

**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 2011 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities.

**Basis of preparation**

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

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

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

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

The financial report was approved by the board of directors on 19 August 2011.

**New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial report of the Group, except for AASB 9 'Financial Instruments'

which becomes mandatory for the Group's 2014 consolidated financial report and could result in the Company adopting hedge accounting for foreign currency contracts utilised in hedging foreign currency purchases. The Group does not plan to adopt this standard early and the extent of the impact has not 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 has the power directly, or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. A list of subsidiaries is contained in Note 24 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

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

until the date control ceased. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates are those entities for which the Group has significant influence, but not control, over the associate's financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

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

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

### (b) Foreign currency

#### (i) Foreign currency transactions

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

#### (ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments

arising on consolidation, are translated into Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

### (c) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed factory overheads, based on the normal operating capacity of the production facilities.

Net realisable value is determined on the basis of each inventory line's normal selling pattern.

### (d) Property, plant and equipment

#### (i) Owned assets

##### Land and buildings

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

Independent valuations were obtained as at 31 December 2010 and were updated at 30 June 2011 in relation to all land and buildings. The updated independent valuations 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

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

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.

**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 (w).

**(iii) Depreciation**

Depreciation is charged to the consolidated profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property,

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

	2011	2010
Buildings	2.5-4.0%	2.5-4.0%
Plant and equipment	5.0-50%	5.0-50%
Leased plant and equipment	10.0-22.5%	10.0-22.5%

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

**(e) Intangibles****(i) Goodwill**

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

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

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

**(ii) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

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

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the consolidated 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 consolidated 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:

	2011	2010
Brand names	0%	1.0%
Intellectual property	0%-4.0%	2.0-5.0%
Patents & trademarks	5.0%	5.0-33.3%

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

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

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held

for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### (g) Trade and other receivables

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

### (h) Cash and cash equivalents

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

### (i) Impairment

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

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated 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 consolidated 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.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)****(j) Calculation of recoverable amount**

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

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

**(k) Reversals of impairment**

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

An impairment loss in respect of goodwill is not reversed.

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

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

**(l) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption

value being recognised in the consolidated profit and loss over the period of the borrowings on an effective interest basis.

**(m) Employee benefits****(i) Defined contribution superannuation funds**

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the consolidated profit and loss as incurred.

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

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

**(iii) Share based payments transactions**

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

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

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

### (n) Provisions

A provision is recognised in the consolidated statement of financial performance 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 consolidated profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and

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

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

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

### (q) Tax consolidation

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

### (r) Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)****(s) Earnings per share**

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

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

**(t) Revenue****(i) Revenue from the sale of goods**

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

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

Revenue from the rendering of services is recognised upon completion of the contract to provide the service.

**(iii) Other income**

Interest income is recognised in the consolidated 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.

**(u) Goods and services tax**

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

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

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

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.

**(v) 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.

**(w) Expenses****(i) Operating lease payments**

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

**(ii) Finance lease payments**

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

**(iii) Finance costs**

Finance costs comprise interest payable on borrowings calculated using the effective interest method, foreign exchange losses, and losses on hedging instruments that are recognised in the consolidated 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 consolidated profit and loss using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

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

### (x) 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.

### (y) Accounting estimates and judgements

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

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

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

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

#### (ii) Provisions

The calculation of the provisions for warranty claims and impairment provisions for inventory and receivables involves estimation and judgement surrounding future claims and potential losses and exposures based primarily on past experience, the likelihood of claims or losses and exposures arising in the future as well as management knowledge and experience together with a detailed

examination of financial and non financial information and trends. Refer accounting policy (n) for details of details of the recognition and measurement criteria applied.

### (z) 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 2011 was 11% (2010: 25%). The Dividend Reinvestment Plan was again active during the year until 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.

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

### (aa) 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 statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the financial report have been included.

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

#### (ii) Derivatives

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

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

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

#### (iii) Trade and other receivables

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

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

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

### (ac) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 \$'000	2010 \$'000
<b>2. REVENUE</b>		
Sale of goods	194,017	228,880
Rendering of services	8,459	6,507
<b>Total Revenue</b>	<b>202,476</b>	<b>235,387</b>
<b>3. OTHER INCOME</b>		
Interest revenue from other parties	54	132
Gain on consolidation of acquiree	1,702	-
<b>Total Other Income</b>	<b>1,756</b>	<b>132</b>
<b>4. PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before related income tax expense has been determined after charging/(crediting) the following items:		
<b>Finance costs:</b>		
- interest - bank loans and overdraft	1,227	1,267
- finance lease charges	311	321
<b>Total finance costs</b>	<b>1,538</b>	<b>1,588</b>
<b>Employee benefits:</b>		
Post employment benefits		
- Superannuation contributions	3,283	3,508
<b>Restructuring of operations</b>		
Restructuring costs (including redundancy costs)	2,478	1,218
<b>Depreciation:</b>		
- property	405	434
- plant and equipment	3,292	3,862
<b>Total depreciation</b>	<b>3,697</b>	<b>4,296</b>
<b>Amortisation of non-current assets:</b>		
- intellectual property	735	818
- brand names	-	69
- patents and trademarks	45	45
- capitalised leased assets	874	801
<b>Total amortisation</b>	<b>1,654</b>	<b>1,733</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 \$'000	2010 \$'000
<b>4. PROFIT FROM ORDINARY ACTIVITIES (continued)</b>		
<b>Net (income)/expenses from movements in provision for:</b>		
– employee entitlements	(70)	915
– warranty	(155)	(109)
– other	(1,021)	95
Net (income)/expense resulting from movements in provisions	(1,246)	901
Rental expense on operating leases	2,402	2,489
Research and development expenditure written off as incurred	485	414
Crediting as income:		
Net gain on disposal of:		
– property plant and equipment	(619)	(67)
<b>5. TAXATION</b>		
<b>(a) Income tax</b>		
Reconciliation of tax expense		
Prima facie tax payable on profit before tax at 30% (2010: 30%)	1,302	2,137
Add/(deduct) tax effect of:		
Research & development allowance	(312)	(257)
Non deductible expenses	156	174
Associate equity accounted income	(286)	(433)
Gain on consolidation of acquiree	(511)	–
Prior year adjustments	(114)	(243)
Reduction in tax rate for foreign operations	–	(20)
Impact of tax rates in foreign jurisdictions	(65)	–
	(1,132)	(779)
<b>Income tax expense in consolidated profit and loss</b>	<b>170</b>	<b>1,358</b>
Income tax expense attributable to operating profit is made up of:		
Current tax expense	999	1,898
Prior year adjustment – current tax	143	(243)
Deferred tax expense		
– origination and reversal of temporary difference	(715)	(277)
– impact of reduction in tax rate	–	(20)
– prior year adjustment – deferred differences	(257)	–
Income tax expense in consolidated profit and loss	170	1,358

