

# REPORT OF THE DIRECTORS AND FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

## Financial Summary

		F2012	F2013	F2014	F2015	F2016
Revenue	\$'000	276,767	362,534	351,968	329,165	340,179
EBITDA (excluding significant items) <sup>(3)</sup>	\$'000	23,549	44,219	30,594	16,247	19,219
EBIT (excluding significant items) <sup>(3)</sup>	\$'000	18,116	38,316	25,185	10,604	14,199
NPBT (excluding significant items) <sup>(3)</sup>	\$'000	16,795	36,358	23,172	8,079	11,840
NPAT (excluding significant items) <sup>(3)(4)</sup>	\$'000	12,334	25,965	17,075	6,303	8,752
Significant Items (net of tax)	\$'000	-	-	-	(1,806) <sup>(1)</sup>	(3,517) <sup>(2)</sup>
NPAT – attributable to equity holders	\$'000	12,334	25,965	17,075	4,497	5,235
Basic EPS	cents	6.70	14.11	9.26	2.43	2.83
Ordinary dividends/share declared	cents	4.25	8.50	6.00	2.00	3.00
Depreciation	\$'000	3,818	3,309	3,600	3,967	3,583
Amortisation – leased assets	\$'000	835	1,446	690	550	662
Amortisation – intangibles	\$'000	780	1,148	1,119	1,126	775
Capex additions	\$'000	4,701	6,706	13,239	10,893	9,530
Operating cash flow	\$'000	17,567	23,543	16,612	12,138	21,196
NTA	\$'000	55,033	71,662	75,876	78,380	86,278
Net assets	\$'000	98,695	115,764	121,813	120,612	123,337
Interest bearing liabilities	\$'000	29,884	26,218	42,580	47,302	43,152
Finance costs	\$'000	1,321	1,958	2,013	2,525	2,359
Total bank debt	\$'000	26,000	23,013	39,713	45,196	41,465
Net debt/equity	%	26%	21%	31%	36%	26%
Interest cover (excluding significant items)	times	13.71	19.57	12.51	4.20	5.75

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

<sup>(2)</sup> Relates to the impairment loss on Lusty and Hamelex White intangible assets of \$4.398m pre-tax and the closure cost of the Bundaberg facility of \$0.626m pre-tax (disclosed above net of tax).

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

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

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2016

Your directors submit their report together with the consolidated financial report of MaxiTRANS Industries Limited ("the Company") and its subsidiaries (together referred to as the "Group"), and the Group's interest in joint ventures for the year ended 30 June 2016 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>	(Retired on 30 June 2016)
<b>Mr Robert H. Wylie</b>	(Director from 2008 – Appointed Chairman on 30 June 2016)
<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 Joseph Rizzo</b>	(Director since 2014)
<b>Ms Samantha Hogg</b>	(Appointed Director on 27 April 2016)

## Principal Activities

The principal activities of the Group during the year consisted of the design, manufacture, sale, service and repair of transport equipment and related components and spare parts. There were no changes in the nature of the Group's principal activities during the financial year.

## Dividends

Dividends paid or declared for payment are as follows:

### Ordinary shares

A fully franked interim dividend of 2.00 cents per share was paid on 14 April 2016 totalling \$3,701,513.

A fully franked final dividend of 1.00 cent per share has been proposed by the directors after reporting date for payment on 14 October 2016. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial reports.

## State of Affairs

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

## Events Subsequent to Balance Date

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

## Corporate Governance Statement

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

## Environmental Regulation

The Group's environmental obligations are regulated under Local, State and Federal Law. All environmental performance obligations are internally monitored and subjected to regular government agency audit and site inspections. The Group has a policy of complying with its environmental performance obligations. No breach of any environmental regulation or law has been notified to the Group during or since the year ended 30 June 2016.

## Operating & Financial Review

### REVIEW OF OPERATIONS

The Group operates two types of businesses: the Trailer businesses comprising the design, manufacture, sale and servicing of trailers in Australia and New Zealand; and the Parts and Components businesses comprising MaxiPARTS, a trailer and truck parts business in Australia and an 80% share in a Chinese company, Yangzhou Maxi-CUBE Tong Composites Co Ltd ("MTC"), that manufactures panels in China for refrigerated and dry freight trailers in both its domestic and export markets.

### Trailer Business

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

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## *Australia*

The Australian trailer market was significantly adversely impacted in the second half of FY16 by the announcement of the Federal Election on 2 July, 2016 and the uncertainty created by the Road Safety Remuneration Tribunal's order on contractor minimum rates. These factors contributed to unit sales in the second half of FY16 declining 10% below the first half of FY16. This particularly impacted sales of the Freightier-type general freight trailers.

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

Whilst trailer unit sales were flat year on year, MaxiTRANS' market share in 2016 has marginally improved. Our diverse product portfolio creates a broad exposure to many sectors of the economy, thus mitigating the impact on the business of the downturn of any particular sector.

Strong demand for Maxi-CUBE's superior refrigerated vans led to a 7% sales growth and an increase in its share of the company's product mix. However, this revenue and market share growth came at the expense of margins as aggressive discounting was experienced across the market. Whilst the efficiencies realised from the Company's continuous improvement program reduced the margin impact of the sales discounting the net profit before tax of the Australian trailer business improved slightly.

Improved rainfall along the east coast of Australia has improved confidence in the agricultural sector and increased construction activity resulted in tipper unit sales improving 4% over the prior year. The closure of our Bundaberg manufacturing facility in November, 2015 and consolidation of production into our Queensland facility ensured margins for these products were maximised.

Furthermore, the opening of our Company-owned dealership in Sydney in November 2015 is enabling us to capture additional opportunities that arise in the buoyant NSW market. Our experienced team and substantial facilities has allowed it to quickly establish itself in the market.

## *New Zealand*

The business experienced a strong first half performance, however, the announcement of proposed transport regulation changes affecting vans resulted in customers delaying purchasing decisions in the second half of FY16. The business' sales mix comprised lower margin units, thereby impacting profitability. As a result, revenue declined 7% on prior year and profitability declined by 16%, most of which occurred in H2 FY16.

The new regulations are in the final stages of consultation and are expected to come into effect in early 2017. We expect to experience improved order levels once these changes take effect.

In addition, the business continues to build its product portfolio including the MaxiTRANS' tipper range to improve its customer offering and gain market share.

## **Parts & Components Business**

The Parts & Components business sells truck and trailer parts at both a wholesale and retail level in Australia. The retail business sells parts to road transport operators as well as truck and trailer service and repair providers mainly along the eastern seaboard of Australia. The wholesale business operates in Victoria, Queensland, New South Wales and Western Australia. Wholesale customers are typically truck dealers and trailer manufacturers. At the end of FY16, MaxiPARTS operated 22 wholesale sites and retail stores.

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

Revenue for the Parts & Components businesses decreased 1.5% from prior year. A weak performance from the MaxiPARTS business was largely offset by a strong trading performance from MTC in China. Net profit before tax for the segment improved due to the non-recurrence of the product recall costs in FY15 and the improved trading performance of MTC in China.

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# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## Australia

The MaxiPARTS business experienced further softening in the truck and trailer parts market in FY16, in particular in Queensland, its largest market, and Western Australia where further contraction in the resources market had a significant economic impact. Furthermore, the wholesale business was also impacted by lower sales to other trailer manufacturers in Western Australia due to lower trailer sales in that market. These market conditions led to revenue declining by 7%, however cost saving measures resulted in profitability remaining flat after removing the effects of the product recall costs incurred in FY15.

During the year, the business launched a number of new business initiatives to offset the decline in the traditional retail business and provide platforms for growth. Most notably, the business has:

- significantly expanded its truck parts product range;
- added a new sales channel by launching a technology-enabled customer managed inventory system, "MaxiSTOCK" which has gained strong customer acceptance and is generating solid sales growth; and
- launched its second proprietary trailer suspension solution to its product portfolio which has also gained strong market acceptance.

## China

A renewed sales strategy resulting in several new customers combined with increased sophistication and regulation of the Chinese transport and logistics sector saw our China panel business, MTC, experience strong growth in FY16 with revenue increasing 43% and profit improving 200%.

The business will look to further growth as it launches a number of new products in FY17.

## FINANCIAL REVIEW

### Sales

Total revenue increased by 3.3% to \$340.2 million for FY16, up from \$329.2 million in FY15.

The Trailer business achieved external sales revenue of \$233.5 million, a 5.5% increase over FY15 principally due to a strong performance from sales of Maxi-CUBE vans in Australia partially offset by reductions across the other brands.

The Parts & Components business recorded a 1.5% external revenue decline to finish FY16 with revenue of \$105 million. Revenue in the Australian MaxiPARTS business declined by 7%, however, this was partially offset by 43% revenue growth in the MTC China business.

### Profit

Net profit after tax and significant items attributable to MXI equity holders was \$5.2 million in FY16, an increase of 16% on FY15. Underlying net profit after tax attributable to MXI equity holders was \$8.7 million, an increase of 39%. Underlying net profit after tax excludes the Bundaberg closure costs of \$0.4m post tax and the impairment of the intangible assets relating to Hamelex White and Lusty EMS of \$3.1m post tax.

Trading margins in the Trailer business were slightly lower in FY16, due to continued aggressive price competition in the Australian market required to maintain volumes and lower margin product mix in the New Zealand business. The pricing impact was partially mitigated by cost reductions realized by the manufacturing continuous improvement program.

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

- Cost reduction measures initiated in the MaxiPARTS business to offset the volume decline;
- Non-recurrence of the costs associated with the recall of a core suspension product in the MaxiPARTS business in FY15;
- Launch of new business initiatives in MaxiPARTS; and
- Significantly improved trading performance of MTC in China.

Financing costs of \$2.3 million were lower than FY15 due to lower net borrowings arising from the lower capital expenditure and improved working capital performance.

### Cash Generation & Capital Management

Operating cash flow of \$21.2 million was generated during FY16 which was 74% higher than FY15.

Working capital has improved on the prior year with continued focus on inventory management and cashflow management.

The major investment activity during the year was associated with Project TRANSform. No businesses were acquired during the year.



# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

Due to the stronger operating cash flows, gearing levels were lower at the end of FY16 than at the end of FY15. Net debt for FY16 decreased to 26% of equity, down from 36% in FY15.

