxiTRANS Industries Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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  
23 August 2013



Tony Romeo  
Partner



# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

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

- (a) the consolidated financial statements and notes as set out on pages 27 to 70, 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 2013 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.

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

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



Mr. Ian Russell Davis, Director



Mr. Michael Alan Brockhoff, Director

Dated this 23rd day of August 2013

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

FOR THE YEAR ENDED 30 JUNE 2013

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Consolidated	
		2013 \$'000	2012 \$'000
Total revenue	2	362,534	276,767
Changes in inventories of finished goods and work in progress		6,111	2,443
Raw materials and consumables used		(218,542)	(170,216)
Other income	3	87	59
Employee expenses		(82,372)	(64,209)
Depreciation and amortisation expenses	4	(5,903)	(5,433)
Finance costs	4	(1,958)	(1,321)
Other expenses		(25,155)	(22,403)
Share of net profits of associates and joint ventures accounted for using the equity method	26	1,556	1,108
<b>Profit before income tax</b>		<b>36,358</b>	<b>16,795</b>
Income tax expense	5(a)	(10,137)	(4,273)
<b>Profit for the year</b>		<b>26,221</b>	<b>12,522</b>
Profit attributable to:			
Equity holders of the company		25,965	12,334
Non-controlling interests		256	188
<b>Profit for the year</b>		<b>26,221</b>	<b>12,522</b>
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	16	14.11¢	6.70¢
Diluted earnings per share (cents per share)	16	13.76¢	6.62¢

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Profit for the year</b>		<b>26,221</b>	<b>12,522</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		2,037	(48)
Effective portion of changes in fair value of cash flow hedges		(130)	-
Income tax on items that may subsequently be re-classified to profit or loss		39	-
<b>Other comprehensive income for the year, net of tax</b>		<b>1,946</b>	<b>(48)</b>
<b>Total comprehensive income for the year</b>		<b>28,167</b>	<b>12,474</b>
Total comprehensive income attributable to:			
Equity holders of the company		27,689	12,291
Non-controlling interests		478	183
<b>Total comprehensive income for the year</b>		<b>28,167</b>	<b>12,474</b>

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

# CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated	
		2013 \$'000	2012 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		1,617	3,791
Trade and other receivables	6	41,228	34,486
Inventories	7	54,483	46,726
Other	8	3,142	1,328
<b>Total Current Assets</b>		<b>100,470</b>	<b>86,331</b>
<b>Non-Current Assets</b>			
Investments accounted for using the equity method	9	3,830	3,212
Property, plant & equipment	10	53,598	50,051
Intangible assets	11	44,102	43,662
Other	8	796	981
<b>Total Non-Current Assets</b>		<b>102,326</b>	<b>97,906</b>
<b>Total Assets</b>		<b>202,796</b>	<b>184,237</b>
<b>Current Liabilities</b>			
Trade and other payables	12	37,515	38,972
Interest bearing loans and borrowings	13	5,033	1,870
Current tax liability	5(c)	8,565	4,683
Provisions	14	9,754	8,113
<b>Total Current Liabilities</b>		<b>60,867</b>	<b>53,638</b>
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	13	21,185	28,014
Deferred tax liabilities	5(b)	1,125	1,833
Provisions	14	1,099	883
Other		2,756	1,174
<b>Total Non-Current Liabilities</b>		<b>26,165</b>	<b>31,904</b>
<b>Total Liabilities</b>		<b>87,032</b>	<b>85,542</b>
<b>Net Assets</b>		<b>115,764</b>	<b>98,695</b>
<b>Equity</b>			
Issued capital	15	56,386	56,386
Reserves	17	9,379	7,071
Retained earnings		48,142	34,137
<b>Equity attributable to equity holders of the Company</b>		<b>113,907</b>	<b>97,594</b>
Non-controlling interest		1,857	1,101
<b>Total Equity</b>		<b>115,764</b>	<b>98,695</b>

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

For personal use only

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

For personal use only

	Note	Issued capital \$'000	Asset revaluation reserve \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Hedging reserve \$'000	Non-controlling interest \$'000	Total \$'000
<b>Balance at 1 July 2011</b>		56,386	9,375	(1,110)	51	27,020	-	-	91,722
<b>Comprehensive income for the year</b>									
Profit/(loss) for the year		-	-	-	-	12,334	-	188	12,522
<i>Other comprehensive income</i>									
Net exchange differences on translation of financial statements of foreign operations	17	-	-	(48)	-	-	-	-	(48)
<b>Total comprehensive income for the year</b>						12,334	-	188	12,474
<b>Transactions with owners recorded directly in equity</b>									
Dividends to equity holders	18	-	-	-	-	(6,440)	-	-	(6,440)
Disposal of non-controlling interest without a change in control		-	-	-	-	(124)	-	913	789
Share-based payment transactions	20	-	-	-	150	-	-	-	150
<b>Total transactions with owners</b>						(6,564)	-	913	(5,501)
<b>Transfers</b>									
Transfer to retained earnings on disposal of property		-	(1,347)	-	-	1,347	-	-	-
<b>Total transfers</b>			(1,347)			1,347			
<b>Balance at 30 June 2012</b>		<b>56,386</b>	<b>8,028</b>	<b>(1,158)</b>	<b>201</b>	<b>34,137</b>	<b>-</b>	<b>1,101</b>	<b>98,695</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated	
		2013 \$'000	2012 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		391,624	299,255
Payments to suppliers & employees		(359,273)	(277,531)
Interest received		87	59
Interest & other costs of finance paid		(1,958)	(1,321)
Income tax paid		(6,937)	(2,895)
<b>Net Cash Provided by/(Used in) Operating Activities</b>	27(a)	<b>23,543</b>	<b>17,567</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant & equipment		(6,706)	(4,701)
Dividends received		937	729
Proceeds from sale of property, plant & equipment		306	3,350
Acquisition of subsidiary, net of cash acquired	25	(1,227)	(19,968)
Acquisition of business assets	25	(2,621)	(6,041)
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>(9,311)</b>	<b>(26,631)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		3,352	13,964
Repayment of borrowings		(7,095)	-
Payment of finance lease liabilities		(1,181)	(1,051)
Dividends paid	18	(12,044)	(6,440)
<b>Net Cash Provided by/(Used in) Financing Activities</b>		<b>(16,968)</b>	<b>6,473</b>
Net increase/(decrease) in cash		(2,736)	(2,591)
Cash and cash equivalents at beginning of year		3,791	6,382
<b>Cash and cash equivalents at end of year</b>		<b>1,055</b>	<b>3,791</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 2013

## 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 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity.

### Basis of preparation

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

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

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

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

The financial report was approved by the board of directors on 23 August 2013.