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 \$'000	2010 \$'000
<b>5. TAXATION (continued)</b>		
<b>(b) Deferred tax assets/(deferred tax liabilities)</b>		
The deferred tax assets/(deferred tax liabilities) are made up of the following estimated tax benefits:		
- Provisions and accrued employee benefits	2,386	2,357
- Property, plant & equipment	(4,126)	(4,476)
- Leases	23	(32)
- Intangible assets	(3,021)	(3,074)
- Inventory	193	156
- Carry forward losses	-	6
- Other	(17)	3
<b>Net deferred tax liability</b>	<b>(4,562)</b>	<b>(5,060)</b>
Balance at beginning of year	(5,060)	(5,357)
Recognised in profit or loss	972	297
Acquired through business combination	(50)	-
Recognised in equity	(424)	-
<b>Net deferred tax liability</b>	<b>(4,562)</b>	<b>(5,060)</b>

## (c) Current tax liability

The current tax liability for the Group of \$256,000 (2010: \$252,000 receivable) represents the amount of income taxes payable (2010: receivable) in respect of current and prior financial periods.

	Consolidated	
	2011 \$'000	2010 \$'000
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	24,353	26,954
Provision for impairment loss	(224)	(545)
	24,129	26,409
Other receivables	224	-
<b>Total trade and other receivables</b>	<b>24,353</b>	<b>26,409</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 6. TRADE AND OTHER RECEIVABLES (continued)

	Consolidated 2011		Consolidated 2010	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
<b>Impairment losses</b>				
Not past due	17,104	53	22,442	91
Past due 0 – 30 days	5,115	27	3,145	5
Past due 31 – 60 days	697	4	674	6
Past due over 61 days	1,437	140	693	443
	<b>24,353</b>	<b>224</b>	26,954	545
			Consolidated	
			2011 \$'000	2010 \$'000

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

Balance at 1 July	545	500
Impairment loss recognised	(50)	158
Bad debts	(271)	(113)
<b>Balance at 30 June</b>	<b>224</b>	<b>545</b>

## 7. INVENTORIES

Second-hand units – at net realisable value	3,223	2,877
Finished goods – at cost	18,838	18,905
Work in progress – at cost	3,164	3,169
Raw materials – at cost	10,567	11,283
Less: provision for impairment loss	(1,364)	(1,792)
<b>Total inventories</b>	<b>34,428</b>	<b>34,442</b>

## 8. PROPERTY HELD FOR SALE

During the period it was determined that certain properties owned by the group would be marketed for sale. These properties were transferred from property, plant & equipment in the statement of financial position to properties held for sale. Properties held for sale are valued at fair value less costs to sell.

During December 2010, a contract of sale was executed for the sale of property at 17–25 Abbott Road, Hallam. The contract was conditional on the approval of sub-division of the site which was granted subsequent to 30 June 2011. Total proceeds, net of estimated costs to sell, will be \$1,428,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 \$'000	2010 \$'000
<b>9. OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	1,308	1,150
	<b>1,308</b>	<b>1,150</b>
<b>Non-current</b>		
Other receivables	925	920
	<b>925</b>	<b>920</b>
<b>10. INVESTMENTS</b>		
	Note	
<b>Non-current</b>		
Investments in associated entities accounted for using the equity method	27	5,026
	<b>2,833</b>	<b>5,026</b>
<b>11. PROPERTY, PLANT &amp; EQUIPMENT</b>		
<b>Land and Buildings</b>		
Land and buildings at fair value	34,026	42,622
Accumulated depreciation	(186)	(434)
<b>Total land and buildings</b>	<b>33,840</b>	<b>42,188</b>
<b>Plant and Equipment</b>		
Plant & equipment at cost	27,206	27,004
Accumulated depreciation	(20,203)	(18,043)
	<b>7,003</b>	<b>8,961</b>
Office equipment at cost	4,421	3,768
Accumulated depreciation	(3,242)	(3,044)
	<b>1,179</b>	<b>724</b>
Leased plant & equipment	5,179	5,040
Accumulated depreciation	(2,226)	(1,574)
	<b>2,953</b>	<b>3,466</b>
Capital work in progress	2,997	792
<b>Total plant and equipment</b>	<b>14,132</b>	<b>13,943</b>
<b>Total property, plant and equipment</b>	<b>47,972</b>	<b>56,131</b>

Independent valuations were obtained as at 31 December 2010 and updated at 30 June 2011 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 32(e) for details of security over land and buildings.