## External Financing Facilities

MaxiTRANS has syndicated debt facilities totalling \$75 million with the ANZ Banking Group and Westpac Banking Corporation. The facility is used to fund ongoing business requirements and facilitate funding future growth opportunities. The facility has both three years and five year maturities and have a number of covenant and ratio requirements.

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

In addition, MTC has a three year RMB 20 million facility with ANZ Banking Group in China and has an additional uncommitted facility of RMB 5 million.

## Dividends

The total dividend to shareholders for the year was 3.0 cents per share and was fully franked. The total ordinary dividend of 3.0 cents per share compared with 2.0 cents per share in the prior year and represents an 106% payout ratio of FY16 net profit after tax attributable to MXI shareholders and a 63% payout ratio of underlying 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.

During the year, the business undertook a review of its risk management framework and risk assessment process facilitated by a third party. This process requires the business to identify the material business risks and classify them as between "very high", "high", "medium" or "low" based on the consequences arising from the occurrence of the risk and the likelihood of it occurring. The business is then required to develop action plans to mitigate these risks and determine action plans in the event they occur.

## Operational Risks

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

- The Trailer business, which contributes in excess of 65% of Group revenue and in excess of 60% of business segment net profit before tax, is engaged in the manufacture and sale of high value discretionary capital goods. The success of this business is largely dependent on the prosperity of the economy driving freight movement. There is a risk that any decline in the domestic economy will reduce freight movement and therefore the demand for new trailers and expanding customer fleets.

The Group has sought to mitigate this risk by:

- ensuring that its products are of consistently high quality;
- expanding into other sectors;
- expanding the Parts & Components business to provide more stable recurring income; and
- expanding into international markets including by 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 resulting in a potential loss of market share.

The Group has sought to mitigate this risk by:

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

## Foreign Exchange & Commodities Risk

The Group has exposure to movements in the Australian dollar against the United States dollar and the Euro. The Trailer business has exposures to these currencies arising from the purchase of raw materials and components consumed in the manufacture of trailers. The Trailer business also has significant exposure to commodity price fluctuations for steel and aluminium used in the

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

manufacturing process. Similarly, the Parts & Components businesses also have exposure to these currencies as a result of importing parts for sale.

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

Depreciation of the Australian dollar may:

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

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

## HEALTH & SAFETY

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

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

In FY16, the program yielded a 35% improvement in safety performance over the prior year and represents a 50% improvement since the program began in FY14. This safety performance is the best experienced by the business in the past decade. The program has had a positive effect on organizational culture and employee engagement.

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

## STRATEGY

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

- developing new trailing solutions including innovative new products for our customers to provide them with a competitive advantage;
- continuing to improve the efficiency and capacity of manufacturing facilities;
- continuing to diversify participation, both in terms of industry sectors and geographic presence; and
- continuing to build the Parts & Components businesses through a combination of organic and acquisitive growth initiatives.

### Developing new trailing solutions

As our markets evolve and customer needs change, MaxiTRANS is working with its customers to identify innovative new solutions, both in terms of trailer products and related product offerings, to provide its customers with a competitive advantage.

### Improving Manufacturing Efficiency

The focus is on optimising the utilisation of the manufacturing facilities by:

- improving the efficiency of manufacturing processes through a major continuous improvement program;
- continually improving the quality of product produced at these facilities; and
- managing the volume and mix of products produced at each facility.

Consistent with this strategy, the Company relocated the production of its AZMEB products to its Richlands manufacturing facility and closed the Bundaberg manufacturing facility due to the poor outlook for the resources sector into the foreseeable future.

### Expanding Industry Sector & Geographical Coverage

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

The Board will continue to identify organic growth and acquisition opportunities in both the product portfolio and

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

distribution channels to increase our geographic coverage.

During FY16, a new Company-owned trailer dealership commenced in NSW, replacing its former independent dealer. The dealership provides the company with improved opportunities to further increase market share.

## **Business Transformation Program**

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

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

During FY16, the development of the new ERP system was undergoing the build and testing phases and is on track to be deployed across the business during FY17.

## **OUTLOOK**

### *Australian Trailer Business*

The Company has entered FY17 with a trailer order bank significantly stronger than the prior corresponding period and with a number of significant opportunities in the market.

If business confidence returns in the aftermath of the Australian Federal election and the contractor minimum rates issue does not arise again, a number of recent product improvements should position us well to capture any improved demand. The demand for refrigerated vans remains strong and our market-leading Maxi-CUBE products will continue to drive further growth. Furthermore, the recent rains along the Australian east coast has led to an improved order bank for MaxiTRANS' tipper products.

The business continues to focus on new product innovation and improving its existing product range to deliver value-added solutions to its customers. The continuous improvement program is expanding across the wider business to optimise efficiency opportunities and eliminate waste.

In terms of our market presence, we should experience an improvement in trailer sales as the NSW dealership continues to establish itself in its market. With the closure of the Bundaberg facility behind us, the business will continue to benefit from efficiencies created through the continuous improvement program together with a full year of the rationalised manufacturing footprint.

### *MaxiPARTS*

The new business initiatives launched by MaxiPARTS in late FY16 should gain traction in the market in FY17 to more than offset any further underlying deterioration in market conditions.

### *Offshore Markets*

In our offshore markets, New Zealand should experience an improvement in sales as the regulation change takes effect and it continues to launch new products.

Our China business should continue to benefit from the evolution of the supply chain in China and growth opportunities are pursued across Asia.

MaxiTRANS believes that its focus on delivering innovative customer solutions and efficiency led through continuous process improvement will see it deliver growth ahead of the market

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# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## Information of Directors

### Mr. Ian R. Davis

Former Chairman, Independent Non-Executive, Age 71

#### Qualifications & Experience:

Law degree with honours from University of Melbourne.

Appointed Chairman 1994 and retired on 30 June 2016.

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

#### Special Responsibilities:

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

#### Interest in Shares:

1,602,193 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil

### Mr. Robert H. Wylie

Chairman (appointed 30 June 2016), Age 66

#### Qualifications & Experience:

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

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

#### Special Responsibilities:

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

#### Interest in Shares:

21,364 ordinary shares beneficially held.

#### Options over Ordinary Shares:

Nil



# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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## **Mr. James R. Curtis**

Deputy Chairman, Non-Executive, Age 81

### Qualifications & Experience:

Appointed Deputy Chairman in 1994.

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

### Special Responsibilities:

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

### Interest in Shares:

24,943,030 ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

## **Mr. Michael A. Brockhoff**

Managing Director, Executive, Age 63

### Qualifications & Experience:

Appointed Managing Director in June 2000.

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

### Special Responsibilities

Member of Nomination Committee.

### Interest in Shares:

3,090,172 ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

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

Independent Non-Executive Director, Age 71

### 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 Terrain Capital Ltd. Former chairman of LCM Litigation Fund Pty Ltd. Former Chairman and Deputy Chairman of UXC Limited since September 2002. Deputy Chairman of Institute of Drug Technology Limited since October 1998. Board member of the Melbourne Business School. Formerly a Director of Northern Energy Corporation from December 2007 to October 2011. Former Chairman/inaugural member of Melbourne Victory.

### Special Responsibilities:

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

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## Mr. Joseph Rizzo

Independent Non-Executive Director, Age 60

### Qualifications & Experience:

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

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

### Special Responsibilities:

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

### Interest in Shares:

50,000 ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

## Ms. Samantha Hogg

Independent Non-Executive Director, Age 49

### Qualifications & Experience:

Currently a non-executive director of Hydro Tasmania and TasRail and has previously held senior executive finance roles at the Transurban Group, Vale Inco and WMC Resources.

### Special Responsibilities:

Chairperson of the Audit and Risk Management Committee.

### Interest in Shares:

Nil ordinary shares beneficially held.

### Options over Ordinary Shares:

Nil

## Company Secretaries

### Mr. Campbell R. Richards

B. Bus. (Acc), CA

Appointed to the position of Company Secretary in June 2013.

### Mr. Albert Retief

B. Bus. (Acc), CA

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

### Mr. David Poldrugovac

B. Eco. (Acc), CA

Appointed to the position of Assistant Company Secretary in March 2014. Resigned 18 May 2016.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

	Directors' Meetings		Audit & Risk Management Committee		Remuneration Committee		Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Ian Davis	15	15	4	4	1	1	2	2
Robert Wylie	15	15	4	4	1	1	2	2
James Curtis	15	15	4	3	1	1	2	2
Michael Brockhoff	15	15	4	4	1	1	2	1
Geoffrey Lord	15	13	4	4	1	1	2	2
Joseph Rizzo	15	15	4	4	1	1	2	2
Samantha Hogg	2	2	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.

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

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

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

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

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

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# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 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 employment of the Group throughout that period.

Traditionally, the Board has set a long term incentive target for management to achieve an increase in the Group's Return on Invested Capital ('ROIC'). During financial year 2015 the Board introduced a secondary LTI target based on Earnings Per Share growth. Both targets are weighted equally and operate independently of the other. The parameters that have been set by the Board are set out in Note 15.

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

The Earnings Per Share target represents an absolute hurdle with no sliding scale for achievement below the target.



# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 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 23. 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, Chief Financial Officer and Company Secretary, has a contract of employment with the Company dated 3 May 2013.