### Changes in accounting policies

From 1 July 2012 the Group applied amendments to AASB 2011-9, Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has not impacted on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other

comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the consolidated statement of comprehensive income.

### New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial report of the Group.

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 has the power directly, or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. A list of subsidiaries is contained in Note 23 to the financial statements.

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

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

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

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

For personal use only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

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.

Associates are those entities for which the Group has significant influence, but not control, over the associate's financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that 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 as at 31 December 2011 and an updated market commentary obtained at 30 June 2013 in relation to the majority of land and buildings. These were considered by the directors in establishing revaluation amounts.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

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

### Plant and equipment

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

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

### (ii) Leased assets

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

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

### (iii) Depreciation

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

	2013	2012
Buildings	2.5-4.0%	2.5-4.0%
Plant and equipment	5.0-50%	5.0-50%
Leased plant and equipment	10.0-30%	10.0-22.5%

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 associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

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

#### (ii) Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

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) Other intangible assets

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

### (iv) Amortisation

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

	2013	2012
Brand names	0%	0%
Intellectual property	0%-4.0%	0%-4.0%
Patents & trademarks	5.0%-12.0%	5.0%

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

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

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

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

### (g) Trade and other receivables

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

### (h) Cash and cash equivalents

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

### (i) Impairment

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

### (j) Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration 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 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 and 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 and loss as incurred.

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

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

#### (iii) Share based payments transactions

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

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

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

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

Liabilities for employee benefits for wages, salaries, annual leave and 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

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 and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences

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

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

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

### (q) Tax consolidation

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

### (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, after excluding any costs of servicing equity, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

### (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 upon completion of the contract to provide the service.

#### (iii) Other income

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

#### (iv) Dividend income

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

### (t) Goods and services tax

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

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

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

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

### (u) Trade and other payables

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

### (v) Expenses

#### (i) Operating lease payments

Payments made under operating leases are recognised in the profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

### (x) Accounting estimates and judgements

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

#### (i) Impairment of goodwill and intangibles

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

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

#### (ii) Provisions

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

### (y) Financial Risk Management

#### (i) Overview

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

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

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

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

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 2013 was 21% (2012: 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

### (aa) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (i) Land and buildings

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

#### (ii) Derivatives

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

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

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

#### (iii) Trade and other receivables

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

#### (iv) Non-derivative financial liabilities

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

For personal use only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013 \$'000	2012 \$'000
<b>2. REVENUE</b>		
Sale of goods	351,845	265,738
Rendering of services	10,689	11,029
<b>Total Revenue</b>	<b>362,534</b>	<b>276,767</b>
<b>3. OTHER INCOME</b>		
Interest revenue	87	59
<b>Total Other Income</b>	<b>87</b>	<b>59</b>
<b>4. PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before related income tax expense has been determined after charging/(crediting) the following items:		
<b>Finance costs:</b>		
- interest – bank loans and overdraft	1,682	1,075
- finance lease charges	276	246
<b>Total finance costs</b>	<b>1,958</b>	<b>1,321</b>
<b>Employee benefits:</b>		
- Post employment benefits		
- Superannuation contributions	4,300	3,404
<b>Depreciation:</b>		
- property	543	465
- plant and equipment	2,766	3,353
<b>Total depreciation</b>	<b>3,309</b>	<b>3,818</b>
<b>Amortisation</b>		
- intellectual property	735	735
- patents and trademarks	413	45
- capitalised leased assets	1,446	835
<b>Total amortisation</b>	<b>2,594</b>	<b>1,615</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013 \$'000	2012 \$'000
<b>4. PROFIT FROM ORDINARY ACTIVITIES (continued)</b>		
<b>Net (income)/expenses from movements in provision for:</b>		
- employee entitlements	926	691
- warranty	436	140
- other	23	1,239
Net (income)/expense resulting from movements in provisions	<b>1,385</b>	2,070
Rental expense on operating leases	<b>4,841</b>	2,956
Research and development expenditure written off as incurred	<b>676</b>	592
Crediting as income:		
Net gain on disposal of:		
- property plant and equipment	<b>(97)</b>	(76)
<b>5. TAXATION</b>		
<b>(a) Income tax</b>		
Reconciliation of tax expense		
Prima facie tax payable on profit before tax at 30% (2012: 30%)	<b>10,907</b>	5,038
Add/(deduct) tax effect of:		
Research & development allowance	<b>(299)</b>	(300)
Non deductible expenses	<b>123</b>	160
Associate equity accounted income	<b>(467)</b>	(332)
Prior year adjustments	<b>(55)</b>	(117)
Impact of tax rates in foreign jurisdictions	<b>(72)</b>	(176)
	<b>(770)</b>	(765)
<b>Income tax expense in consolidated statement of profit or loss</b>	<b>10,137</b>	4,273
Income tax expense attributable to operating profit is made up of:		
Current tax expense	<b>10,792</b>	6,184
Prior year adjustment - current tax	<b>(12)</b>	434
Deferred tax expense		
- origination and reversal of temporary difference	<b>(600)</b>	(1,794)
- prior year adjustment - deferred differences	<b>(43)</b>	(551)
Income tax expense in consolidated statement of profit or loss	<b>10,137</b>	4,273

For personal use only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013 \$'000	2012 \$'000
<b>5. TAXATION (continued)</b>		
<b>(b) Deferred tax assets/(deferred tax liabilities)</b>		
The deferred tax assets/(deferred tax liabilities) are made up of the following estimated tax benefits:		
- Provisions and accrued employee benefits	3,453	2,722
- Property, plant & equipment	(2,306)	(2,497)
- Leases	(25)	(20)
- Intangible assets	(2,938)	(3,008)
- Inventory	606	745
- Other	85	225
<b>Net deferred tax liability</b>	<b>(1,125)</b>	<b>(1,833)</b>
Balance at beginning of year	(1,833)	(4,562)
Recognised in profit or loss	643	2,345
Acquired through business combination	26	384
Recognised in equity	39	-
<b>Net deferred tax liability</b>	<b>(1,125)</b>	<b>(1,833)</b>

## (c) Current tax liability

The current tax liability for the Group of \$8,565,000 (2012: \$4,683,000) represents the amount of income taxes payable in respect of current and prior financial periods.