**11. PROPERTY PLANT & EQUIPMENT (continued)****Reconciliations**

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

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Land and buildings</b>		
Carrying amount at the beginning of the financial year	42,188	38,777
Additions	–	3,934
Acquisitions through business combinations	1,946	–
Fair value (decrement)/increment	1,408	–
Transfer to property held for sale	(1,428)	–
Disposals	(9,539)	–
Depreciation	(405)	(434)
Exchange rate variance	(330)	(89)
<b>Carrying amount at the end of the financial year</b>	<b>33,840</b>	<b>42,188</b>
<b>Plant and equipment</b>		
Carrying amount at the beginning of the financial year	8,961	11,931
Additions	105	43
Acquisitions through business combinations	330	–
Transfers from capital works in progress	716	500
Transfers from leased plant and equipment	105	288
Disposals	(315)	(418)
Depreciation	(2,872)	(3,336)
Exchange rate variance	(27)	(47)
<b>Carrying amount at the end of the financial year</b>	<b>7,003</b>	<b>8,961</b>
<b>Office equipment</b>		
Carrying amount at the beginning of the financial year	724	1,057
Additions	862	204
Acquisitions through business combinations	27	–
Disposals	(12)	(4)
Depreciation	(420)	(526)
Exchange rate variance	(2)	(7)
<b>Carrying amount at the end of the financial year</b>	<b>1,179</b>	<b>724</b>
<b>Leased plant and equipment</b>		
Carrying amount at the beginning of the financial year	3,466	3,622
Additions	466	933
Transfers to plant and equipment	(105)	(288)
Amortisation	(874)	(801)
<b>Carrying amount at the end of the financial year</b>	<b>2,953</b>	<b>3,466</b>
<b>Capital works in progress</b>		
Carrying amount at the beginning of the financial year	792	78
Additions	2,532	1,015
Capitalised borrowing costs	389	199
Transfers to property, plant and equipment	(716)	(500)
<b>Carrying amount at the end of the financial year</b>	<b>2,997</b>	<b>792</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 \$'000	2010 \$'000
<b>12. INTANGIBLES</b>		
Goodwill at cost	6,368	3,615
Brand names at cost	6,930	6,930
Accumulated amortisation	(691)	(691)
	6,239	6,239
Intellectual property at cost	22,665	22,649
Accumulated amortisation	(8,735)	(8,000)
	13,930	14,649
Patents and trademarks at cost	891	891
Accumulated amortisation	(358)	(313)
	533	578
<b>Total Intangibles</b>	<b>27,070</b>	<b>25,081</b>

## Reconciliations

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

### Goodwill

Carrying amount at the beginning of the financial year	3,615	3,615
Acquisition through business combination	2,753	-
<b>Carrying amount at the end of the financial year</b>	<b>6,368</b>	<b>3,615</b>

### Brand names

Carrying amount at the beginning of the financial year	6,239	6,308
Amortisation	-	(69)
<b>Carrying amount at the end of the financial year</b>	<b>6,239</b>	<b>6,239</b>

### Intellectual property

Carrying amount at the beginning of the financial year	14,649	15,467
Amortisation	(735)	(818)
Acquisition through business combination	16	-
<b>Carrying amount at the end of the financial year</b>	<b>13,930</b>	<b>14,649</b>

### Patents and trademarks

Carrying amount at the beginning of the financial year	578	623
Amortisation	(45)	(45)
<b>Carrying amount at the end of the financial year</b>	<b>533</b>	<b>578</b>

## 12. INTANGIBLES (continued)

	Consolidated	
	2011 \$'000	2010 \$'000
Goodwill allocation by CGU:		
Freighter	2,853	2,853
Maxi-CUBE	762	762
Yangzhou Maxi-CUBE Tong Composites (China)	2,753	-
	<b>6,368</b>	3,615

## Impairment tests for Goodwill

The recoverable amount of the CGU's to which goodwill is allocated is determined based on value-in-use calculations. These calculations use cash flow projections based on most recent budgeted projections by key operational management. These projections are derived based on current market conditions, order intake and expectations with regards to market share. Projections are extrapolated using estimated growth rates for a five year period with a terminal growth rate below the long-term market average. The growth rate used is 4% which is based on the Australian Government, Department of Transport and Regional Services, 2004 Auslink White Paper and the post tax discount rate used is 15.2% (2010: 13.3%).

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

## Impairment tests for other intangible assets

The Group performed impairment testing of CGU's to which other intangible assets are allocated to, pursuant to AASB 136, due to the existence of indicators of potential impairment during the year ended 30 June 2011. Results of this testing indicated that the recoverable amount of each CGU was found to be in excess of its carrying value. As such, no impairment charge was required for the year ended 30 June 2011. A post tax discount rate of 15.2% (2009:13.3%) was used in determining the recoverable amount.

## 13. TRADE AND OTHER PAYABLES

Trade payables	18,772	20,031
Other payables and accruals	7,977	6,659
<b>Total trade and other payables</b>	<b>26,749</b>	26,690

## 14. INTEREST BEARING LOANS AND BORROWINGS

## Current

Lease liability	29(a)	1,668	1,784
<b>Total current interest bearing liabilities</b>		<b>1,668</b>	1,784

## Non Current

Bank loans – secured	32(e)	12,700	20,000
Lease liability	29(a)	1,793	2,255
<b>Total non-current interest bearing liabilities</b>		<b>14,493</b>	22,255

Secured bank loans are subject to a floating interest rate. Interest rate swaps have been executed in respect of \$5m (2010:\$8m) of this debt in order to mitigate interest rate risk. Refer to note 32(b) for further details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 \$'000	2010 \$'000
<b>15. PROVISIONS</b>		
<b>Current</b>		
Employee entitlements	5,449	4,928
Warranty	1,150	1,324
<b>Total current provisions</b>	<b>6,599</b>	<b>6,252</b>
<b>Non Current</b>		
Employee entitlements	650	991
<b>Aggregate employee entitlements liability</b>	<b>6,099</b>	<b>5,919</b>
<b>Reconciliations</b>		
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:		
<b>Warranty</b>		
Carrying amount at the beginning of the financial year	1,324	1,433
Provisions made/(used) during the year	(174)	(109)
<b>Carrying amount at the end of the financial year</b>	<b>1,150</b>	<b>1,324</b>
<b>16. ISSUED CAPITAL</b>		
183,993,392 (2010: 182,866,700) fully paid ordinary shares	56,386	56,034
<b>Total</b>	<b>56,386</b>	<b>56,034</b>
Ordinary Shares paid up capital at the beginning of the financial year 182,866,700	56,034	55,492
Shares issued during the year:		
– 1,126,692 on 15 October 2010 (i)	352	–
– 1,464,033 on 23 April 2010 (i)	–	542
<b>At end of financial year</b>	<b>56,386</b>	<b>56,034</b>

(i) Additions to contributed equity were made in accordance with the Company's dividend re-investment plan applicable to dividends paid on ordinary shares, issued at a discount of 5% to the volume weighted average price of MaxiTRANS shares traded in the ordinary course on ASX during the five trading days ended and including 24 September 2010 and 26 March 2010.

