2004

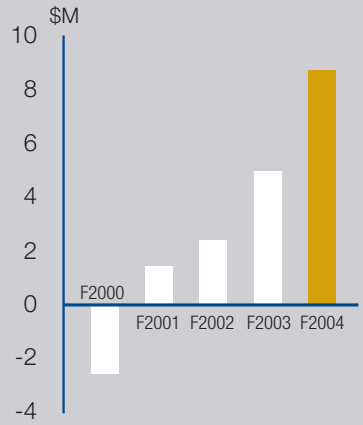
MaxiTRANS

ANNUAL REPORT

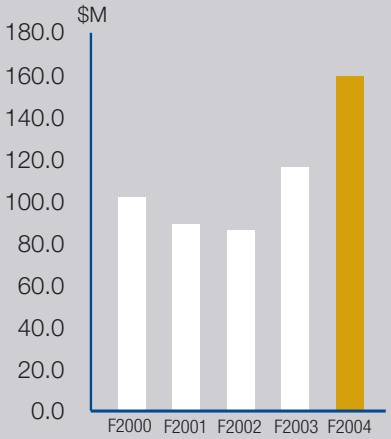
Mission

MaxiTRANS is a growing and profitable manufacturer and supplier of high quality, innovative transport equipment, parts, services and solutions that provide our customers with a competitive advantage.

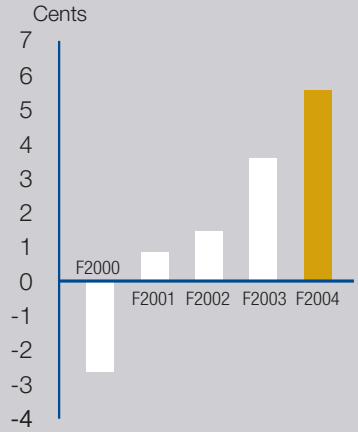
NET PROFIT AFTER TAX



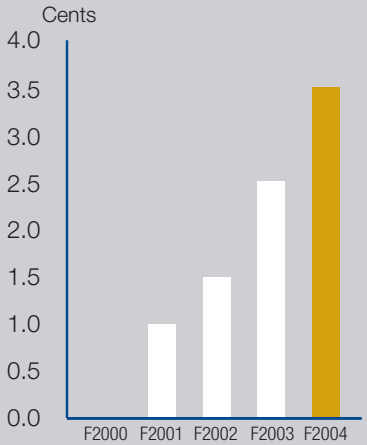
SALES AND SERVICE REVENUE



EARNINGS PER SHARE



ORDINARY DIVIDENDS PER SHARE



Highlights

- Record NPBT of $11.6 million 65% ▲
- Record NPAT of $8.8 million 76% ▲
- Record EBITDA of $17.7 million 46% ▲
- Record revenue of $161 million 36% ▲
- Record NPBT for China JV 136% ▲
- Record dividends of 3.5 cents per share 40% ▲
- Acquired Lusty EMS Pty Ltd – July 2003
- Acquired Hamelex White – March 2004
- $13.5 million capital raising

CHAIRMAN'S & MANAGING DIRECTOR'S REVIEW

MaxiTRANS has come a long way since the year 2000, achieving sustained and significant growth in earnings and revenue over the last four years. More importantly MaxiTRANS has been transformed from a manufacturer of trailers and vans in a jobbing shop environment, to a strategically driven, growing and profitable manufacturer and supplier of high quality, innovative transport equipment, services and solutions that provide our customers with a competitive advantage.

The year ended June 2004 resulted in record earnings and revenues being achieved, with a record net profit after tax of $8,821,000, a 76% increase on the prior year record of $5,004,000.

Pretax profit increased 65% from $7,053,000 to a record $11,606,000 and revenues increased 36% from $116 million to $161 million.

Earnings before interest, tax, depreciation and amortization ("EBITDA") increased 46% to $17,731,000, another record and a 46% increase on the prior corresponding period.

The sustained operational improvement achieved over the last four years reflects the significant investment the Company has made in performance improvement programs, capital equipment and acquisitions.

Record dividends

As a result of the continued improvement in performance the Company will pay a final dividend of 2 cents per ordinary share on 18 October 2004, bringing the total dividends paid for the year to 3.5 cents per share (64% payout of net profit after tax), a 40% increase on the prior corresponding period.

Capital Raising

During February and March of this year the Company completed an $8 million institutional placement of ordinary shares to professional investors and raised $5.5 million through a shareholder purchase plan.

The capital raising was undertaken to reduce gearing and provide funding for the acquisition of the Hamelex White business and investment in strategic manufacturing facilities.

Strategy

The sustained growth in earnings and revenue, and the diversification of the MaxiTRANS group is not by accident – the group has been transformed from a jobbing shop manufacturer to a strategically driven and focussed organization. Our emphasis is on customer satisfaction, product innovation, improved quality, investment in facilities, technology and equipment, and more importantly investment in, and development of, people who can make it happen.

While the original core operations have grown significantly over the last four years, more importantly MaxiTRANS has diversified into complementary transport equipment segments – parts, aluminium tippers, service and finance – which provide a broader base of sectors to cushion against cyclical downturns experienced from time to time as well as a counter-cyclical balance (e.g. parts).