	Consolidated	
	2013 \$'000	2012 \$'000
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	40,435	33,895
Provision for impairment loss	(258)	(178)
	40,177	33,717
Other receivables	1,051	769
<b>Total trade and other receivables</b>	<b>41,228</b>	<b>34,486</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 6. TRADE AND OTHER RECEIVABLES (continued)

	Consolidated 2013		Consolidated 2012	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
<b>Impairment losses</b>				
Not past due	24,707	82	20,633	97
Past due 0 – 30 days	12,236	57	9,411	34
Past due 31 – 60 days	1,785	9	1,984	6
Past due over 61 days	1,707	110	1,867	41
	<b>40,435</b>	<b>258</b>	<b>33,895</b>	<b>178</b>

	Consolidated	
	2013 \$'000	2012 \$'000

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

Balance at 1 July	178	224
Impairment loss recognised/(credited)	253	36
Bad debts	(173)	(82)
<b>Balance at 30 June</b>	<b>258</b>	<b>178</b>

## 7. INVENTORIES

Second-hand units – at net realisable value	3,844	4,767
Finished goods – at cost	37,312	28,507
Work in progress – at cost	1,914	2,213
Raw materials – at cost	14,451	14,334
Less: provision for impairment loss	(3,038)	(3,095)
<b>Total inventories</b>	<b>54,483</b>	<b>46,726</b>

## 8. OTHER ASSETS

<b>Current</b>		
Prepayments	3,142	1,328
	<b>3,142</b>	<b>1,328</b>
<b>Non-current</b>		
Other receivables	796	981
	<b>796</b>	<b>981</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
		\$'000	\$'000
<b>9. INVESTMENTS</b>			
	Note		
<b>Non-current</b>			
Investments in associated entities accounted for using the equity method	26	3,830	3,212
		<b>3,830</b>	3,212
<b>10. PROPERTY, PLANT &amp; EQUIPMENT</b>			
<b>Land and Buildings</b>			
Land and buildings at fair value		38,377	37,465
Accumulated depreciation		(1,134)	(530)
<b>Total land and buildings</b>		<b>37,243</b>	36,935
<b>Plant and Equipment</b>			
Plant & equipment at cost		33,340	30,378
Accumulated depreciation		(26,751)	(23,664)
		<b>6,589</b>	6,714
Office equipment at cost		6,877	5,964
Accumulated depreciation		(4,759)	(3,874)
		<b>2,118</b>	2,090
Leased plant & equipment		4,710	5,049
Accumulated depreciation		(3,144)	(2,382)
		<b>1,566</b>	2,667
Capital work in progress		6,082	1,645
<b>Total plant and equipment</b>		<b>16,355</b>	13,116
<b>Total property, plant and equipment</b>		<b>53,598</b>	50,051

Independent valuations were obtained as at 31 December 2011 and an updated market commentary at 30 June 2013 in relation to the majority of land and buildings held at that time, for use by the directors in assessing land and buildings at fair value.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 10. PROPERTY PLANT & EQUIPMENT (continued)

### Reconciliations

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

	Consolidated	
	2013 \$'000	2012 \$'000
<b>Land and buildings</b>		
Carrying amount at the beginning of the financial year	36,935	33,840
Additions	-	2,618
Acquisitions through business combinations	-	66
Transfers from capital works in progress	-	2,393
Disposals	-	(1,649)
Depreciation	(543)	(465)
Exchange rate variance	851	132
<b>Carrying amount at the end of the financial year</b>	<b>37,243</b>	<b>36,935</b>
<b>Plant and equipment</b>		
Carrying amount at the beginning of the financial year	6,714	7,003
Additions	970	472
Acquisitions through business combinations	137	2,613
Other	-	(1,900)
Transfers from capital works in progress	437	1,257
Transfers from leased plant and equipment	351	261
Disposals	(190)	(190)
Depreciation	(1,938)	(2,831)
Exchange rate variance	108	29
<b>Carrying amount at the end of the financial year</b>	<b>6,589</b>	<b>6,714</b>
<b>Office equipment</b>		
Carrying amount at the beginning of the financial year	2,090	1,179
Additions	354	510
Acquisitions through business combinations	-	232
Transfers from capital works in progress	508	703
Disposals	(19)	(7)
Depreciation	(828)	(522)
Exchange rate variance	13	(5)
<b>Carrying amount at the end of the financial year</b>	<b>2,118</b>	<b>2,090</b>
<b>Leased plant and equipment</b>		
Carrying amount at the beginning of the financial year	2,667	2,953
Additions	696	810
Transfers to plant and equipment	(351)	(261)
Amortisation	(1,446)	(835)
<b>Carrying amount at the end of the financial year</b>	<b>1,566</b>	<b>2,667</b>
<b>Capital works in progress</b>		
Carrying amount at the beginning of the financial year	1,645	2,997
Additions	5,382	2,762
Capitalised borrowing costs	-	239
Transfers to property, plant and equipment	(945)	(4,353)
<b>Carrying amount at the end of the financial year</b>	<b>6,082</b>	<b>1,645</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013 \$'000	2012 \$'000
<b>11. INTANGIBLES</b>		
Goodwill at cost	21,990	20,267
Brand names at cost	6,930	6,930
Accumulated amortisation	(691)	(691)
	6,239	6,239
Intellectual property at cost	22,665	23,578
Accumulated amortisation	(10,205)	(9,470)
	12,460	14,108
Patents and trademarks at cost	4,229	3,451
Accumulated amortisation	(816)	(403)
	3,413	3,048
<b>Total Intangibles</b>	<b>44,102</b>	<b>43,662</b>

## Reconciliations

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

### Goodwill

Carrying amount at the beginning of the financial year	20,267	6,368
Acquisition through business combination	1,578	13,899
Adjustment to purchase price allocation of assets acquired in prior year	145	-
<b>Carrying amount at the end of the financial year</b>	<b>21,990</b>	<b>20,267</b>

### Brand names

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

### Intellectual property

Carrying amount at the beginning of the financial year	14,108	13,930
Amortisation	(735)	(735)
Acquisition through business combination	-	913
Adjustment to purchase price allocation of assets acquired in prior year	(913)	-
<b>Carrying amount at the end of the financial year</b>	<b>12,460</b>	<b>14,108</b>