**16. ISSUED CAPITAL (continued)****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.

**17. EARNINGS PER SHARE****Basic earnings per share**

	Consolidated	
	2011 – \$'000	2010 – \$'000
<b>Earnings reconciliation</b>		
Net profit/(loss)	4,171	5,766
<b>Basic earnings</b>	<b>4,171</b>	<b>5,766</b>

	Consolidated	
	2011 – Number	2010 – Number
<b>Weighted average number of shares</b>		
Ordinary shares on issue at 1 July	182,866,700	181,402,667
Effect of shares issued during the year	799,488	276,762
<b>Number for basic earnings per share</b>	<b>183,666,188</b>	<b>181,679,429</b>

**Diluted earnings per share**

The Group does not have any options or other instruments classified as potential ordinary shares that would have a dilutionary effect on earnings per share. As such, diluted earnings per share is equal to basic earnings per share.

**18. RESERVES****Nature and purpose of reserves****Foreign currency translation reserve**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 18. RESERVES (continued)

### Asset revaluation reserve

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

### Share based payments reserve

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

## 19. DIVIDENDS

Dividends paid	Cents per share	Total amount \$'000	Date of payment	Tax rate for franking credit	Percent franked
<b>2011</b>					
Interim – ordinary	–	–			
<b>Total franked amount</b>	–	–			
<b>2010</b>					
Final – ordinary	1.00	1,829	15 October 2010	30% (Class C)	100%
Interim – ordinary	1.00	1,814	23 April 2010	30% (Class C)	100%
<b>Total franked amount</b>	<b>2.00</b>	<b>3,643</b>			
<b>Dividends proposed</b>					
Final – ordinary	<b>1.50</b>	<b>2,760</b>	21 October 2011	30% (Class C)	100%

The above dividend was declared after the end of the financial year and will be paid on 21 October 2011. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognised in subsequent financial statements.

Dividends paid as disclosed in the consolidated statement of cash flows includes dividends paid by an acquiree out of pre-acquisition reserves to previous shareholders.

### Dividend re-investment plan

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

Dividend franking account	The Company	
	2011 \$'000	2010 \$'000
Class C (30%) franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	<b>4,858</b>	4,761

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

The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by \$1,182,814 (2010: \$783,714).

**20. SEGMENT INFORMATION**

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

**Year ended 30 June 2011**

<b>Business Segments</b>	<b>Sales of New Trailer &amp; Tipper Units</b>	<b>Sales of Parts &amp; Service</b>	<b>Other</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>					
External segment revenue	134,519	63,459	3,351	–	201,329
Inter-segment revenue	1,347	15,620	–	(16,967)	–
<b>Total segment revenue</b>	<b>135,866</b>	<b>79,079</b>	<b>3,351</b>	<b>(16,967)</b>	<b>201,329</b>
Unallocated sundry revenue					1,147
<b>Total revenue</b>					<b>202,476</b>
<b>Segment Net profit before tax</b>	<b>(3,288)</b>	<b>5,399</b>	<b>(118)</b>	<b>–</b>	<b>1,993</b>
Share of net profit of equity accounted investments					953
Gain on consolidation of acquiree					1,702
Unallocated gain on property disposals					706
Unallocated corporate expenses					(1,013)
Profit before related income tax expense					4,341
Income tax expense					(170)
<b>Net profit</b>					<b>4,171</b>
Depreciation and amortisation	4,198	955	7	–	5,160
Unallocated depreciation and amortisation					191
<b>Total depreciation and amortisation</b>					<b>5,351</b>
<b>Assets</b>					
Segment assets	95,051	37,255	2,231	–	134,537
Unallocated corporate assets					12,162
<b>Consolidated total assets</b>					<b>146,699</b>
<b>Liabilities</b>					
Segment liabilities	12,679	9,816	6	–	22,501
Unallocated corporate liabilities					32,476
<b>Consolidated total liabilities</b>					<b>54,977</b>
Capital expenditure <sup>(i)</sup>	2,552	1,766	–	–	4,318
Unallocated capital expenditure					36
<b>Consolidated capital expenditure</b>					<b>4,354</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 20. SEGMENT INFORMATION (continued)

Year ended 30 June 2010

Business Segments	Sales of New Trailer & Tipper Units	Sales of Parts & Service	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
External segment revenue	180,046	49,860	3,693	-	233,599
Inter-segment revenue	1,684	16,618	-	(18,302)	-
<b>Total segment revenue</b>	<b>181,730</b>	<b>66,478</b>	<b>3,693</b>	<b>(18,302)</b>	<b>233,599</b>
Unallocated sundry revenue					1,788
<b>Total revenue</b>					<b>235,387</b>
<b>Segment Net profit before tax</b>	<b>6,189</b>	<b>3,541</b>	<b>(222)</b>	<b>-</b>	<b>9,508</b>
Share of net profit of equity accounted investments					1,442
Unallocated corporate expenses					(3,826)
Profit before related income tax expense					7,124
Income tax expense					(1,358)
<b>Net profit</b>					<b>5,766</b>
Depreciation and amortisation	4,827	971	8	-	5,806
Unallocated depreciation and amortisation					223
<b>Total depreciation and amortisation</b>					<b>6,029</b>
<b>Assets</b>					
Segment assets	114,153	24,886	1,197	-	140,236
Unallocated corporate assets					11,309
<b>Consolidated total assets</b>					<b>151,545</b>
<b>Liabilities</b>					
Segment liabilities	9,086	6,213	39	-	15,338
Unallocated corporate liabilities					47,694
<b>Consolidated total liabilities</b>					<b>63,032</b>
Capital expenditure <sup>(i)</sup>	3,347	2,801	-	-	6,148
Unallocated capital expenditure					180
<b>Consolidated capital expenditure</b>					<b>6,328</b>

(i) Capital expenditure includes acquisition of leased assets

### Geographical segments

The Group's external revenues are predominantly derived from customers located within Australia.  
The Group's assets and capital expenditure activities are predominantly located within Australia.