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

## Non-executive directors

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

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# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 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>2016</b>	<b>127,854</b>	-	-	<b>12,146</b>	-	-	<b>140,000</b>	-	-
Former Chairman	2015	127,854	-	-	12,146	-	-	140,000	-	-
<b>Mr R Wylie</b>	<b>2016</b>	<b>40,000</b>	-	-	<b>35,000</b>	-	-	<b>75,000</b>	-	-
Chairman	2015	40,000	-	-	35,000	-	-	75,000	-	-
<b>Mr J Curtis (v)</b>	<b>2016</b>	<b>68,493</b>	-	-	<b>6,507</b>	-	-	<b>75,000</b>	-	-
	2015	68,493	-	-	6,507	-	20,000	95,000	-	-
<b>Mr G Lord</b>	<b>2016</b>	<b>68,493</b>	-	-	<b>6,507</b>	-	-	<b>75,000</b>	-	-
	2015	68,493	-	-	6,507	-	-	75,000	-	-
<b>Mr J Rizzo</b>	<b>2016</b>	<b>40,000</b>	-	-	<b>35,000</b>	-	-	<b>75,000</b>	-	-
	2015	40,000	-	-	35,000	-	-	75,000	-	-
<b>Ms S Hogg (x)</b>	<b>2016</b>	<b>12,381</b>	-	-	<b>1,176</b>	-	-	<b>13,557</b>	-	-
	2015	-	-	-	-	-	-	-	-	-
<b>Executive</b>										
<b>Mr M Brockhoff</b>	<b>2016</b>	<b>672,749</b>	-	<b>15,404</b>	<b>69,835</b>	<b>(119,032)</b>	<b>50,614</b>	<b>689,570</b>	<b>(17.3%)</b>	<b>(17.3%)</b>
Managing Director	2015	651,461	-	3,627	64,201	156,641	50,229	926,159	16.9%	16.9%
<b>EXECUTIVES</b>										
<b>Mr C Richards</b>	<b>2016</b>	<b>343,197</b>	-	-	<b>31,500</b>	<b>2,238</b>	-	<b>376,935</b>	<b>0.6%</b>	<b>0.6%</b>
Chief Financial Officer and Company Secretary	2015	351,360	-	-	31,500	36,886	-	419,746	8.8%	8.8%
<b>Mr A Wibberley</b>	<b>2016</b>	<b>312,605</b>	-	-	<b>34,447</b>	<b>(49,369)</b>	<b>30,301</b>	<b>327,984</b>	<b>(15.1%)</b>	<b>(15.1%)</b>
Group General Manager - Manufacturing	2015	300,293	-	2,291	30,633	67,297	37,451	437,965	15.4%	15.4%
<b>Mr P Buttler</b>	<b>2016</b>	<b>227,401</b>	-	-	<b>26,909</b>	<b>(46,779)</b>	<b>29,214</b>	<b>236,745</b>	<b>(19.8%)</b>	<b>(19.8%)</b>
General Manager - Ballarat MaxiTRANS Australia Pty Ltd	2015	231,469	28,253	14,258	26,086	57,324	21,636	379,026	21.9%	14.7%
<b>Mr A McKenzie (vi)</b>	<b>2016</b>	<b>292,238</b>	-	-	<b>29,278</b>	<b>16,330</b>	<b>22,000</b>	<b>359,846</b>	<b>4.5%</b>	<b>4.5%</b>
Group General Manager - Sales and Distribution	2015	64,437	-	-	6,112	-	4,428	74,977	-	-
<b>Mr S Harkin (vii)</b>	<b>2016</b>	<b>180,327</b>	-	<b>26,850</b>	<b>16,864</b>	<b>10,320</b>	-	<b>234,361</b>	<b>4.4%</b>	<b>4.4%</b>
Group Supply Manager	2015	75,880	-	5,267	7,171	-	4,935	93,253	-	-

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

	Year	Primary			Post	Equity	Other	Total	Proportion of remuneration performance related	Value of PR's as proportion of remuneration
		Salary & fees (i)	STI (ii)	Non-cash benefits	Super	PR's (iii)	(iv)			
		\$	\$	\$	\$	\$	\$	%	%	
<b>EXECUTIVES (continued)</b>										
<b>Mr N Zantuck (viii)</b>	<b>2016</b>	-	-	-	-	-	-	-	-	-
General Manager	2015	214,971	-	-	24,348	5,431	26,621	271,371	2.0%	2.0%
- Vic Branch, MaxiTRANS Australia Pty Ltd										
<b>Mr P Loimaranta</b>	<b>2016</b>	<b>266,785</b>	-	-	<b>28,431</b>	<b>(57,516)</b>	<b>29,798</b>	<b>267,498</b>	<b>(21.5%)</b>	<b>(21.5%)</b>
General Manager	2015	275,890	-	-	28,423	68,314	31,099	403,726	16.9%	16.16.9%
- MaxiPARTS Pty Ltd										
<b>Mr C Wallace (ix)</b>	<b>2016</b>	<b>200,742</b>	-	<b>24,571</b>	<b>23,195</b>	<b>(40,507)</b>	<b>3,710</b>	<b>211,711</b>	<b>(19.1%)</b>	<b>(19.1%)</b>
General Manager	2015	-	-	-	-	-	-	-	-	-
- Vic Branch, MaxiTRANS Australia Pty Ltd										

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

- (i) Includes the accrual of short-term statutory entitlements.
- (ii) STI entitlement is 15% of total remuneration for each of the individuals listed above. The short-term cash incentives disclosed above are for performance for the 30 June 2016 financial year using the criteria set out in the Remuneration Report. The amounts were determined after performance reviews were completed. All STI entitlements was forfeited during the year.
- (iii) The fair value of performance rights (PR's) is calculated at the date of grant using the Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to vesting date, adjusted for any changes in the probability of performance and service targets being achieved. The value disclosed is the portion of the fair value recognised in this reporting period. In valuing the PR's, market conditions have been taken into account. Further details in respect of PR's are contained on the following page of the Remuneration Report. Details of PR's vested during the period are contained in Note 15 – Share Based Payments. During the period it was determined that the performance and service conditions of both the 2012 and 2013 PR schemes will not be met. As a result, the total amount recognised for services received over the life of the 2012 and 2013 PR schemes were reversed.
- (iv) Includes the accrual of long-term statutory entitlements.
- (v) Other remuneration relates to the provision of consulting services to the Group.
- (vi) Mr A McKenzie was appointed 20 April 2015.
- (vii) Mr S Harkin was appointed 9 February 2015.
- (viii) Mr N Zantuck resigned effective 27 May 2015. All PR's held by Mr Zantuck at that time were cancelled.
- (ix) Mr C Wallace was appointed 1 July 2015.
- (x) Ms S Hogg was appointed on 27 April 2016.

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# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## Analysis of share-based payments granted as remuneration

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

	PR's granted (no.)	Grant date	Fair value at grant date (\$)	Vesting date	Expiry date
<b>Directors</b>					
Mr M Brockhoff	902,086	31 Aug. 2015*	0.3418	31 Aug. 2018	31 Aug. 2022
<b>Company executives</b>					
Mr C Richards	442,607	31 Aug. 2015	0.3418	31 Aug. 2018	31 Aug. 2022
<b>Consolidated entity executives</b>					
Mr A Wibberley	433,245	31 Aug. 2015	0.3418	31 Aug. 2018	31 Aug. 2022
Mr P Loimaranta	399,368	31 Aug. 2015	0.3418	31 Aug. 2018	31 Aug. 2022
Mr A McKenzie	426,662	31 Aug. 2015	0.3418	31 Aug. 2018	31 Aug. 2022
Mr S Harkin	269,693	31 Aug. 2015	0.3418	31 Aug. 2018	31 Aug. 2022
Mr P Butler	346,206	31 Aug. 2015	0.3418	31 Aug. 2018	31 Aug. 2022
Mr C Wallace	295,928	31 Aug. 2015	0.3418	31 Aug. 2018	31 Aug. 2022

\* PR's were issued to Mr Brockhoff and approved by the shareholders at the Annual General Meeting held on 5 November 2015.

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

## Unissued Shares Under Rights

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

## Consolidated Results and Shareholder Returns

	2016	2015	2014	2013	2012
Net profit/(loss) attributable to equity holders of the parent	\$5,235,000	\$4,497,000	\$17,075,000	\$25,965,000	\$12,334,000
Basic EPS	2.83¢	2.43¢	9.26¢	14.11¢	6.70¢
Dividends declared	\$5,552,270	\$3,701,513	\$11,104,542	\$15,639,438	\$7,819,719
Dividends declared per share	3.00¢	2.00¢	6.00¢	8.50¢	4.25¢
Share price	45.0¢	39.5¢	97.0¢	\$1.065	61.5¢



# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 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:

### 2016 Shares

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

Ms Hogg, Mr Richards, Mr Mackenzie and Mr Harkin do not hold any shares as at 30 June 2016.

### 2015 Shares

MaxiTRANS Industries Limited	Held at 1 July 2014	Purchases	Sales	Held at 30 June 2015
<b>Directors:</b>				
Mr M Brockhoff	3,138,338	451,834	500,000	3,090,172
Mr I Davis	1,502,193	-	-	1,502,193
Mr J Curtis	24,380,030	563,000	-	24,943,030
Mr G Lord	1,049,604	-	-	1,049,604
Mr R Wylie	21,364	-	-	21,364
Mr J Rizzo	-	50,000	-	50,000
<b>Executives:</b>				
Mr P Loimaranta	126,522	162,123	27,929	260,716
Mr A Wibberley	140,447	170,083	89,023	221,507
Mr P Buttler	-	145,321	-	145,321
Mr N Zantuck	119,716	142,085	-	n/a

Mr Richards, Mackenzie and Harkin do not hold any shares as at 30 June 2015.

End of Remuneration Report

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## Audit and Risk Management Committee

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

## Indemnity

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

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

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

During the financial year, the Group paid premiums of \$45,406 (2015: \$43,971) in respect of directors' and officers' liability insurance contracts.

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

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

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

## Share Options

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

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

## Shares Issued on the Exercise of Options

No options were exercised during the financial year.

Further details on the Group's Performance Rights Plan are detailed in Note 15 to the consolidated financial statements and in the Remuneration Report.

# REPORT OF THE DIRECTORS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 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 27.

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	
	2016	2015
	\$	\$
<b>Remuneration of Auditor</b>		
Remuneration of the auditor of the Group for:		
<b>KPMG Australia:</b>		
- auditing and reviewing the financial statements	263,700	286,200
- other services (taxation & advisory)	111,762	55,590
	<b>375,462</b>	<b>341,790</b>
<b>Overseas KPMG Firms:</b>		
- auditing and reviewing financial statements	79,344	76,350
- other services (taxation, advisory & due diligence)	19,052	28,916
	<b>98,396</b>	<b>105,266</b>
<b>Total</b>	<b>473,858</b>	<b>447,056</b>

## 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 2016

## Rounding of Accounts

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

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



Mr. Robert H Wylie, Director,



Mr. Michael Alan Brockhoff, Director

Dated this 19th day of August 2016



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

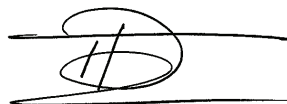
To: the directors of MaxiTRANS Industries Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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  
19 August 2016



Tony Romeo  
Partner

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

Liability limited by a scheme approved under Professional Standards Legislation



# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

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

- (a) the consolidated financial statements and notes as set out on pages 29 to 67, 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 2016 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 19 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 2016.