### Patents and trademarks

Carrying amount at the beginning of the financial year	3,048	533
Amortisation	(413)	(45)
Acquisition through business combination	-	2,560
Adjustment to purchase price allocation of assets acquired in prior year	778	-
<b>Carrying amount at the end of the financial year</b>	<b>3,413</b>	<b>3,048</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 11. INTANGIBLES (continued)

	Consolidated	
	2013 \$'000	2012 \$'000
<b>Goodwill allocation by CGU:</b>		
Freighter	2,853	2,853
Maxi-CUBE	762	762
Azmeh	300	168
Parts and Spares	13,744	13,731
Yangzhou Maxi-CUBE Tong Composites (China)	2,753	2,753
Transport Connection (provisionally allocated)	1,578	-
	<b>21,990</b>	<b>20,267</b>

### Impairment tests for Goodwill

The recoverable amount of the CGU's to which goodwill is allocated is determined based on value-in-use calculations. These calculations use cash flow projections based on most recent budgeted projections by key operational management. These projections are derived based on current market conditions, order intake and expectations with regards to market share. Projections are extrapolated using estimated growth rates for a five year period with a terminal growth rate below the long-term market average. The growth rate used for years 2-5 is 4% which is based on the most recent Australian Government, Department of Transport and Regional Services, Auslink White Paper and the post tax discount rates used were 12.5% - 13.5% (2012: 10.6% - 11.6%).

Any change in assumptions may impact the value-in-use calculations and therefore the carrying value of goodwill and other relevant assets.

### Impairment tests for other intangible assets

The Group performed impairment testing of CGU's to which other intangible assets with indefinite useful lives are allocated, pursuant to AASB 136. Results of this testing indicated that the recoverable amount of each CGU was found to be in excess of its carrying value. As such, no impairment charge was required for the year ended 30 June 2013. A post tax discount rate of 12.5% (2012:10.6%) was used in determining the recoverable amount.

## 12. TRADE AND OTHER PAYABLES

Trade payables	29,168	28,167
Other payables and accruals	8,347	10,805
<b>Total trade and other payables</b>	<b>37,515</b>	<b>38,972</b>

## 13. INTEREST BEARING LOANS AND BORROWINGS

### Current

Bank loans - secured	31(e)	2,332	-
Bank overdraft	31(e)	562	-
Lease liability	28(a)	2,139	1,870
<b>Total current interest bearing liabilities</b>		<b>5,033</b>	<b>1,870</b>

### Non Current

Bank loans - secured	31(e)	20,119	26,000
Lease liability	28(a)	1,066	2,014
<b>Total non-current interest bearing liabilities</b>		<b>21,185</b>	<b>28,014</b>

Secured bank loans are subject to a floating interest rate. Interest rate swaps have been executed in respect of \$12.5m (2012:\$20m) of this debt in order to mitigate interest rate risk. Refer to note 31(b) for further details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013 \$'000	2012 \$'000
<b>14. PROVISIONS</b>		
<b>Current</b>		
Employee entitlements	8,066	6,847
Warranty	1,688	1,266
<b>Total current provisions</b>	<b>9,754</b>	<b>8,113</b>
<b>Non Current</b>		
Employee entitlements	1,099	883
<b>Aggregate employee entitlements liability</b>	<b>9,165</b>	<b>7,730</b>
<b>Reconciliations</b>		
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:		
<b>Warranty</b>		
Carrying amount at the beginning of the financial year	1,266	1,150
Provisions made/(used) during the year	422	116
<b>Carrying amount at the end of the financial year</b>	<b>1,688</b>	<b>1,266</b>
<b>15. ISSUED CAPITAL</b>		
183,993,392 (2012: 183,993,392) fully paid ordinary shares	56,386	56,386
<b>Total</b>	<b>56,386</b>	<b>56,386</b>

There were no movements in share capital during either the financial year or comparative period.

## Ordinary shares

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

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

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 16. EARNINGS PER SHARE

### Basic earnings per share

	Consolidated	
	2013 – \$'000	2012 – \$'000
<b>Earnings reconciliation</b>		
Net profit attributable to equity holders of the company	25,965	12,334
<b>Basic earnings</b>	<b>25,965</b>	<b>12,334</b>
	<b>2013 – Number</b>	<b>2012 – Number</b>
<b>Weighted average number of shares</b>		
Ordinary shares on issue at 1 July	183,993,392	183,993,392
Effect of shares issued during the year	-	-
<b>Number for basic earnings per share</b>	<b>183,993,392</b>	<b>183,993,392</b>

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2013 is based on net profit attributable to equity holders of the company of \$25,965,000 and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 4,713,016.

	2013 – Number	2012 – Number
<b>Weighted average number of shares (diluted)</b>		
Weighted average number of shares (basic)	183,993,392	183,993,392
Effect of Performance Rights on issue	4,713,016	2,185,780
<b>Number for diluted earnings per share</b>	<b>188,706,408</b>	<b>186,179,172</b>

## 17. RESERVES

### Nature and purpose of reserves

#### Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations and the equity accounting of foreign associates.

#### Asset revaluation reserve

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

#### Share based payments reserve

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

#### Hedging Reserve

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 18. DIVIDENDS

Dividends paid	Cents per share	Total amount \$'000	Date of payment	Tax rate for franking credit	Percent franked
<b>2013</b>					
Interim – ordinary	4.25	7,820	19 April 2013	30%	100%
<b>Total dividends paid</b>	<b>4.25</b>	<b>7,820</b>			
<b>2012</b>					
Interim – ordinary	2.00	3,680	20 April 2012	30%	100%
Final - ordinary	2.25	4,140	12 October 2012	30%	100%
<b>Total dividends paid</b>	<b>4.25</b>	<b>7,820</b>			
<b>Dividends proposed</b>					
Final – ordinary	<b>4.25</b>	<b>7,820</b>	11 October 2013	30%	100%

The above dividend was declared after the end of the financial year and will be paid on 11 October 2013. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial statements.

### Dividend re-investment plan

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

Dividend franking account	The Company	
	2013 \$'000	2012 \$'000
Franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	<b>9,321</b>	8,279

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

The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by \$3,351,308 (2012: \$1,774,222).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 19. SEGMENT INFORMATION

It is the Group's policy that inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. There have been no changes in reportable segments during the year. Total finance costs of the Group are included in unallocated corporate costs.