**21. SHARE BASED PAYMENTS**

The MaxiTRANS Performance Rights Plan ('PRP') was approved by shareholders at the annual general meeting held on 15 October 2010.

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

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

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

**Summary of PR's unissued ordinary shares**

On 30 September 2010, 1,487,714 PR's were issued to senior executives under the PRP. The Board has set a long term incentive target for management to achieve an average 2% per annum increase in the Company's Return on Invested Capital (ROIC) during the period 1 July 2010 to 30 June 2013. Based on the Company's ROIC of 5.4% at 30 June 2010, this represents an increase of 111% over the 3 year period.

The minimum percentage of the LTI target that must be achieved over the 3 year period before any of the PR's vest is 70% (ie: an average 1.4% per annum increase in the Company's ROIC), at which point 50% of the PR's will vest. For each additional percentage point of the target that is achieved the percentage of PR's that vest increases on a sliding scale. 100% of the PR's will vest where the target is fully achieved or exceeded.

In order for 100% of the PR's to vest, the holders must continue their employment with the group until 30 September 2013 and the Group must achieve an average annual increase of 2% per annum in its return on invested capital ('ROIC') for the period 1 July 2010 to 30 June 2013. The minimum percentage of the target that must be achieved before any performance rights vest is 70% (an average of 1.4% per annum increase in the Group's ROIC).

No other PR's were issued or were on issue at any time during the reporting period.

**Inputs for measurement of grant date fair value**

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

Fair value at grant date	<b>24.53¢</b>
Share price at grant date	32.00¢
Expected volatility	50.00%
Expected dividend yield	6.50%
Risk-free rate of return	4.30%
Liquidity discount	15.00%

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

PR's are granted under a service condition and, for grants to key management personnel, non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 21. SHARE BASED PAYMENTS (continued)

Employee Expenses	Consolidated	
	2011 \$'000	2010 \$'000
PR's granted during the year ended 30 June 2011	51	-
<b>Total share based payment expense recognised as employee costs</b>	<b>51</b>	<b>-</b>

## 22. RELATED PARTY DISCLOSURES

### (a) Equity interests in related parties

Equity interests in controlled entities: Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 24 to the financial statements.

Equity interests in associated entities: Details of the percentage of ordinary shares held in associated entities are disclosed in Note 27 to the financial statements.

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

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

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

#### Non-executive directors

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

#### Executive directors

- Mr M Brockhoff (Managing Director)

#### Executives

##### Company:

- Mr M Mattia (Chief Financial Officer and Company Secretary)
- Mr G Walker (General Manager - Manufacturing)  
- resigned effective 4 March 2011

##### Consolidated:

- Mr A Wibberley (General Manager - Lusty EMS Pty Ltd)
- Mr J Rush (General Manager - Hamelex White)  
- resigned effective 15 April 2010
- Mr C Wallace (General Manager - Hamelex White)  
- appointed 1 July 2010
- Mr N Zantuck (General Manager - Vic Branch)
- Mr P Loimaranta (General Manager - Colrain Pty Ltd)

**22. RELATED PARTY DISCLOSURES (continued)****(c) Directors' and executives' holdings of shares and share options**

For each director and director related entities and executives, the movements in shares and options held directly, indirectly or beneficially at the reporting date in the Company are set out below:

<b>2011 Shares</b>				
<b>MaxiTRANS Industries Limited</b>	<b>Held at 1 July 2010</b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30 June 2011</b>
<b>Directors:</b>				
Mr M Brockhoff	2,671,500	200,000	-	2,871,500
Mr I Davis	1,164,928	37,265	-	1,202,193
Mr J Curtis (i)	23,769,067	405,963	-	24,175,030
Mr G Lord	1,039,604	-	-	1,039,604
Mr R Wylie	21,364	-	-	21,364
<b>Executive:</b>				
Mr. P Loimaranta	15,000	-	-	15,000
<b>2010 Shares</b>				
<b>MaxiTRANS Industries Limited</b>	<b>Held at 1 July 2009</b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30 June 2010</b>
<b>Directors:</b>				
Mr M Brockhoff	2,279,000	392,500	-	2,671,500
Mr I Davis	1,134,928	30,000	-	1,164,928
Mr J Curtis (i)	23,735,236	33,831	-	23,769,067
Mr G Lord	1,039,604	-	-	1,039,604
Mr R Wylie	21,364	-	-	21,364
<b>Executive:</b>				
Mr. P Loimaranta	5,000	10,000	-	15,000

(i) 2,994,810 shares are held subject to a call option over the shares for three years commencing 9 October 2008 taken by entities associated with Mr. G Lord on the exercise of which entities associated with Mr. J Curtis will be required to sell the shares to the option holders at fifty cents per share plus 50% of any excess in the share price above fifty cents at the date of the exercise.

**Performance Rights**

Details of directors' and executives' performance rights are set out in the Remuneration Report.

**(d) Directors' transactions in shares**

Directors and their related entities acquired 643,228 existing ordinary shares in MaxiTRANS Industries Limited during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 22. RELATED PARTY DISCLOSURES (continued)

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

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

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

MaxiTRANS Industries Limited and controlled entities paid legal fees of \$304,000 (2010: \$162,000) to Minter Ellison of which Mr I. Davis is a senior partner. All dealings were in the ordinary course of business and on normal commercial terms and conditions. Amounts owing at year end total \$37,000 (2010: \$Nil).