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

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



Mr. Robert H Wylie, Director



Mr. Michael Alan Brockhoff, Director

Dated this 19th day of August 2016

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

FOR THE YEAR ENDED 30 JUNE 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Consolidated	
		2016 \$'000	2015 \$'000
Sale of goods		330,286	317,678
Rendering of services		9,893	11,487
Changes in inventories of finished goods and work in progress		(2,513)	(1,011)
Raw materials and consumables used		(203,307)	(199,809)
Interest income		80	97
Other income - sale of assets		592	-
Employee and contract labour expenses	2	(83,326)	(82,924)
Warranty expenses		(1,900)	(5,375)
Depreciation and amortisation expenses	6,7	(5,020)	(5,643)
Impairment loss on intangible assets	7	(4,398)	(2,580)
Finance costs	9	(2,359)	(2,525)
Other expenses		(32,301)	(24,893)
Share of net profits of joint ventures accounted for using the equity method	20	1,089	997
<b>Profit before income tax</b>		<b>6,816</b>	<b>5,499</b>
Income tax expense	3(a)	(1,320)	(1,036)
<b>Profit for the year</b>		<b>5,496</b>	<b>4,463</b>
Profit attributable to:			
Equity holders of the company		5,235	4,497
Non-controlling interests		261	(34)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	12	2.83	2.43
Diluted earnings per share (cents per share)	12	2.83	2.43

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Profit for the year</b>		<b>5,496</b>	<b>4,463</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		765	597
Other sundry movements		34	(81)
<i>Items that will never be re-classified to profit or loss:</i>			
Revaluation of land and buildings		777	3,127
Related tax		(218)	(917)
<b>Other comprehensive income for the year, net of tax</b>		<b>1,358</b>	<b>2,726</b>
<b>Total comprehensive income for the year</b>		<b>6,854</b>	<b>7,189</b>
Total comprehensive income attributable to:			
Equity holders of the company		6,640	6,992
Non-controlling interests		214	197

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 2016

	Note	Consolidated	
		2016 \$'000	2015 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		10,831	4,345
Trade and other receivables	4	38,386	42,961
Inventories	5	53,341	53,735
Current tax assets	3(c)	2,863	1,410
Other		1,120	1,790
<b>Total Current Assets</b>		<b>106,541</b>	104,241
<b>Non-Current Assets</b>			
Investment in joint venture		4,187	3,926
Property, plant & equipment	6	78,563	73,354
Intangible assets	7	37,059	42,232
Deferred tax assets	3(b)	1,780	933
Other		1,156	1,156
<b>Total Non-Current Assets</b>		<b>122,745</b>	121,601
<b>Total Assets</b>		<b>229,286</b>	225,842
<b>Current Liabilities</b>			
Trade and other payables	8	48,276	43,216
Interest bearing loans and borrowings	9	1,829	5,266
Current tax liability	3(c)	253	362
Provisions	10	12,476	12,694
<b>Total Current Liabilities</b>		<b>62,834</b>	61,538
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	9	41,323	42,036
Deferred tax liabilities	3(b)	446	260
Provisions	10	1,147	1,152
Other		199	244
<b>Total Non-Current Liabilities</b>		<b>43,115</b>	43,692
<b>Total Liabilities</b>		<b>105,949</b>	105,230
<b>Net Assets</b>		<b>123,337</b>	120,612
<b>Equity</b>			
Issued capital	11	56,386	56,386
Reserves		16,643	15,583
Retained earnings		48,337	46,805
<b>Equity attributable to equity holders of the Company</b>		<b>121,366</b>	118,774
Non-controlling interest		1,971	1,838
<b>Total Equity</b>		<b>123,337</b>	120,612

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Issued capital \$'000	Asset revaluation reserve <sup>1</sup> \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Other reserves <sup>2</sup> \$'000	Total \$'000
<b>Balance at 1 July 2014</b>		56,386	9,836	50,457	1,901	3,233	121,813
<b>Comprehensive income for the year</b>							
Profit for the year		-	-	4,497	(34)	-	4,463
<i>Other comprehensive income</i>							
Net exchange differences on translation of financial statements of foreign operations		-	-	-	231	366	597
Revaluation of land and buildings		-	2,210	-	-	-	2,210
Other sundry movements		-	-	-	-	(81)	(81)
<b>Total comprehensive income for the year</b>		-	2,210	4,497	197	285	7,189
<b>Transactions with owners recorded directly in equity</b>							
Dividends to equity holders	13	-	-	(7,866)	(260)	-	(8,126)
Share-based payment transactions	15	-	-	(283)	-	19	(264)
<b>Total transactions with owners</b>		-	-	(8,149)	(260)	19	(8,390)
<b>Balance at 30 June 2015</b>		<b>56,386</b>	<b>12,046</b>	<b>46,805</b>	<b>1,838</b>	<b>3,537</b>	<b>120,612</b>

## 1. Asset revaluation reserve

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

## 2. Other reserves

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

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

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

## 1. Asset revaluation reserve

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

## 2. Other reserves

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

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

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# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated	
		2016 \$'000	2015 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		387,830	360,828
Payments to suppliers & employees		(360,793)	(341,211)
Interest received		80	97
Interest & other costs of finance paid		(2,359)	(2,525)
Income tax paid		(3,562)	(5,051)
<b>Net Cash Provided by Operating Activities</b>	21(a)	<b>21,196</b>	12,138
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant & equipment		(8,703)	(10,026)
Dividends received		828	1,065
Proceeds from sale of property, plant & equipment		2,047	218
<b>Net Cash Used in Investing Activities</b>		<b>(5,828)</b>	(8,743)
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings		(3,786)	-
Proceeds from borrowings		-	5,219
Payment of finance lease liabilities		(1,313)	(1,184)
Dividends paid	13	(3,783)	(8,126)
<b>Net Cash Used in Financing Activities</b>		<b>(8,882)</b>	(4,091)
Net increase/(decrease) in cash		6,486	(696)
Cash and cash equivalents at beginning of year		4,345	5,041
<b>Cash and cash equivalents at end of year</b>		<b>10,831</b>	4,345

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 2016

## 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 2016 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint ventures and jointly controlled entities. The Group is a for-profit entity.

### Basis of preparation

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

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

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

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

The financial report was approved by the board of directors on 19 August 2016.

The relevant Australian Accounting Standards and Interpretations that became effective and that were early adopted by the Group since 30 June 2015 was:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality.

### Standards taking effect from 1 July 2016 and later

- Revenue from contracts with customers (Amendments to AASB 15) – applicable for annual reporting periods beginning on or after 1 January 2017 – The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.
- IFRS 9 Financial Instruments – applicable for annual reporting periods beginning on or after 1 January 2018 – The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2010 – as amended).
- AASB 16 Leases – applicable for annual reporting periods beginning on or after 1 January 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- AASB 2016 – 1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (mandatory for years beginning on or after 1 January 2017).
- AASB 2016 – 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (mandatory for years beginning on or after 1 January 2017).
- AASB 1057 Application of Australian Accounting Standards; AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application paragraphs (mandatory for years beginning on or after 1 July 2016).
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to 101 (mandatory for years beginning on or after 1 July 2016).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (mandatory for years beginning on or after 1 July 2016).
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable methods of depreciation and amortisation (mandatory for years beginning on or after 1 July 2016).

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

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

### (a) Principles of consolidation

The consolidated financial report comprises the financial statements of MaxiTRANS Industries Limited and all of its subsidiaries. A subsidiary is any entity controlled by MaxiTRANS Industries Limited or any of its subsidiaries. Control exists where MaxiTRANS Industries Limited is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is contained in Note 18 to the financial statements.

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not

remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

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

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

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

### (b) Foreign currency

#### (i) Foreign currency transactions

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

### (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 at 30 June 2016 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 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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

rates in the current and comparative periods:

	2016	2015
Buildings	2.5-4.0%	2.5-4.0%
Plant and equipment	5-50%	5-50%
Leased plant and equipment	10-30%	10-30%

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

### (e) Intangibles

#### (i) Goodwill

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

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

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

#### (ii) Research and development

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

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

The expenditure capitalised includes the cost of

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

#### (iii) 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:

	2016	2015
Brand names	0%	0%
Intellectual property	0-4.0%	0-4.0%
Patents & trademarks	5-12%	5-12%

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

### (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.

### (j) Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective

interest rate computed at initial recognition of these financial assets). Receivables with a short duration (less than 12 months) are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax nominal discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### (k) Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

### (l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

### (m) Employee benefits

#### (i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit or loss as incurred. During the year superannuation contributions of \$5,262,760 (2015: \$4,683,366) were expensed.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

### (ii) Long-term service benefits

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

### (iii) Share based payments transactions

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

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

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

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

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

### (n) Provisions

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

### (o) Warranties

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

### (p) Income tax

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

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

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

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

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

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

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

### (q) Tax consolidation

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

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

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

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

### (r) Earnings per share

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

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

### (s) Revenue

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

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

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

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

#### (iii) Other income

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

#### (iv) Dividend income

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

#### (t) Goods and services tax

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

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

### (u) Trade and other payables

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

### (v) Expenses

#### (i) Operating lease payments

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

#### (ii) Finance lease payments

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

#### (iii) Finance costs

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

### (w) Derivative financial instruments

The Group from time to time uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational,

financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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

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

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

### (x) Accounting estimates and judgements

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

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

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

These calculations involve an estimation of the

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

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 2016 was 26% (2015: 36%). The Dividend Reinvestment Plan was suspended on 21 June 2011. The Board seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages afforded by a sound capital position.

### (z) Segment reporting

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

### (aa) Determination of fair values

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

#### (i) Land and buildings

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

### (ii) Derivatives

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

The fair value of interest rate swaps is based on 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.

### (ab) Government grants

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

As at 30 June 2016, the Group has accounted for three government grants.