Year ended 30 June 2013

Business Segments	Sales of New Trailer & Tipper Units	Sales of Parts & Service	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
External segment revenue	229,540	127,640	4,538	-	361,718
Inter-segment revenue	1,659	27,761	-	(29,420)	-
<b>Total segment revenue</b>	<b>231,199</b>	<b>155,401</b>	<b>4,538</b>	<b>(29,420)</b>	<b>361,718</b>
Unallocated sundry revenue					816
<b>Total revenue</b>					<b>362,534</b>
<b>Segment Net profit before tax</b>	<b>25,065</b>	<b>13,000</b>	<b>(117)</b>	<b>-</b>	<b>37,948</b>
Share of net profit of equity accounted investments					1,556
Unallocated corporate expenses					(3,146)
Profit before related income tax expense					36,358
Income tax expense					10,137
<b>Net profit</b>					<b>26,221</b>
Depreciation and amortisation	4,056	1,702	9	-	5,767
Unallocated depreciation and amortisation					136
<b>Total depreciation and amortisation</b>					<b>5,903</b>
<b>Assets</b>					
Segment assets	118,886	65,062	2,953	-	186,901
Unallocated corporate assets					15,333
<b>Consolidated total assets</b>					<b>202,234</b>
<b>Liabilities</b>					
Segment liabilities	13,240	20,744	25	-	34,009
Unallocated corporate liabilities					52,461
<b>Consolidated total liabilities</b>					<b>86,470</b>
Capital expenditure <sup>(i)</sup>	1,406	5,492	-	-	6,898
Unallocated capital expenditure					504
<b>Consolidated capital expenditure</b>					<b>7,402</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 19. SEGMENT INFORMATION (continued)

Year ended 30 June 2012

Business Segments	Sales of New Trailer & Tipper Units	Sales of Parts & Service	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
External segment revenue	181,044	91,001	3,471	-	275,516
Inter-segment revenue	1,181	21,969	-	(23,150)	-
<b>Total segment revenue</b>	<b>182,225</b>	<b>112,970</b>	<b>3,471</b>	<b>(23,150)</b>	<b>275,516</b>
Unallocated sundry revenue					1,251
<b>Total revenue</b>					<b>276,767</b>
<b>Segment Net profit before tax</b>	<b>10,154</b>	<b>8,915</b>	<b>53</b>	<b>-</b>	<b>19,122</b>
Share of net profit of equity accounted investments					1,108
Unallocated corporate expenses					(3,435)
Profit before related income tax expense					16,795
Income tax expense					(4,273)
<b>Net profit</b>					<b>12,522</b>
Depreciation and amortisation	4,133	1,309	7	-	5,449
Unallocated depreciation and amortisation					(16)
<b>Total depreciation and amortisation</b>					<b>5,433</b>
<b>Assets</b>					
Segment assets	102,280	59,416	3,454	-	165,150
Unallocated corporate assets					19,087
<b>Consolidated total assets</b>					<b>184,237</b>
<b>Liabilities</b>					
Segment liabilities	11,369	17,929	40	-	29,338
Unallocated corporate liabilities					56,204
<b>Consolidated total liabilities</b>					<b>85,542</b>
Capital expenditure <sup>(i)</sup>	2,390	2,818	37	-	5,245
Unallocated capital expenditure					266
<b>Consolidated capital expenditure</b>					<b>5,511</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 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 2013

## 20. SHARE BASED PAYMENTS

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

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

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

### Summary of PR's over unissued ordinary shares

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

Period	1 July 2012 - 30 June 2015	1 July 2011 - 30 June 2014	1 July 2010 - 30 June 2013
Grant date	30 September 2012	30 September 2011	30 September 2010
Total PR's Issued	1,831,097	2,893,613	1,487,714
Total PR's remaining on issue	1,568,469	2,453,329	1,082,261
Base ROIC	10.1% (year ended 30 June 2012)	4.2% (year ended 30 June 2011)	5.4% (year ended 30 June 2010)
Target increase in ROIC	Average of 1.15% per annum (3.45% over 3 years)	Average of 2.5% per annum (7.5% over 3 years)	Average of 2% per annum (6% over 3 years)
Percentage increase in base ROIC required	34%	179%	111%
Minimum % of target that must be achieved for Performance Rights to vest	70% (i.e. average of 0.81% per annum)	70% (i.e. average of 1.75% per annum)	70% (i.e. average of 1.4% per annum)
Minimum service requirement	3 years from grant date	3 years from grant date	3 years from grant date

### Inputs for measurement of grant date fair value

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 20. SHARE BASED PAYMENTS (continued)

Employee expenses	Consolidated	
	2013 \$'000	2012 \$'000
PR's on issue	362	150
<b>Total share based payment expense recognised as employee costs</b>	<b>362</b>	<b>150</b>

## 21. RELATED PARTY DISCLOSURES

### (a) Equity interests in related parties

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

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

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

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

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

#### Non-executive directors

- Mr I Davis (Chairman)
- Mr J Curtis (Deputy Chairman)
- Mr G Lord
- Mr R Wylie

#### Executive directors

- Mr M Brockhoff (Managing Director)

#### Executives

- Mr C Richards (Chief Financial Officer and Company Secretary) - appointed 24 June 2013
- Mr M Mattia (Chief Financial Officer and Company Secretary) - resigned effective 15 March 2013
- Mr A Wibberley (General Manager – Resources)
- Mr P Buttler (General Manager - Manufacturing)
- Mr C Wallace (General Manager - Hamelex White)
- Mr N Zantuck (General Manager – Vic Branch)
- Mr P Loimaranta (General Manager – MaxiPARTS)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 21. RELATED PARTY DISCLOSURES (continued)

### (c) 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:

2013 Shares MaxiTRANS Industries Limited	Held at 1 July 2012	Purchases	Sales	Held at 30 June 2013
<b>Directors:</b>				
Mr M Brockhoff	2,871,500	-	229,000	2,642,500
Mr I Davis	1,302,193	200,000	-	1,502,193
Mr J Curtis	24,175,030	30,000	-	24,205,030
Mr G Lord	1,049,604	-	-	1,049,604
Mr R Wylie	21,364	-	-	21,364
<b>Executive:</b>				
Mr. P Loimaranta	15,000	-	15,000	-
<b>2012 Shares MaxiTRANS Industries Limited</b>				
	Held at 1 July 2011	Purchases	Sales	Held at 30 June 2012
<b>Directors:</b>				
Mr M Brockhoff	2,871,500	-	-	2,871,500
Mr I Davis	1,202,193	100,000	-	1,302,193
Mr J Curtis	24,175,030	-	-	24,175,030
Mr G Lord	1,039,604	10,000	-	1,049,604
Mr R Wylie	21,364	-	-	21,364
<b>Executive:</b>				
Mr. P Loimaranta	15,000	-	-	15,000

### Performance Rights

Details of key management personnel performance rights are set out in the Remuneration Report.