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

### (g) Transactions with non-director related entities

All transactions with associated companies are on normal terms and conditions.

### (h) Transactions with associate companies

During the year the company derived revenue from associates of \$18,581,000 (2010: \$27,720,000) for the sale of new units, parts and the provisions of services. Amounts receivable from associates at year end total \$2,488,000 (2010: \$5,703,800)

During the year the company paid for services and parts from associates totalling \$2,461,000 (2010: \$2,984,000). Amounts owing at year end total \$141,000 (2010: \$237,000)

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

### (i) Key management personnel benefits

The key management personnel compensation included in remuneration (see Remuneration Report) are as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Short-term employee benefits	2,301	2,134
Post-employment benefits	204	244
Share based payment benefits	46	-
	<b>2,551</b>	<b>2,378</b>

**23. PARENT ENTITY**

As at 30 June 2011 and throughout the financial year ending on that date, the parent company of the Group was MaxiTRANS Industries Limited.

	Company	
	2011 \$'000	2010 \$'000
<b>Results of the parent company</b>		
Profit/(loss) for the year	10,326	(301)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>10,326</b>	<b>(301)</b>
<b>Financial position of the parent company</b>		
Current assets	40,047	34,746
Total assets	67,925	58,800
Current liabilities	448	113
Total liabilities	448	223
Net Assets	67,477	58,577
<b>Total equity of the parent company comprising of:</b>		
Issued capital	56,386	56,034
Reserves	51	-
Retained profits	11,040	2,543
<b>Total equity</b>	<b>67,477</b>	<b>58,577</b>

**Parent company investment in subsidiaries and associate companies**

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

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

The parent entity has entered into a "Deed of Cross Guarantee" with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 25.

**Parent company contingencies**

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

**Parent company capital commitments**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 24. CONTROLLED ENTITIES

### Particulars in relation to controlled entities

	Country of incorp.	Class of shares	Interest held	
			2011 %	2010 %
<b>The Company:</b>				
MaxiTRANS Industries Limited				
<b>Controlled entities of MaxiTRANS Industries Limited:</b>				
MaxiTRANS Australia Pty Ltd	Aust.	Ord.	100	100
Transtech Research Pty Ltd	Aust.	Ord.	100	100
Trail Truck Parts Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS Industries (N.Z.) Pty Ltd	Aust.	Ord.	100	100
Peki Pty Ltd	Aust.	Ord.	100	100
Ultraparts Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS Services Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS Finance Pty Ltd	Aust.	Ord.	100	100
Lusty EMS Pty Ltd	Aust.	Ord.	100	100
Hamelex White Pty Ltd	Aust.	Ord.	100	100
Colrain Pty Ltd	Aust.	Ord.	100	100
- Colrain Queensland Pty Ltd	Aust.	Ord.	100	100
- Colrain (Albury) Pty Ltd	Aust.	Ord.	100	100
- Colrain (Ballarat) Pty Ltd	Aust.	Ord.	100	100
- Colrain (Geelong) Pty Ltd	Aust.	Ord.	100	100
MaxiTRANS (China) Limited	Hong Kong	Ord.	100	100
Yangzhou Maxi-CUBE Tong Composites Co Ltd	China	Ord.	100	50

## 25. 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 and Colrain Pty Ltd (effective 1 September 2008, previously ineligible) each of which is incorporated in Australia, entered into a "Deed of Cross Guarantee" so as to seek the benefit of the accounting and audit relief available under Class Order (98/1418) made by the Australian Securities & Investments Commission which was granted on 30 June 2006.

A consolidated statement of comprehensive income and consolidated statement of financial position, 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 2011 is set out as follows:

## 25. DEED OF CROSS GUARANTEE (continued)

## Consolidated statement of comprehensive income

	Consolidated	
	2011 \$'000	2010 \$'000
Total revenue	196,324	235,387
Changes in inventories of finished goods and work in progress	(307)	1,252
Raw materials and consumables used	(119,079)	(144,013)
Other income	437	132
Employee expenses	(52,381)	(60,063)
Depreciation and amortisation expenses	(5,282)	(6,029)
Finance costs	(1,532)	(1,588)
Other expenses	(16,665)	(19,396)
Share of net profits of associates and joint ventures accounted for using the equity method	953	1,442
Profit before income tax	2,468	7,124
Income tax expense	(75)	(1,358)
<b>Profit for the year</b>	<b>2,393</b>	<b>5,766</b>
Other comprehensive income		
Net exchange difference on translation of financial statements of foreign operations	(382)	(135)
Revaluation of land and buildings	1,408	-
Other comprehensive income/(loss) for the year before income tax	1,026	(135)
Income tax	(424)	-
Other comprehensive income/(loss) for the year before income tax	602	(135)
Total comprehensive income for the year	2,995	5,631
Profit attributable to:		
Equity holders of the company	2,393	5,766
Total comprehensive income attributable to:		
Equity holders of the company	2,995	5,631

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 25. DEED OF CROSS GUARANTEE (continued)

### Consolidated statement of financial position

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	4,507	2,134
Trade and other receivables	21,427	26,409
Inventories	33,734	34,442
Current tax asset	-	252
Property held for sale	1,428	-
Other	1,308	1,150
<b>Total Current Assets</b>	<b>62,404</b>	<b>64,387</b>
<b>Non-Current Assets</b>		
Investments accounted for using the equity method	2,833	5,026
Investments in controlled entities	6,031	-
Property, plant & equipment	45,746	56,131
Intangible assets	24,303	25,081
Other	925	920
<b>Total Non-Current Assets</b>	<b>79,838</b>	<b>87,158</b>
<b>Total Assets</b>	<b>142,242</b>	<b>151,545</b>
<b>Current Liabilities</b>		
Trade and other payables	24,304	26,690
Interest bearing loans and borrowings	1,668	1,784
Current tax liability	191	-
Provisions	6,344	6,252
<b>Total Current Liabilities</b>	<b>32,507</b>	<b>34,726</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	14,493	22,255
Deferred tax liabilities	4,511	5,060
Provisions	650	991
<b>Total Non-Current Liabilities</b>	<b>19,654</b>	<b>28,306</b>
<b>Total Liabilities</b>	<b>52,161</b>	<b>63,032</b>
<b>Net Assets</b>	<b>90,081</b>	<b>88,513</b>
<b>Equity</b>		
Issued capital	56,386	56,034
Reserves	8,453	9,749
Retained profits	25,242	22,730
<b>Total Equity</b>	<b>90,081</b>	<b>88,513</b>