The first grant, relating to the relocation of the Hamelex White manufacture and assembly production line from Hallam to Ballarat, amounts to \$2.5 million. At 30 June 2016 \$2.35 million has been received. In accordance with the terms of the grant, the Group is required to recruit and maintain certain levels of employee numbers, and maintain and operate the facility for a period of not less than 3 years from the date of completion. The grant has been offset against the cost of setting up the new production line within plant and equipment.

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

The third grant, relating to the purchase and installation of a Laser Cutter Machine to improve efficiency, output and design capabilities within the Ballarat manufacturing plant, amounts to \$0.25m. Conditions relating to this grant have been met and as at 30 June 2016 \$0.245m has been received.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 \$'000	2015 \$'000
<b>2. PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Employee and contract labour expenses:</b>		
- employee expenses	73,637	76,078
- contract labour expenses	9,689	6,846
Total employee and contract labour expenses	83,326	82,924
<b>Net (income)/expenses from movements in provision for:</b>		
- employee entitlements	53	600
- warranty <sup>(1)</sup>	(327)	1,567
- other	260	315
Net (income)/expense resulting from movements in provisions	(14)	2,482
Rental expense on operating leases	6,265	5,812
Research and development expenditure written off as incurred	892	821
Crediting as income:		
Net gain on disposal of:		
- property, plant and equipment	592	(43)
<sup>(1)</sup> the prior year amount includes a provision for product recall costs of \$2.45m pre-tax.		
<b>3. TAXATION</b>		
<b>(a) Income tax</b>		
Reconciliation of tax expense		
Prima facie tax payable on profit before tax at 30% (2014: 30%)	2,045	1,650
Add/(deduct) tax effect of:		
Research & development allowance	(232)	(400)
Non-deductible/(deductible) expenses	(17)	123
Joint venture equity accounted income	(327)	(299)
Prior year adjustments	(48)	(19)
Impact of tax rates in foreign jurisdictions	(101)	(19)
	(725)	(614)
<b>Income tax expense in consolidated statement of profit or loss</b>	<b>1,320</b>	<b>1,036</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 3. TAXATION (continued)

	Consolidated	
	2016 \$'000	2015 \$'000
Income tax expense attributable to operating profit is made up of:		
Current tax expense	2,222	3,323
Prior year adjustment – current tax	13	735
Deferred tax expense		
– origination and reversal of temporary difference	(854)	(2,268)
– prior year adjustment – deferred differences	(61)	(754)
<b>Income tax expense in consolidated statement of profit or loss</b>	<b>1,320</b>	<b>1,036</b>

### (b) Deferred tax assets/(deferred tax liabilities)

The deferred tax assets/(deferred tax liabilities) are made up of the following estimated tax benefits/(cost):

– Provisions and accrued employee benefits	5,976	6,166
– Property, plant & equipment	(4,667)	(4,498)
– Leases	–	(3)
– Intangible assets	(945)	(2,163)
– Inventory	923	654
– Other	47	517
<b>Net deferred tax asset/(liability)</b>	<b>1,334</b>	<b>673</b>
Balance at beginning of year	673	(1,561)
Recognised in profit or loss	886	3,075
Recognised in equity	(225)	(841)
<b>Net deferred tax asset/(liability)</b>	<b>1,334</b>	<b>673</b>

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

The Group's current tax asset of \$2,862,977 (2015: \$1,409,887) and current tax liability of \$252,721 (2015: \$362,328) represents the amount of income taxes receivable/(payable) in respect of current and prior financial periods.

## 4. TRADE AND OTHER RECEIVABLES

	Consolidated 2016			Consolidated 2015		
	Gross \$'000	Impairment \$'000	Total \$'000	Gross \$'000	Impairment \$'000	Total \$'000
<b>Impairment losses</b>						
Not past due	24,354	(145)	24,209	30,264	(200)	30,064
Past due 0 – 30 days	8,759	(58)	8,701	9,951	(51)	9,900
Past due 31 – 60 days	2,583	(21)	2,562	1,607	(11)	1,596
Past due over 61 days	1,655	(108)	1,547	77	(56)	21
<b>Trade debtors</b>	<b>37,351</b>	<b>(332)</b>	<b>37,019</b>	<b>41,899</b>	<b>(318)</b>	<b>41,581</b>
Other receivables			1,367			1,380
<b>Total trade and other receivables</b>			<b>38,386</b>			<b>42,961</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 \$'000	2015 \$'000
<b>5. INVENTORIES</b>		
Second-hand units – at net realisable value	5,298	4,848
Finished goods – at cost	31,745	32,693
Work in progress – at cost	2,943	4,245
Raw materials – at cost	16,275	14,675
Less: provision for impairment loss	(2,920)	(2,726)
<b>Total inventories</b>	<b>53,341</b>	<b>53,735</b>
<b>6. PROPERTY, PLANT &amp; EQUIPMENT</b>		
Land and buildings at fair value	41,171	39,396
Accumulated depreciation	(887)	(62)
<b>Total land and buildings</b>	<b>40,284</b>	<b>39,334</b>
<b>Plant and Equipment</b>		
Plant & equipment at cost	38,638	39,267
Accumulated depreciation	(27,870)	(28,234)
	<b>10,768</b>	<b>11,033</b>
Office equipment at cost	8,981	8,706
Accumulated depreciation	(6,997)	(6,174)
	<b>1,984</b>	<b>2,532</b>
Leased property, plant & equipment	7,819	9,120
Accumulated depreciation	(643)	(1,329)
	<b>7,176</b>	<b>7,791</b>
Capital work in progress	18,351	12,664
<b>Total plant and equipment</b>	<b>38,279</b>	<b>34,020</b>
<b>Total property, plant and equipment</b>	<b>78,563</b>	<b>73,354</b>

Independent valuations/market assessments were obtained at 30 June 2016 in relation to all land and buildings held at that time, for use by the directors in assessing land and buildings at fair value.

Refer to Note 25(e) for details of security over land and buildings.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

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

### Reconciliations

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

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Land and buildings</b>		
Carrying amount at the beginning of the financial year	39,334	37,173
Additions	-	-
Fair value increment	777	3,127
Disposals	-	-
Depreciation	(504)	(494)
Other sundry movements	677	(472)
<b>Carrying amount at the end of the financial year</b>	<b>40,284</b>	<b>39,334</b>
<b>Plant and equipment</b>		
Carrying amount at the beginning of the financial year	11,033	9,129
Additions	1,409	3,115
Transfers from leased plant and equipment	52	496
Transfers from capital works in progress	545	43
Disposals	(309)	(163)
Depreciation	(1,988)	(1,955)
Other sundry movements	26	368
<b>Carrying amount at the end of the financial year</b>	<b>10,768</b>	<b>11,033</b>
<b>Office equipment</b>		
Carrying amount at the beginning of the financial year	2,532	3,023
Additions	542	621
Transfers from capital works in progress	-	-
Disposals	(2)	(12)
Depreciation	(1,090)	(1,138)
Other sundry movements	2	38
<b>Carrying amount at the end of the financial year</b>	<b>1,984</b>	<b>2,532</b>
<b>Leased property, plant and equipment</b>		
Carrying amount at the beginning of the financial year	7,791	7,637
Additions	1,347	685
Transfers to plant and equipment	(52)	(496)
Disposals	(1,143)	-
Other sundry movements	(105)	895
Amortisation	(662)	(930)
<b>Carrying amount at the end of the financial year</b>	<b>7,176</b>	<b>7,791</b>
<b>Capital works in progress</b>		
Carrying amount at the beginning of the financial year	12,664	6,235
Additions	6,232	6,472
Transfers to property, plant and equipment	(545)	(43)
<b>Carrying amount at the end of the financial year</b>	<b>18,351</b>	<b>12,664</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 \$'000	2015 \$'000
<b>7. INTANGIBLES</b>		
Goodwill at cost	24,645	24,645
Brand names at cost	6,930	6,930
Accumulated amortisation	(691)	(691)
	<b>6,239</b>	6,239
Intellectual property at cost	22,665	22,665
Accumulated amortisation	(16,490)	(11,673)
	<b>6,175</b>	10,992
Patents and trademarks at cost	891	891
Accumulated amortisation	(891)	(535)
	-	356
<b>Total Intangibles</b>	<b>37,059</b>	42,232
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of intangible assets are set out below:		
<b>Goodwill</b>		
Carrying amount at the beginning of the financial year	24,645	24,945
Impairment losses	-	(300)
<b>Carrying amount at the end of the financial year</b>	<b>24,645</b>	24,645
<b>Brand names</b>		
Carrying amount at the beginning of the financial year	6,239	6,239
<b>Carrying amount at the end of the financial year</b>	<b>6,239</b>	6,239
<b>Intellectual property</b>		
Carrying amount at the beginning of the financial year	10,992	11,730
Amortisation	(731)	(738)
Impairment Losses	(4,086)	-
<b>Carrying amount at the end of the financial year</b>	<b>6,175</b>	10,992
<b>Patents and trademarks</b>		
Carrying amount at the beginning of the financial year	356	3,024
Amortisation	(44)	(388)
Impairment losses	(312)	(2,280)
<b>Carrying amount at the end of the financial year</b>	-	356

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 7. INTANGIBLES (continued)

CGU	Consolidated			
	Other Intangibles Allocation		Goodwill Allocation	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Australian Trailers <sup>(1)</sup>	12,414	17,587	5,193	5,193
MaxiPARTS	-	-	16,699	16,699
Yangzhou Maxi-CUBE Tong Composites (China)	-	-	2,753	2,753
Maxitrans New Zealand	-	-	-	-
	<b>12,414</b>	<b>17,587</b>	<b>24,645</b>	<b>24,645</b>

### Impairment tests for Goodwill and Other Intangibles

(1) During the year following a restructure, the company redefined its CGU's whereby its Australian trailer brands are aggregated into a single CGU. As a result, the CGU information for both 2016 and 2015 are disclosed based on the new CGU's as identified above.