### (d) Directors' transactions in shares

Directors and their related entities acquired 230,000 existing ordinary shares in MaxiTRANS Industries Limited during the year.

The shares shown as sales by Mr Brockhoff relate to indirect shareholdings over which he no longer exercises control.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 21. RELATED PARTY DISCLOSURES (continued)

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

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

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

MaxiTRANS Industries Limited and controlled entities paid legal fees of \$288,686 (2012: \$399,000) to Minter Ellison of which Mr I. Davis is a senior partner. All dealings were in the ordinary course of business and on normal commercial terms and conditions. Amounts owing at year end total \$17,250 (2012: \$nil).

MaxiTRANS Industries Limited and controlled entities paid consulting fees of \$31,638 (2012: 47,836) to UXC Consulting Pty Ltd and UXC Red Rock Pty Ltd, subsidiaries of UXC Limited of which Mr G Lord is Deputy Chairman. All dealings were in the ordinary course of business and on normal commercial terms and conditions. Amounts owing at year end total \$nil (2012: \$nil).

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

### (g) Transactions with associate companies

During the year the Group derived revenue from associates of \$43,741,000 (2012: \$27,631,000) for the sale of new units, parts and the provisions of services. Amounts receivable from associates at year end total \$7,085,000 (2012: \$908,000).

During the year the Group paid for services and parts from associates totalling \$415,000 (2012: \$2,267,000). Amounts owing at year end total \$82,000 (2012: \$60,000).

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

### (h) Key management personnel remuneration

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

	Consolidated	
	2013	2012
	\$'000	\$'000
Short-term employee benefits	2,886	2,405
Post-employment benefits	235	195
Share based payment benefits	356	131
	<b>3,477</b>	2,731



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 22. PARENT ENTITY

As at 30 June 2013 and throughout the financial year ending on that date, the parent company of the Group was MaxiTRANS Industries Limited.

	Company	
	2013 \$'000	2012 \$'000
<b>Results of the parent company</b>		
Profit/(loss) for the year	21,495	13,431
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>21,495</b>	<b>13,431</b>
<b>Financial position of the parent company</b>		
Current assets	64,746	51,332
Total assets	92,624	78,948
Current liabilities	8,109	4,330
Total liabilities	8,109	4,330
Net Assets	84,515	74,618
<b>Total equity of the parent company comprising of:</b>		
Issued capital	56,386	56,386
Reserves	563	201
Retained earnings	27,566	18,031
<b>Total equity</b>	<b>84,515</b>	<b>74,618</b>

### Parent company investment in subsidiaries and associate companies

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

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

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

### Parent company contingencies

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

### Parent company capital commitments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 23. CONTROLLED ENTITIES

### Particulars in relation to controlled entities

	Country of incorp.	Class of shares	Interest held	
			2013 %	2012 %
<b>The Company:</b>				
MaxiTRANS Industries Limited				
<b>Controlled entities of MaxiTRANS Industries Limited:</b>				
MaxiTRANS Australia Pty Ltd	Aust.	Ord.	100	100
Transport Connection Pty Ltd	Aust.	Ord.	80	-
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 (China) Limited	Hong Kong	Ord.	100	100
Yangzhou Maxi-CUBE Tong Composites Co Ltd	China	Ord.	80	80

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

## 24. DEED OF CROSS GUARANTEE

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

A consolidated statement of comprehensive income and consolidated balance sheet, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2013 is set out as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 24. DEED OF CROSS GUARANTEE (continued)

### Consolidated statement of comprehensive income

	Consolidated	
	2013 \$'000	2012 \$'000
Total revenue	332,520	265,072
Changes in inventories of finished goods and work in progress	3,476	3,120
Raw materials and consumables used	(191,320)	(162,295)
Other income	543	442
Employee expenses	(80,923)	(63,893)
Depreciation and amortisation expenses	(5,675)	(5,285)
Finance costs	(1,956)	(1,321)
Other expenses	(23,268)	(21,183)
Share of net profits of associates and joint ventures accounted for using the equity method	1,556	1,108
Profit before income tax	34,953	15,765
Income tax expense	(9,623)	(4,034)
<b>Profit for the year</b>	<b>25,330</b>	<b>11,731</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	928	(23)
Effective portion of changes in fair value of cash flow hedges	(130)	-
Income tax on items that may subsequently be re-classified to profit or loss	39	-
Other comprehensive income/(loss) for the year, net of tax	837	(23)
Total comprehensive income for the year	26,167	11,708
Profit attributable to:		
Equity holders of the company	25,330	11,731
Total comprehensive income attributable to:		
Equity holders of the company	26,167	11,708

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 24. DEED OF CROSS GUARANTEE (continued)

### Consolidated balance sheet

	Consolidated	
	2013 \$'000	2012 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	394	1,727
Trade and other receivables	38,434	30,423
Inventories	49,093	46,198
Other	1,613	1,201
<b>Total Current Assets</b>	<b>89,534</b>	<b>79,549</b>
<b>Non-Current Assets</b>		
Investments accounted for using the equity method	3,830	3,212
Investments in controlled entities	7,294	4,959
Property, plant & equipment	45,925	46,900
Intangible assets	39,765	40,904
Other	796	981
<b>Total Non-Current Assets</b>	<b>97,610</b>	<b>96,956</b>
<b>Total Assets</b>	<b>187,144</b>	<b>176,505</b>
<b>Current Liabilities</b>		
Bank overdraft	562	-
Trade and other payables	30,427	35,976
Interest bearing loans and borrowings	4,471	1,870
Current tax liability	8,190	4,564
Provisions	9,065	7,796
<b>Total Current Liabilities</b>	<b>52,715</b>	<b>50,206</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	21,185	28,014
Deferred tax liabilities	1,246	1,903
Provisions	1,054	883
Other	88	-
<b>Total Non-Current Liabilities</b>	<b>23,573</b>	<b>30,800</b>
<b>Total Liabilities</b>	<b>76,288</b>	<b>81,006</b>
<b>Net Assets</b>	<b>110,068</b>	<b>95,499</b>
<b>Equity</b>		
Issued capital	56,386	56,386
Reserves	8,432	7,233
Retained profits	45,250	31,880
<b>Total Equity</b>	<b>110,068</b>	<b>95,499</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 25. ACQUISITION OF SUBSIDIARY AND BUSINESS

There were no material business combinations during the period.