**26. ACQUISITION OF SUBSIDIARY**

On 1 January 2011 the Group obtained control of Yangzhou MaxiCUBE Tong Composites Co Limited ('MTC'), a manufacturer of composite panel products by acquiring the remaining 50% of shares and voting rights in the company. As a result, MTC is now a wholly owned subsidiary of the Group. Taking control of MTC will enable the Group to reposition MTC to maximise the benefits from the anticipated development and growth of the transportation market in China.

In the six months to 30 June 2011, MTC contributed revenue of \$6,562,000 and net profit before tax of \$530,000 before the elimination of intercompany transactions. Had the acquisition occurred on 1 July 2010, management estimates that the consolidated revenue of the Group would have been \$208,347,000 and the net profit before tax would have been \$4,600,000.

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

<b>Consideration transferred</b>	<b>\$'000</b>
Cash	3,501
Amounts payable	365
<hr/>	
Total consideration	<b>3,866</b>
<hr/>	
<b>Identifiable assets acquired and liabilities assumed</b>	
Cash	1,640
Trade and other receivables	2,928
Inventory	632
Property, plant & equipment	2,303
Intangible assets	16
Trade and other payables	(2,433)
Current tax liability	(57)
Deferred tax liability	(50)
<hr/>	
Total net identifiable assets	<b>4,979</b>
<hr/>	
<b>Goodwill</b>	
Goodwill was recognised as a result of the acquisition as follows:	
Total consideration transferred	3,866
Fair value of existing interest in the acquiree	3,866
Fair value of identifiable net assets	(4,979)
<hr/>	
Total goodwill	<b>2,753</b>

The remeasurement to fair value of the Group's existing 50% interest in the acquiree resulted in a gain of \$1,702,000, which has been recognised in other income.

Goodwill is mainly attributable to MTC's position as a leading supplier of composite panel products to the Chinese transportation industry which has established a strong market position over a 14 year period providing quality products manufactured using unique production processes. The Chinese transportation market is developing and growing at a rapid rate and MTC is well positioned to benefit from this into the future.

**Acquisition costs**

The group incurred costs associated with the acquisition of \$49,000 related to external legal fees and due diligence costs. These costs have been included in other expenses in the consolidated statement of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 27. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in associates

Name of Entity	Principal Activity	Ownership	
		2011 %	2010 %
Freighter Maxi-Cube Queensland Pty Ltd	Trailer retailer. Repairs and service provider Sale of spare parts	36.67	36.67
Yangzhou Maxi-Cube Tong Composites Co. Limited	Panel manufacturer	100.00	50.00

The balance date for Yangzhou Maxi-Cube Tong Composites Co. Ltd is 31 December.

	Revenues (100%)	Profit (100%)	Share of associates profit recognised	Total assets	Total liabilities	Net assets as reported by associates
<b>\$'000</b>						
2011	52,018	2,381	953	17,810	11,210	6,600
2010	66,365	3,584	1,442	29,765	18,733	11,032

Following the acquisition of the remaining 50% of the shares in Yangzhou Maxi-CUBE Tong Composites Co Limited on 1 January 2011, the Group ceased to account for its investment using the equity method and has included it as part of the consolidated Group. The above revenue and profit information incorporates the period prior to acquisition only and no balance sheet amounts are reflected. Refer to note 26 for further details of the acquisition.

### Commitments

The share of associates' capital commitments contracted but not provided for or payable within one year was \$nil at 30 June 2011 (2010: \$nil).

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

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

	Consolidated	
	2011 \$'000	2010 \$'000
Profit for the year	4,171	5,766
<b>Non cash items in operating profit</b>		
Depreciation/amortisation of assets	5,351	6,029
Profit on sale of fixed assets	(619)	(67)
Share of associates profit	(953)	(1,442)
Share based payments expense	51	-
Gain on consolidation of acquiree	(1,702)	-
<b>Change in assets &amp; liabilities</b>		
(Increase)/decrease in receivables	4,792	(5,682)
(Increase)/decrease in other assets	(148)	(40)
(Increase)/decrease in inventories	645	264
Increase/(decrease) in accounts payable and other liabilities	(2,002)	3,208
Increase/(decrease) in income tax payable	404	203
Increase/(decrease) in deferred taxes	(938)	(297)
Increase/(decrease) in provisions	6	781
<b>Net cash flows from operating activities</b>	<b>9,058</b>	<b>8,723</b>

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

**Acquisition of plant & equipment by means  
of finance leases**

	466	933
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These acquisitions are not reflected in the consolidated statement of cash flows.

During the year ended 30 June 2011, 1,126,692 shares (2010: 1,464,033) with a value of \$352,000 (2010: \$542,000) were issued in accordance with the Company's ordinary share dividend re-investment plan.

## 29. CAPITAL AND LEASING COMMITMENTS

## (a) Finance lease commitments

Payable		
- not later than 1 year	1,754	1,291
- later than 1 year but not later than 5 years	1,963	3,300
Minimum lease payments	3,717	4,591
Future finance charges	(256)	(552)
<b>Total lease liability</b>	<b>3,461</b>	<b>4,039</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 29. CAPITAL AND LEASING COMMITMENTS (continued)

	Consolidated	
	2011 \$'000	2010 \$'000
<b>(b) Operating lease commitments</b>		
Future operating lease rentals not provided for in the financial statements and payable:		
– not later than 1 year	1,812	1,258
– later than 1 year but not later than 5 years	3,313	3,108
<b>Total operating lease commitments</b>	<b>5,125</b>	<b>4,366</b>

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

### (c) Capital expenditure commitments

Contracted but not provided for and payable not later than 1 year	2,387	90
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## 30. 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.