The recoverable amount of the CGU's to which goodwill and other intangible assets with indefinite useful lives are allocated is determined based on value-in-use calculations. These calculations use cash flow projections based on most recent budgeted projections by key operational management, and are subsequently reviewed by the Board. These projections are derived based on current market conditions, order intake and expectations with regards to market share. Projections are extrapolated using estimated growth rates for a five year period with a terminal growth rate of 2% which is below the long-term market average. The growth rate used for years 2-5 is 2.75% which is based on recent Australian Government GDP forecasts and the after-tax nominal discount rates used were 8.9% - 9.9% (2015: 9.6% - 10.6%).

As a result of this testing, the carrying amount of the former Lusty EMS and Hamelex White CGU's were determined to be higher than their recoverable amount. Based on the inherent volatility in the markets in which our tipper products operate, such as weather conditions and construction activity levels, it is difficult to predict the future earnings of these products. Accordingly, given the challenging market conditions in recent years and uncertain outlook, the Company has impaired the carrying values of these intangible assets being intellectual property and patents. An impairment loss of \$2,136,000 and \$2,262,000 respectively have therefore been recognised for the year ended 30 June 2016. These amounts have both been allocated against Other Intangibles.

The recoverable amount of all other CGUs, was found to be in excess of their respective carrying values. As such, no additional impairment charges were required for the year ended 30 June 2016.

	Consolidated	
	2016 \$'000	2015 \$'000
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade payables	35,113	31,871
Other payables and accruals	13,163	11,345
<b>Total trade and other payables</b>	<b>48,276</b>	<b>43,216</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 9. INTEREST BEARING LOANS AND BORROWINGS

		Consolidated	
		2016 \$'000	2015 \$'000
<b>Current</b>			
Bank loans – secured	25	1,013	4,196
Lease liability		816	1,070
<b>Total current interest bearing liabilities</b>		<b>1,829</b>	<b>5,266</b>
<b>Non Current</b>			
Bank loans	25	40,452	41,000
Lease liability		871	1,036
<b>Total non-current interest bearing liabilities</b>		<b>41,323</b>	<b>42,036</b>

Bank loans are subject to a floating interest rate. Interest rate swaps have been executed in respect of \$24.0m (2015: \$13.5m) of this debt in order to mitigate interest rate risk. Refer to note 25(b) for further details.

<b>Finance Costs:</b>			
– Interest on bank loans		2,275	2,359
– Finance lease charges		84	166
<b>Total finance costs</b>		<b>2,359</b>	<b>2,525</b>

## 10. PROVISIONS

<b>Current</b>			
Employee entitlements		9,595	9,485
Warranty		2,881	3,209
<b>Total current provisions</b>		<b>12,476</b>	<b>12,694</b>
<b>Non Current</b>			
Employee entitlements		1,095	1,152
Other		52	-
<b>Total non current provisions</b>		<b>1,147</b>	<b>1,152</b>
<b>Aggregate employee entitlements liability</b>		<b>10,690</b>	<b>10,637</b>

Provisions at 30 June 2016 is analysed as follows:

	Warranty \$'000	Other \$'000
<b>Carrying amount at 1 July 2015</b>	<b>3,209</b>	-
Provisions made during the year	1,395	52
Provisions written back during the year	(535)	-
Payments made during the year	(1,207)	-
Foreign Currency Exchange differences	19	-
<b>Carrying amount at 30 June 2016</b>	<b>2,881</b>	<b>52</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 11. ISSUED CAPITAL

	Number of Ordinary Shares	Share Capital \$'000
Balance at 30 June 2015	185,075,653	56,386
<b>Balance at 30 June 2016</b>	<b>185,075,653</b>	<b>56,386</b>

### Ordinary shares

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

- Every shareholder may vote;
- On a show of hands every shareholder has one vote;
- On a poll every shareholder has:
  - (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.

## 12. EARNINGS PER SHARE

### Basic earnings per share

	Consolidated	
	2016 – \$'000	2015 – \$'000
<b>Earnings reconciliation</b>		
Net profit attributable to equity holders of the company	5,235	4,497
<b>Basic earnings</b>	<b>5,235</b>	<b>4,497</b>

	2016 – Number	2015 – Number
<b>Weighted average number of shares</b>		
Ordinary shares on issue at 1 July	185,075,653	185,075,653
Effect of shares issued during the year	–	–
<b>Weighted average number for basic earnings per share</b>	<b>185,075,653</b>	<b>185,075,653</b>

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2016 is based on net profit attributable to equity holders of the company of \$5,235,000 and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of nil.

	2016 – Number	2015 – Number
<b>Weighted average number of shares (diluted)</b>		
Weighted average number of shares (basic)	185,075,653	185,075,653
Effect of Performance Rights on issue	–	–
<b>Weighted average number for diluted earnings per share</b>	<b>185,075,653</b>	<b>185,075,653</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 13. DIVIDENDS

Dividends paid	Cents per share	Total amount \$'000	Date of payment	Tax rate for franking credit	Percent franked
<b>2016</b>					
Interim – ordinary	2.00	3,702	14 April 2016	30%	100%
<b>Total dividends paid</b>	<b>2.00</b>	<b>3,702</b>			
<b>2015</b>					
Interim – ordinary	2.00	3,702	16 April 2015	30%	100%
<b>Total dividends paid</b>	<b>2.00</b>	<b>3,702</b>			

No final dividend was paid for the financial year ended 30 June 2015. During the financial year a internal dividend of \$420,000 was declared by one of the Group's subsidiaries Transport Connection Pty Ltd of which \$81,000 was paid to its minority shareholder.

### Dividends proposed

Final - ordinary	<b>1.00</b>	<b>1,851</b>	14 October 2016	30%	100%
------------------	-------------	--------------	-----------------	-----	------

The above dividend was declared after the end of the financial year and will be paid on 14 October 2016. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial statements.

Dividend franking account	The Company	
	2016 \$'000	2015 \$'000
Franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	<b>20,826</b>	18,685

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 \$793,181 (2015: \$nil).

## 14. SEGMENT INFORMATION

During the year the company has restructured its operations. As a consequence both its reportable segments and CGU's have been redefined. In accordance with AASB 8 – Operating Segments the company has two segments:

1. "Trailing Solutions", encompassing trailer Manufacturing and Retail & Service divisions;
2. "Parts & Components", encompassing MaxiPARTS and China divisions.

The restatement of both its CGUs and reportable segments is based on how management views and assesses the Group's cash inflows, profitability and operational activity. As a result, the segment information for both 2016 and 2015 are disclosed based on the new segments as identified above.

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 14. SEGMENT INFORMATION (continued)

Year ended 30 June 2016

Business Segments	Trailer Solutions	Parts & Components	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
External segment revenue	233,532	104,959	-	338,491
Inter-segment revenue	1,898	11,087	(12,985)	-
<b>Total segment revenue</b>	<b>235,430</b>	<b>116,046</b>	<b>(12,985)</b>	<b>338,491</b>
Unallocated sundry revenue				1,688
<b>Total revenue</b>				<b>340,179</b>
<b>Segment Net profit before tax</b>	<b>5,961</b>	<b>3,648</b>	<b>-</b>	<b>9,609</b>
Share of net profit of equity accounted investments				1,089
Unallocated corporate expenses				(3,882)
Profit before related income tax expense				6,816
Income tax expense				(1,320)
<b>Net profit</b>				<b>5,496</b>
Depreciation and amortisation	2,809	2,004	-	4,813
Unallocated depreciation and amortisation				207
<b>Total depreciation and amortisation</b>				<b>5,020</b>
<b>Assets</b>				
Segment assets	127,171	76,097	-	203,268
Unallocated corporate assets				26,018
<b>Consolidated total assets</b>				<b>229,286</b>
<b>Liabilities</b>				
Segment liabilities	46,562	28,486	-	75,048
Unallocated corporate liabilities				30,901
<b>Consolidated total liabilities</b>				<b>105,949</b>
Capital expenditure <sup>(i)</sup>	2,590	740	-	3,330
Unallocated capital expenditure				6,200
<b>Consolidated capital expenditure</b>				<b>9,530</b>

(i) Capital expenditure includes the acquisition of leased assets

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 14. SEGMENT INFORMATION (continued)

Year ended 30 June 2015

Business Segments	Trailer Solutions	Parts & Components	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
External segment revenue	221,317	106,570	-	327,887
Inter-segment revenue	1,766	10,127	(11,893)	-
<b>Total segment revenue</b>	<b>223,083</b>	<b>116,697</b>	<b>(11,893)</b>	<b>327,887</b>
Unallocated sundry revenue				1,278
<b>Total revenue</b>				<b>329,165</b>
<b>Segment Net profit before tax</b>	<b>8,757</b>	<b>(781)</b>	<b>-</b>	<b>7,976</b>
Share of net profit of equity accounted investments				997
Unallocated corporate expenses				(3,474)
Profit before related income tax expense				5,499
Income tax expense				(1,036)
<b>Net profit</b>				<b>4,463</b>
Depreciation and amortisation	3,435	1,949	-	5,384
Unallocated depreciation and amortisation				259
<b>Total depreciation and amortisation</b>				<b>5,643</b>
<b>Assets</b>				
Segment assets	133,013	76,757	-	209,770
Unallocated corporate assets				16,072
<b>Consolidated total assets</b>				<b>225,842</b>
<b>Liabilities</b>				
Segment liabilities	40,089	24,229	-	64,318
Unallocated corporate liabilities				40,912
<b>Consolidated total liabilities</b>				<b>105,230</b>
Capital expenditure <sup>(i)</sup>	1,804	2,821	-	4,625
Unallocated capital expenditure				6,268
<b>Consolidated capital expenditure</b>				<b>10,893</b>

(i) Capital expenditure includes the acquisition of leased assets

### Geographical segments

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 15. SHARE BASED PAYMENTS

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

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

Period	1 July 2015 – 30 June 2018	1 July 2014 – 30 June 2017
Grant date	30 September 2015	30 September 2014
Total PR's Issued	4,985,368	2,072,978
Total PR's Forfeited	-	130,456
Total PR's remaining on issue	4,985,368	1,942,522
Vesting conditions	ROIC – 50% EPS – 50%	ROIC – 50% EPS – 50%
Base ROIC	5.21% (year ended 30 June 2015)	9.62% (year ended 30 June 2014)
Target increase in ROIC	Average of 1.75% per annum (10.46% over 3 years)	Average of 1.50% per annum (4.50% over 3 years)
Percentage increase in base ROIC required	10%	47%
Minimum % of ROIC target that must be achieved for Performance Rights to vest	70% (i.e. average of 1.22% per annum)	67% (i.e. average of 1.00% per annum)
Target EPS	Basic EPS of 10.50¢. Growth over 2014 EPS of 9.26¢ given that 2015 EPS was impacted by non-recurring costs	Average 10.0% compound growth over 2014 Basic EPS – 9.26¢
Minimum service requirement	3 years from grant date	3 years from grant date