On 3 April 2012 the Group obtained control of Queensland Diesel Spares Pty Limited ('QDS'), a leading retailer of truck parts, accessories and consumables to the Queensland transportation industry by acquiring 100% of shares and voting rights in the company.

On 21 May 2012 the Group acquired the business assets of AZMEB Global Trailers ('AZMEB'), a leading designer, manufacturer and marketer of side tippers to the mining and resources sector and to the waste management industry.

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

	QDS \$'000	AZMEB \$'000
<b>Consideration transferred</b>		
Cash	21,207	6,314
<b>Total consideration</b>	<b>21,207</b>	<b>6,314</b>
<b>Identifiable assets acquired and liabilities assumed</b>		
Cash	12	-
Trade and other receivables	5,440	-
Inventory	5,374	1,364
Property, plant & equipment	1,523	1,388
Intangible assets (excluding goodwill)	-	3,341
Other assets	29	40
Trade and other payables	(3,844)	(63)
Provisions	(642)	(106)
Current tax liability	(763)	-
Deferred tax asset/(liability)	334	50
<b>Total net identifiable assets</b>	<b>7,463</b>	<b>6,014</b>
<b>Goodwill</b>		
Goodwill was recognised as a result of the acquisition as follows:		
Total consideration transferred	21,207	6,314
Fair value of identifiable net assets	(7,463)	(6,014)
<b>Total goodwill</b>	<b>13,744</b>	<b>300</b>

Goodwill in respect of QDS is mainly attributable to its position as a leading retailer to the Queensland transportation industry which has grown successfully over a 25 year period and the synergies which are expected to be derived along with the Group's existing parts business, Colrain, itself a leading importer and distributor of truck and trailer components, parts and accessories with 8 retail stores in Victoria and South Australia and wholesale operations in Queensland, New South Wales and Western Australia.

For personal use only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 26. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in associates

Name of Entity	Principal Activity	Ownership	
		2013 %	2012 %
Trailer Sales Pty Ltd	Trailer retailer. Repairs and service provider Sale of spare parts	<b>36.67</b>	36.67

	Revenues (100%)	Net profit after tax (100%)	Share of associates profit recognised	Total assets	Total liabilities	Net assets as reported by associates
\$'000						
2013	78,477	4,244	1,556	24,598	15,278	9,320
2012	59,012	3,022	1,108	17,810	10,178	7,632

### Commitments

The share of associates' capital commitments contracted but not provided for or payable within one year was \$nil at 30 June 2013 (2012: \$nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

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

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

	Consolidated	
	2013 \$'000	2012 \$'000
Profit for the year	26,221	12,522
<b>Non cash items in operating profit</b>		
Depreciation/amortisation of assets	5,903	5,433
Profit on sale of fixed assets	(97)	(76)
Share of associates profit	(1,556)	(1,108)
Share based payments expense	362	150
<b>Change in assets &amp; liabilities</b>		
(Increase)/decrease in receivables	(6,052)	(4,848)
(Increase)/decrease in other assets	(1,838)	658
(Increase)/decrease in inventories	(5,960)	(5,640)
Increase/(decrease) in trade payables and other liabilities	1,687	8,128
Increase/(decrease) in income tax payable	3,785	3,732
Increase/(decrease) in deferred taxes	(634)	(2,388)
Increase/(decrease) in provisions	1,722	1,004
<b>Net cash flows from operating activities</b>	<b>23,543</b>	<b>17,567</b>

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

<b>Acquisition of plant &amp; equipment by means of finance leases</b>	<b>696</b>	<b>810</b>
These acquisitions are not reflected in the consolidated statement of cash flows.		

## 28. CAPITAL AND LEASING COMMITMENTS

### (a) Finance lease commitments

Payable		
- not later than 1 year	2,228	2,092
- later than 1 year but not later than 5 years	1,151	2,259
Minimum lease payments	3,379	4,351
Future finance charges	(174)	(467)
<b>Total lease liability</b>	<b>3,205</b>	<b>3,884</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 28. CAPITAL AND LEASING COMMITMENTS (continued)

	Consolidated	
	2013 \$'000	2012 \$'000
<b>(b) Operating lease commitments</b>		
Future operating lease rentals not provided for in the financial statements and payable:		
- not later than 1 year	3,986	3,516
- later than 1 year but not later than 5 years	7,765	7,867
<b>Total operating lease commitments</b>	<b>11,751</b>	<b>11,383</b>
The Group leases property under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated.		
<b>(c) Capital expenditure commitments</b>		
Contracted but not provided for and payable not later than 1 year	1,792	3,878

## 29. CONTINGENT LIABILITIES

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

## 30. REMUNERATION OF AUDITOR

Remuneration of the auditor of the Company for:	\$	\$
KPMG Australia		
- auditing and reviewing the financial statements	215,000	204,650
- other services (taxation & advisory)	126,505	153,946
	<b>341,505</b>	<b>358,596</b>
Overseas KPMG Firms		
- auditing and reviewing financial statements	55,199	51,407
- other services (taxation & advisory)	10,006	9,799

## 31. FINANCIAL INSTRUMENTS

### (a) Significant accounting policies

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 31. FINANCIAL INSTRUMENTS (continued)

### (b) Interest rate risk

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

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

	Consolidated	
	2013 \$'000	2012 \$'000
<b>INTEREST RATE RISK</b>		
<b>Financial Assets</b>		
Cash and cash equivalents – floating rate	1,617	3,791
<b>Financial Liabilities</b>		
Borrowings – fixed rate	15,705	23,884
Borrowings – floating rate	10,513	6,000

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

	Consolidated	
	2012 \$'000	2011 \$'000
<b>Judgement of reasonably possible movements</b>		
100bp increase with all other variables held constant	(60)	(60)
100bp decrease with all other variables held constant	60	60

### (c) Credit risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 31. FINANCIAL INSTRUMENTS (continued)

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

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

	Note	Maximum credit risk	
		2013 \$'000	2012 \$'000
<b>Recognised financial assets</b>			
Cash and cash equivalents		1,617	3,791
Trade receivables	6	41,228	34,486
Other receivables	8	796	981
		<b>43,641</b>	<b>39,258</b>