## 31. REMUNERATION OF AUDITOR

Remuneration of the auditor of the Company for:	\$	\$
KPMG Australia		
– auditing or reviewing the financial statements	199,950	193,500
– other services (taxation & advisory)	105,303	153,647
	<b>305,253</b>	<b>347,147</b>
Overseas KPMG Firms		
– audit services	12,978	12,800
– other services (tax, advisory & due diligence)	47,692	11,604

## 32. FINANCIAL INSTRUMENTS

### (a) Significant accounting policies

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

**32. FINANCIAL INSTRUMENTS (continued)****(b) Interest rate risk**

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

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>INTEREST RATE RISK</b>		
<b>Financial Assets</b>		
Cash and cash equivalents – floating rate	<b>6,382</b>	2,134
<b>Financial Liabilities</b>		
Borrowings – fixed rate	<b>8,461</b>	12,039
Borrowings – floating rate	<b>7,700</b>	12,000

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

	<b>Consolidated</b>	
	<b>Net Profit after tax</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Judgement of reasonably possible movements</b>		
100bp increase with all other variables held constant	<b>(73)</b>	(93)
100bp decrease with all other variables held constant	<b>73</b>	93

**(c) Credit risk**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 32. FINANCIAL INSTRUMENTS (continued)

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

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

	Note	Maximum credit risk	
		2011 \$'000	2010 \$'000
<b>Recognised financial assets</b>			
Cash and cash equivalents		6,382	2,134
Trade receivables	6	24,353	26,409
Other receivables	9	925	920
		<b>31,660</b>	<b>29,463</b>

### (d) Currency risk

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

### Forward exchange contracts

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

	Consolidated							
	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2011	2010	2011 FC'000	2010 FC'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Buy US Dollar	1.0180	0.8307	4,253	2,195	4,178	2,643	(90)	(67)
Buy Euro	0.7215	0.6733	382	501	530	743	(3)	(26)
Buy GB Pound	0.6300	0.5725	1,808	1,060	2,870	1,852	(84)	19
					<b>7,578</b>	<b>5,238</b>	<b>(177)</b>	<b>(74)</b>

**32. FINANCIAL INSTRUMENTS (continued)**

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

	<b>Consolidated Net Profit after tax</b>	
	<b>2011 \$'000</b>	<b>2010 \$'000</b>
<hr/>		
<b>Judgement of reasonably possible movements</b>		
<b>US Dollar</b>		
10.0 cents increase with all other variables held constant	<b>(314)</b>	(236)
<b>EUR</b>		
10.0 cents increase with all other variables held constant	<b>(47)</b>	(81)
<b>GBP</b>		
10.0 pence increase with all other variables held constant	<b>(319)</b>	(183)

**(e) Liquidity risk**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

FOR THE YEAR ENDED 30 JUNE 2011

## 32. FINANCIAL INSTRUMENTS (continued)

30 June 2011	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	Greater than 5 years \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	6,382	-	-	-	-
Trade & other receivables	24,353	-	-	-	-
<b>Financial Liabilities</b>					
Trade payables	26,749	-	-	-	-
Borrowings	1,044	630	13,509	978	-

Effective interest rate on borrowings 7.85%

30 June 2010	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	Greater than 5 years \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	2,134	-	-	-	-
Trade & other receivables	26,409	-	-	-	-
<b>Financial Liabilities</b>					
Trade payables	26,690	-	-	-	-
Borrowings	1,048	736	1,486	20,769	-

Effective interest rate on borrowings 7.20%

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Finance Facilities</b>		

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

### Available facilities

Loan facility	38,088	41,415
Overdraft facility	1,000	1,000
Lease and asset finance facility	8,150	7,800
	<b>47,238</b>	<b>50,215</b>

### Facilities utilised at balance date

Loan facility	12,700	20,000
Lease and asset finance facility	3,461	4,039
	<b>16,161</b>	<b>24,039</b>

### Facilities not utilised at balance date

Loan facility	25,388	21,415
Overdraft facility	1,000	1,000
Lease facility	4,689	3,761
	<b>31,077</b>	<b>26,176</b>

**32. FINANCIAL INSTRUMENTS (continued)**

The loan, overdraft and other facilities are fully secured by a registered charge (mortgage debenture) over the whole of the assets and undertakings of the Group and a registered mortgage over certain land and buildings of controlled entities. The total carrying amount of assets pledged as security is \$33,372,000 (2010: \$30,825,000).

Core loan facilities are available until October 2012 subject to continuing compliance with the terms of the facilities.

A commercial bill loan facility of \$6,177,500 (not currently utilised) is available until December 2012 subject to continuing compliance with the terms of the facility. Interest rates are a combination of fixed and variable.

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

The Group is subject to externally imposed capital requirements. 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 2011 and 2010 financial years.

**(f) Net fair value****Determination of net fair value**

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

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

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

	Carrying amount		Net fair value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Financial assets at amortised cost</b>				
Trade receivables	24,353	26,409	24,353	26,409
Other receivables	475	470	475	470
<b>Non-derivative financial liabilities</b>				
Accounts payable	26,749	26,690	26,749	26,690
Bank loans	12,700	20,000	12,683	19,933
Finance leases	3,461	4,039	3,461	4,039

**33. EVENTS SUBSEQUENT TO BALANCE DATE**

Subsequent to the end of the financial year, the Company entered an agreement to sell 20% of the shares in Yangzhou Maxi-CUBE Tong Composites Co Ltd (MTC) to management personnel of that company. The agreement is effective from 1 July 2011 and will result in 20% of future profits of MTC being attributable to non-controlling interests.