Details of PR's exercised during the year:	
Total PR's issued - 2012	1,831,097
Total PR's issued - 2013	1,532,292
Total PR's forfeited	3,363,389
Total PR's exercised	-

### Measurement of fair value

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

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

	2016	2015
Fair value at grant date	34.18¢	76.83¢
Share price at grant date	44.00¢	86.50¢
Expected volatility	50.00%	40.00%
Expected dividend yield	5.50%	6.50%
Risk-free rate of return	2.50%	2.90%
Liquidity discount	15.00%	15.00%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 15. SHARE BASED PAYMENTS (continued)

Expense/(income) recognised in profit and loss	Consolidated	
	2016 \$'000	2015 \$'000
Share based payments expense recognised	592	570
Share based payments reversed	(937)	-
<b>Total share based payment expense/(income) recognised as employee costs</b>	<b>(345)</b>	570

During the period it was determined that the performance and service conditions of both the 2012 and 2013 PR schemes will not be met. As a result, the total amount recognised for goods and services received over the life of the 2012 and 2013 PR schemes were reversed. The reversal amount is comprised of:

	\$'000
2012 PR scheme	421
2013 PR scheme	516

## 16. RELATED PARTY DISCLOSURES

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

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

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

#### Non-executive directors

- Mr I Davis (Chairman-resigned 30 June 2016)
- Mr J Curtis (Deputy Chairman)
- Mr G Lord
- Mr R Wylie (Appointed Chairman on 30 June 2016)
- Mr J Rizzo
- Ms S Hogg (Appointed Director on 27 April 2016)

#### Executive directors

- Mr M Brockhoff (Managing Director)

#### Executives

- Mr C Richards (CFO and Company Secretary)
- Mr A Wibberley (Group General Manager – Manufacturing)
- Mr P Buttler (General Manager – Ballarat)
- Mr P Loimaranta (General Manager – MaxiPARTS)
- Mr A McKenzie (Group General Manager – Sales and Distribution)
- Mr S Harkin (Group Supply Manager)
- Mr C Wallace (General Manager – Vic Branch)

### (b) Directors' transactions in shares

Directors and their related entities acquired 811,816 existing ordinary shares in MaxiTRANS Industries Limited during the year.

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

MaxiTRANS Industries Limited and controlled entities paid legal fees of \$238,904 (2015: \$621,204) to Minter Ellison of which Mr I. Davis was a senior partner. Mr Davis retired from Minter Ellison on 30 June 2015 and remains with the firm in the capacity of a consultant. All dealings were in the ordinary course of business and on normal commercial terms and conditions. Amounts owing at year end total \$4,763 (2015: \$nil).

MaxiTRANS Industries Limited and controlled entities paid consulting fees of \$62,370 (2015: \$1,470,406) to UXC Red Rock Pty Ltd, a subsidiary of UXC Limited of which Mr G Lord was Deputy Chairman. All dealings were in the ordinary course of business and on normal commercial terms and conditions. During the year, the contractual arrangements between the parties came to an end. Amounts owing at year end total \$nil (2015: \$nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 16. RELATED PARTY DISCLOSURES (continued)

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

### (d) Transactions with joint venture

During the year the Group derived revenue from the joint venture of \$37,666,993 (2015: \$35,668,496) for the sale of new units, parts and the provisions of services. Amounts receivable from the joint venture at year end total \$519,072 (2015: \$6,838,947).

During the year the Group paid for services and parts from the joint venture totalling \$1,350,175 (2015: \$1,268,351). Amounts owing at year end total \$118,579 (2015: \$37,573).

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

### (e) Key management personnel remuneration

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

	Consolidated	
	2016	2015
Short-term employee benefits	3,085,725	2,760,695
Post-employment benefits	356,795	313,634
Share based payment benefits	(284,314)	391,894
	<b>3,158,206</b>	<b>3,466,223</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 17. PARENT ENTITY

As at 30 June 2016 and throughout the financial year ending on that date, the parent company of the Group was MaxiTRANS Industries Limited.

	Company	
	2016 \$'000	2015 \$'000
<b>Results of the parent company</b>		
Profit/(loss) for the year	400	11,659
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>400</b>	<b>11,659</b>
<b>Financial position of the parent company</b>		
Current assets	32,417	36,763
Total assets	79,475	83,863
Current liabilities	459	400
Total liabilities	459	400
Net Assets	79,016	83,463
<b>Total equity of the parent company comprising of:</b>		
Issued capital	56,386	56,386
Reserves	836	1,181
Retained earnings	21,795	25,896
<b>Total equity</b>	<b>79,016</b>	<b>83,463</b>

### Parent company investment in subsidiaries and joint ventures

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

### Parent company contingencies

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 18. CONTROLLED ENTITIES

### Particulars in relation to controlled entities

	Country of incorp.	Class of shares	Interest held	
			2016 %	2015 %
<b>The Company:</b>				
MaxiTRANS Industries Limited				
<b>Controlled entities of MaxiTRANS Industries Limited:</b>				
MaxiTRANS Australia Pty Ltd	Aust.	Ord.	100	100
Transport Connection Pty Ltd	Aust.	Ord.	80	80
Transtech Research Pty Ltd	Aust.	Ord.	100	100
Trail Truck Parts Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiTRANS Industries (N.Z.) Pty Ltd	Aust.	Ord.	100	100
Peki Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
Ultraparts Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiTRANS Services Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS Finance Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
Lusty EMS Pty Ltd	Aust.	Ord.	100	100
Hamelex White Pty Ltd <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiPARTS Pty Ltd (formerly Colrain Pty Ltd)	Aust.	Ord.	100	100
Colrain Queensland Pty Ltd	Aust.	Ord.	100	100
Colrain (Albury) Pty Ltd	Aust.	Ord.	100	100
Queensland Diesel Spares Pty Ltd (formerly Colrain (Ballarat) Pty Ltd) <sup>(i)</sup>	Aust.	Ord.	100	100
Colrain Pty Ltd (formerly Colrain (Geelong) Pty Ltd) <sup>(i)</sup>	Aust.	Ord.	100	100
MaxiPARTS (Qld) Pty Ltd (formerly Queensland Diesel Spares Pty Ltd)	Aust.	Ord.	100	100
MaxiTRANS Employee Share Plan Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS (China) Limited <sup>(i)</sup>	Hong Kong	Ord.	100	100
Yangzhou Maxi-CUBE Tong Composites Co Ltd	China	Ord.	80	80

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

## 19. DEED OF CROSS GUARANTEE

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

A consolidated statement of comprehensive income and consolidated balance sheet, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2016 is set out as follows:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 19. DEED OF CROSS GUARANTEE (continued)

### Consolidated statement of comprehensive income

	Consolidated	
	2016 \$'000	2015 \$'000
Total revenue	297,609	294,824
Changes in inventories of finished goods and work in progress	(2,116)	(541)
Raw materials and consumables used	(170,353)	(172,266)
Other income	634	90
Employee expenses	(80,042)	(79,809)
Warranty expenses	(1,900)	(5,375)
Depreciation and amortisation expenses	(4,217)	(4,857)
Impairment loss on intangible assets	(4,398)	(2,580)
Finance costs	(2,078)	(2,322)
Other expenses	(29,294)	(22,296)
Share of net profits of joint ventures accounted for using the equity method	1,089	997
Profit before income tax	4,934	5,865
Income tax expense	(744)	(1,197)
<b>Profit for the year</b>	<b>4,190</b>	<b>4,668</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	997	(558)
Other sundry movements	34	(81)
<i>Items that will never be re-classified to profit or loss:</i>		
Revaluation of land and buildings	777	3,127
Related tax	(218)	(917)
Other comprehensive income/(loss) for the year, net of tax	1,590	1,571
<b>Total comprehensive income for the year</b>	<b>5,780</b>	<b>6,239</b>
Profit attributable to:		
Equity holders of the company	4,190	4,668
Total comprehensive income attributable to:		
Equity holders of the company	5,780	6,239

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 19. DEED OF CROSS GUARANTEE (continued)

### Consolidated balance sheet

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	8,539	2,974
Trade and other receivables	29,154	37,284
Inventories	50,386	49,886
Current tax assets	2,863	-
Other	1,037	3,123
<b>Total Current Assets</b>	<b>91,979</b>	<b>93,267</b>
<b>Non-Current Assets</b>		
Investment in joint venture	4,187	3,926
Investments in controlled entities	6,625	7,294
Property, plant & equipment	69,832	63,631
Intangible assets	32,721	37,895
Deferred tax assets	1,443	288
Other	1,157	1,157
<b>Total Non-Current Assets</b>	<b>115,965</b>	<b>114,191</b>
<b>Total Assets</b>	<b>207,944</b>	<b>207,458</b>
<b>Current Liabilities</b>		
Trade and other payables	39,839	35,686
Interest bearing loans and borrowings	816	1,069
Current tax liability	253	291
Provisions	11,464	11,747
<b>Total Current Liabilities</b>	<b>52,372</b>	<b>48,793</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	37,371	42,036
Deferred tax liabilities	395	311
Provisions	1,147	1,152
Other	199	244
<b>Total Non-Current Liabilities</b>	<b>39,112</b>	<b>43,743</b>
<b>Total Liabilities</b>	<b>91,484</b>	<b>92,536</b>
<b>Net Assets</b>	<b>116,460</b>	<b>114,922</b>
<b>Equity</b>		
Issued capital	56,386	56,386
Reserves	14,904	13,612
Retained profits	45,170	44,924
<b>Total Equity</b>	<b>116,460</b>	<b>114,922</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 20. INVESTMENT IN JOINT VENTURE

Name of Entity	Principal Activity	Ownership	
		2016 %	2015 %
Trailer Sales Pty Ltd	Trailer retailer. Repairs and service provider. Sale of spare parts within Australia, which is the country of incorporation.	<b>36.67</b>	36.67

\$'000	Revenues (100%)	Net profit after tax (100%)	Share of joint venture profit recognised	Total assets	Total liabilities	Net assets as reported by joint venture
2016	71,947	2,971	1,089	20,050	9,758	10,292
2015	64,765	2,718	997	23,069	13,489	9,580

### Commitments

The share of the joint venture's capital commitments contracted but not provided for or payable within one year was \$nil at 30 June 2016 (2015: \$nil).