### (d) Currency risk

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

### Forward exchange contracts

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

	Consolidated							
	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2013	2012	2013 FC'000	2012 FC'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Buy US Dollar	0.9663	1.0047	4,486	6,169	4,643	6,140	244	1
Buy Euro	0.7473	0.7773	1,385	1,643	1,854	2,113	115	(56)
					<b>6,497</b>	<b>8,253</b>	<b>359</b>	<b>(55)</b>

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

	Consolidated Net Profit after tax	
	2013 \$'000	2012 \$'000
<b>Judgement of reasonably possible movements</b>		
<b>US Dollar</b>		
10.0 cents increase with all other variables held constant	(336)	(388)
<b>EUR</b>		
10.0 cents increase with all other variables held constant	(171)	(200)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 31. FINANCIAL INSTRUMENTS (continued)

### (e) Liquidity risk

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

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

30 June 2013	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	Greater than 5 years \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1,617	-	-	-	-
Trade & other receivables	42,024	-	-	-	-
<b>Financial Liabilities</b>					
Trade and other payables and accruals	37,515	-	-	-	-
Borrowings	2,829	2,203	20,993	193	-
Effective interest rate on borrowings 6.34%					
30 June 2012	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	Greater than 5 years \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	3,791	-	-	-	-
Trade & other receivables	35,467	-	-	-	-
<b>Financial Liabilities</b>					
Trade and other payables and accruals	38,972	-	-	-	-
Borrowings	1,026	844	1,132	26,882	-
Effective interest rate on borrowings 7.56%					

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 31. FINANCIAL INSTRUMENTS (continued)

	Consolidated	
	2013 \$'000	2012 \$'000
<b>Finance Facilities</b>		
At year end, the Group had the following financing facilities in place with its bankers:		
<b>Available facilities</b>		
Loan facility	39,932	38,178
Overdraft facility	1,000	1,000
Lease and asset finance facility	8,150	8,150
	<b>49,082</b>	<b>47,328</b>
<b>Facilities utilised at balance date</b>		
Loan facility	22,451	26,000
Overdraft facility	562	-
Lease and asset finance facility	3,205	3,884
	<b>26,218</b>	<b>29,884</b>
<b>Facilities not utilised at balance date</b>		
Loan facility	17,481	12,178
Overdraft facility	438	1,000
Lease facility	4,945	4,266
	<b>22,864</b>	<b>17,444</b>

The loan, overdraft and other facilities are fully secured by a registered charge (mortgage debenture) over the whole of the assets and undertakings of the Group and a registered mortgage over certain land and buildings of controlled entities. The total carrying amount of assets pledged as security is \$35,295,000 (2012: \$35,028,000).

Core loan facilities are available until October 2014 subject to continuing compliance with the terms of the facilities. Interest rates are a combination of fixed and variable.

The bank overdraft facility is payable on demand and subject to annual review.

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 2013 and 2012 financial years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## 31. FINANCIAL INSTRUMENTS (continued)

### (f) Net fair value

#### Determination of net fair value

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

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

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

	Carrying amount		Net fair value	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Financial assets at amortised cost</b>				
Trade receivables	40,177	33,717	40,177	33,717
Other receivables	1,051	769	1,051	769
<b>Non-derivative financial liabilities</b>				
Accounts payable	37,515	38,972	37,515	38,972
Bank loans	22,451	26,000	22,339	25,710
Bank overdraft	562	562	-	-
Finance leases	3,205	3,884	3,205	3,884

## 32. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to the reporting date which would have a material effect on the Group's financial statements for the year ended 30 June 2013.

For personal use only

# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2013



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

### REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of MaxiTRANS Industries Limited (the Company), which comprises the consolidated Balance Sheet as at 30 June 2013, and consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' responsibility for the financial report

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

#### Auditor's responsibility

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

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

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

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

#### Independence

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

#### Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

### REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

#### Auditor's opinion

In our opinion, the remuneration report of MaxiTRANS Industries Limited for the year ended 30 June 2013, complies with Section 300A of the Corporations Act 2001.

KPMG  
Melbourne  
23 August 2013

Tony Romeo  
Partner

# AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 are:

	Ordinary shares
Transcap Pty Ltd & related parties	24,809,972
HGT Investments Pty Ltd	19,000,000

### Voting rights

As at 31 July 2013, there were 4,038 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 2013, there were no unquoted options over unissued ordinary shares.

### Distribution of shareholders

(As at 31 July 2013)

Category – No of shares	No of shareholders
1-1,000	350
1,001-5,000	1,033
5,001 – 10,000	801
10,001 – 100,000	1,687
100,001 and over	167
	<b>4,038</b>

### Shareholders with less than a marketable parcel

As at 31 July 2013, there were 127 shareholders holding less than a marketable parcel of 391 ordinary shares (\$1.28 on 31 July 2013) in the Company totalling 10,622 ordinary shares.

### On market buy-back

There is no current on-market buy-back

For personal use only

# AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION (cont)

FOR THE YEAR ENDED 30 JUNE 2013

## TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES (AS AT 31 JULY 2013)

Name	Number of fully paid ordinary shares held	Percentage held of issued ordinary shares
HGT Investments Pty Ltd	19,000,000	10.33%
Transcap Pty Ltd	17,935,549	9.75%
National Nominees Limited	9,089,958	4.94%
Citicorp Nominees Pty Ltd	7,326,994	3.98%
J P Morgan Nominees Australia Limited	5,103,931	2.77%
Toroa Pty Ltd	4,793,592	2.61%
HSBC Custody Nominees (Australia) Limited	3,917,010	2.13%
Shayana Pty Ltd	2,264,820	1.23%
De Bruin Securities Pty Ltd	2,000,000	1.09%
John E Gill Trading Pty Ltd	1,797,669	0.98%
Sandhurst Trustees Ltd	1,702,500	0.93%
Aust Executor Trustees Limited	1,618,863	0.88%
Denvorcorp Holdings Pty Ltd	1,502,193	0.82%
Navigator Australia Limited	1,423,697	0.77%
Mr E D Ross	1,406,540	0.76%
John E Gill Operations Pty Ltd	1,391,657	0.76%
Mandel Pty Ltd	1,380,000	0.75%
Tanerka Pty Ltd	1,350,000	0.73%
Mr J R Curtis	1,328,439	0.72%
BNP Paribas Noms Pty Ltd	1,179,124	0.64%
<b>TOTAL</b>	<b>87,512,536</b>	<b>47.56%</b>