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

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

	Consolidated	
	2016 \$'000	2015 \$'000
Profit for the year	<b>5,496</b>	4,463
<b>Non cash items in operating profit</b>		
Depreciation/amortisation of assets	<b>5,020</b>	5,643
Impairment loss on intangible assets	<b>4,398</b>	2,580
Profit on sale of fixed assets	<b>(592)</b>	(43)
Share of joint venture profit	<b>(1,089)</b>	(997)
Share based payments expense	<b>(345)</b>	(264)
<b>Change in assets &amp; liabilities</b>		
(Increase)/decrease in receivables	<b>4,697</b>	(202)
(Increase)/decrease in other assets	<b>757</b>	269
(Increase)/decrease in inventories	<b>569</b>	584
Increase/(decrease) in trade payables and other liabilities	<b>5,038</b>	2,316
Increase/(decrease) in income tax payable	<b>(1,595)</b>	(1,229)
Increase/(decrease) in deferred taxes	<b>(864)</b>	(3,175)
Increase/(decrease) in provisions	<b>(294)</b>	2,193
<b>Net cash flows from operating activities</b>	<b>21,196</b>	12,138

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 21. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Acquisition of plant &amp; equipment by means of finance leases</b>	-	684

These acquisitions are not reflected in the consolidated statement of cash flows.

## 22. CAPITAL AND LEASING COMMITMENTS

### (a) Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

- not later than 1 year	4,291	4,907
- later than 1 year but not later than 5 years	7,484	8,789
- later than 5 years	3,506	4,452
<b>Total operating lease commitments</b>	<b>15,281</b>	<b>18,148</b>

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

### (b) Capital expenditure commitments

Payable

- not later than 1 year	7,080	9,715
- later than 1 year but not later than 5 years	-	-
<b>Total capital expenditure commitments</b>	<b>7,080</b>	<b>9,715</b>

## 23. 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.

## 24. REMUNERATION OF AUDITOR

Remuneration of the auditor of the Company for:

	\$	\$
<b>KPMG Australia:</b>		
- auditing and reviewing the financial statements	263,700	286,200
- other services (taxation & advisory)	111,762	55,590
	<b>375,462</b>	<b>341,790</b>
<b>Overseas KPMG Firms:</b>		
- auditing and reviewing financial statements	79,344	76,350
- other services (taxation, advisory & due diligence)	19,052	28,916
	<b>98,396</b>	<b>105,266</b>
<b>Total</b>	<b>473,858</b>	<b>447,056</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 25. FINANCIAL INSTRUMENTS

### (a) Risk management framework/policies

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

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

### (b) Interest rate risk

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

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

	2016 \$'000	2015 \$'000
Borrowings – fixed rate	12,933	21,070
Borrowings – floating rate	30,219	26,232
	<b>43,152</b>	<b>47,302</b>

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

	2016 \$'000	2015 \$'000
100bp increase	(191)	(136)
100bp decrease	191	136

### (c) Currency risk

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

#### *Forward exchange contracts*

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Buy USD Dollar	0.7309	0.8292	3,228	2,637	4,417	3,180	(55)	297

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 25. FINANCIAL INSTRUMENTS (continued)

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

	2016 \$'000	2015 \$'000
USD 10.0 cents increase	(435)	(87)

### (d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities, primarily from trade and other receivables and financing activities, including deposits with financial institutions. The carrying amount of these financial assets at year-end represented the Group's maximum exposure to credit risk. The Group has a policy of only dealing with credit worthy counterparties and obtaining sufficient security where appropriate, as a means of mitigating the risk of financial losses from defaults. The Group does not have any significant credit risk exposure to any single counter party. The majority of accounts receivable are due from entities within the transport industry.

### Guarantees

Performance guarantees of \$614,194 (2015: \$1,414,194) are held by Australia and New Zealand Banking Group Limited on behalf of MaxiTRANS Australia Pty Ltd and MaxiPARTS Pty Ltd. MaxiTRANS Industries Limited guarantees the loan facility MTC (China) has with the Australia and New Zealand Bank (China) Company Limited. Refer to (e) below for details of the MTC (China) loan facility.

### (e) Liquidity risk

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

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

The following table summarises the maturities of the Group's financial liabilities based on the remaining earliest contractual maturities, excluding net interest payable on borrowings.

30 June 2016	Carrying Amount \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000
Trade and other payables and accruals	(48,276)	(48,276)	-	-	-
Borrowings	(43,152)	(1,623)	(206)	(30,238)	(11,085)
<b>Effect of Derivative Instruments</b>					
- Forward exchange contracts	(61)	(61)	-	-	-
	<b>(91,489)</b>	<b>(49,960)</b>	<b>(206)</b>	<b>(30,238)</b>	<b>(11,085)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 25. FINANCIAL INSTRUMENTS (continued)

30 June 2015	Carrying Amount \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000
Trade and other payables and accruals	(43,216)	(43,216)	-	-	-
Borrowings	(47,302)	(4,767)	(499)	(30,701)	(11,335)
<b>Effect of Derivative Instruments</b>					
- Forward exchange contracts	277	277	-	-	-
	<b>(90,241)</b>	<b>(47,706)</b>	<b>(499)</b>	<b>(30,701)</b>	<b>(11,335)</b>

### Finance facilities

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

	Facility Amount		Utilised		Available	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Loan facility	<b>64,965</b>	64,196	<b>41,465</b>	45,196	<b>23,500</b>	19,000
Overdraft facility	<b>2,000</b>	2,000	-	-	<b>2,000</b>	2,000
Multi-option facility	<b>13,000</b>	13,000	<b>1,687</b>	2,106	<b>11,313</b>	10,894
	<b>79,965</b>	79,196	<b>43,152</b>	47,302	<b>36,813</b>	31,894

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.

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

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

Interest rates are a combination of fixed and variable.

The MTC (China) core loan facility is a 3 year facility of RMB 20.0m. It also has an uncommitted facility of RMB 5.0m.

The terms and conditions of the bank facilities contain covenants in relation to gearing ratio, interest cover and EBITDA ratio. These covenants have been satisfied during the 2016 and 2015 financial years.

### (f) Fair value

#### Determination of fair value

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

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## 25. FINANCIAL INSTRUMENTS (continued)

### Classification of fair value

Fair Value Measurement requires that financial and non-financial assets and liabilities measured at fair value (being forward exchange contracts, interest rate swaps and land and buildings) be disclosed according to their position in the fair value hierarchy. There were no transfers between levels within the fair value hierarchy at 30 June 2016.

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

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

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

	2016 \$'000	2015 \$'000
Derivative assets	-	22
Derivative liabilities	267	-

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

Valuations and assessments against current market prices have been performed at 30 June 2016 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation technique is based on the highest and best use to market participants.

The following table present changes in the fair value of land and buildings during 2015/16, including changes to the unobservable inputs.

	Land and Buildings \$'000
Opening balance as at 1 July 2015	39,334
Fair value revaluation	777
Depreciation recognised in the statement of profit and loss	(504)
Exchange rate variance	677
Closing balance as at 30 June 2016	40,284

## 26. 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 2016.



# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016



## 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 2016, 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 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' responsibility for the financial report

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

#### Auditor's responsibility

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

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

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

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

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

#### Independence

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

#### Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 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 18 to 24 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG  
Melbourne  
19 August 2016

Tony Romeo  
Partner

Liability limited by a scheme approved under Professional Standards Legislation

# AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 are:

	Ordinary shares
Transcap Pty Ltd & related parties	25,547,972
HGT Investments Pty Ltd	19,750,000

### Voting rights

As at 31 July 2016, there were 4,159 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 2016, there were no unquoted options over unissued ordinary shares.

### Distribution of shareholders

(As at 31 July 2016)

Category – No of shares	No of shareholders
1 – 1,000	506
1,001 – 5,000	1176
5,001 – 10,000	764
10,001 – 100,000	1495
100,001 and over	218
	<b>4,159</b>

### Shareholders with less than a marketable parcel

As at 31 July 2016, there were 525 shareholders holding less than a marketable parcel of 1,064 ordinary shares (\$0.47 on 31 July 2016) in the Company totalling 310,498 ordinary shares.

### On market buy-back

There is no current on-market buy-back

# AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION (cont)

FOR THE YEAR ENDED 30 JUNE 2016

## TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES AS AT 31 JULY 2016

Name	Number of fully paid ordinary shares held	Percentage held of issued ordinary shares
HGT Investments Pty Ltd	19,750,000	10.67%
Transcap Pty Ltd	14,940,739	8.07%
Citicorp Nominees Pty Ltd	11,615,445	6.28%
J P Morgan Nominees Australia Limited	6,493,864	3.51%
Toroa Pty Ltd	4,286,241	2.32%
HSBC Custody Nominees Australia Limited	3,726,104	2.01%
Transcap PTT Ltd	2,994,810	1.62%
De Bruin Securities Pty Ltd	2,129,773	1.15%
Brockhoff Super Fund A/C	1,592,500	0.86%
John E Gill Trading Pty Ltd	1,571,933	0.85%
Mr E D Ross	1,406,540	0.76%
Denvorcorp Holdings Pty Ltd	1,402,193	0.76%
John E Gill Operations Pty Ltd	1,391,657	0.75%
Mr J R Curtis	1,328,439	0.72%
Tanerka Pty Ltd	1,276,100	0.69%
Navigator Australia Limited	1,244,470	0.67%
Mahata Pty Ltd	1,222,392	0.66%
Mandel Pty Ltd	955,000	0.52%
GEN Lord Superannuation Pty Ltd	939,604	0.51%
Debusey Pty Ltd	897,056	0.48%
<b>TOTAL</b>	<b>81,164,860</b>	<b>43.85%</b>

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