The Board of Directors and management of the Company have worked hard to achieve this strategic turnaround, to strengthen the balance sheet and to seek out and acquire business opportunities that are strategically complementary to the group, that

contribute to improving shareholder value by increasing earnings per share and which possess management capable of developing and growing the business and the people within it.

The quest for improvement in operations and earnings is a never ending journey. While the Company has made significant progress across many aspects of the group, as we achieve our initial objectives we recognize that the opportunities before us are greater than initially envisaged – there is no finish line on the road to continuous improvement.

Acquisitions Completed

The Company entered the aluminium tipper segment through the acquisition of Lusty EMS Pty Ltd in July 2003 and the Hamelex White business in March 2004.

Lusty EMS is a Brisbane based manufacturer of aluminium semi-tippers, which relocated to and subsequently acquired a new and significantly larger facility in Richlands, Brisbane. This has facilitated a doubling of capacity with the potential to further increase output.

Hamelex White is a Melbourne based manufacturer of aluminium and steel tippers and is the largest manufacturer of tippers in Australia. Hamelex White also owns premises in Penrith, Sydney, which produces aluminium trailer bins and carries out repairs.

Proposed Acquisition

The Company has reached agreement, subject to due diligence and other conditions precedent, to acquire a 70% interest in an incorporated joint venture which will acquire the Colrain truck and trailer parts business and the Ultraparts and Trail Truck divisions of MaxiTRANS, effective 1 November 2004. The merger of the two parts groups is a very good strategic fit and in line with MaxiTRANS' strategy to aggressively expand its parts operations. The projected cash consideration for MaxiTRANS' 70% interest is $9.6 million.

The Melbourne based JV will trade as Colrain in the wholesale market and as Colrain Trail Truck at the retail level and will generate sales of approximately $55 million per annum from a combined wholesale operation and 12 retail outlets in Victoria, S.A., N.S.W. and Queensland.

Trailers and Vans

Freighter trailer unit sales increased by 10% on the prior year to a new record, facilitated by continued strong demand and a further increase in production capacity at the Ballarat factory. While the record sales were reflected generally across our dealer network our Victorian branch and Fleet division performed particularly well. The prospects for the coming year remain positive, particularly with the release in July 2004 of two new products. Firstly the Safe-T-Liner enables faster load access, has significant OH&S benefits, and provides improved load restraint. The other new product, the Swing-Away Sliding Gate, enables faster load access and improved safety of operation.

The van market remains relatively static, due to the impact of drought over several years as well as low rates of return for major operators. The Company does not see the van market growing in the near future, however we are confident that we will increase market share as a result of the release in July 2004 of a very exciting new product, the Advance, and the re-launch in August 2004 of the Slide-A-Side van.

The revolutionary Advance is fully composite and utilises new design and manufacturing technologies. Independent laboratory tests prove that the Advance is the most thermally efficient van in the market. Customers will benefit through significantly reduced refrigeration plant fuel consumption and the ability to carry higher payloads due to its low tare weight.

The Slide-A-Side provides fast loading and unloading and should be popular with grocery and produce distribution companies due to its ability to be loaded from the rear and the side, and faster turnaround due to more efficient access.

While the Ballarat factory achieved record output we remain committed to increasing capacity and output of trailers, vans and Lusty EMS tippers. In order to achieve the increased capacity we require, we will invest approximately $4 million in capital expenditure, including robotics and associated jigging. The Company also plans to commence manufacturing steel tippers at Ballarat in 2005.

Tippers

The acquisitions of Lusty EMS and Hamelex White have provided opportunities for purchasing synergies, product diversification and the potential to significantly increase sales throughout Australia.

Lusty EMS, which was acquired in July 2003, has already doubled its capacity at the recently acquired premises in Richlands, Brisbane, and has a reputation for quality, innovation and design capability. Lusty EMS tends to have a rural customer base and is particularly strong in Queensland and NSW, and is growing rapidly in Victoria through sales representation, manufacturing and service support. Our Ballarat manufacturing facility commenced production of Lusty EMS units in November 2003, and is steadily increasing capacity to satisfy growing demand. In particular the Stag, a patented B-double aluminium tipper, is experiencing strong demand and interest in the market.


FREIGHTER

Hamelex White has a strong share of the construction products segment, particularly along the east coast and South Australia. Given the long lead times that Hamelex White is also experiencing, we are looking to expand capacity at the Hallam factory in Melbourne, which will undergo a similar capital expenditure upgrade to that of Lusty EMS, as well as a total re-layout of the factory to facilitate increased output. Product development is now on the agenda and we expect to release several new products during the coming year.

Parts

Expansion of the Parts group remains a key platform in our strategy to grow and diversify, with parts being a counter-cyclical segment to the sale of new trailers, vans and now tippers. While the Parts group's performance significantly improved over the prior year, with Ultraparts, the wholesale operation, increasing revenue by 36%, the financial expectations have not been reflected on the bottom line. Having said that, the manufacturing facilities are benefiting from the sourcing skills of the Part group, with many significant cost reductions achieved and new products sourced.

The proposed joint venture incorporating Colrain and our Parts group will create one of the largest players in the truck and trailer parts distribution segment, committed to expanding the business nationally through high standards of customer service, provision of an extensive and expanding range of truck and trailer parts, competitive pricing and improved product sourcing.

We remain confident with our truck and trailer parts strategy, with the proposed merger with the Colrain group providing significant synergies in purchasing and logistics, as well as eliminating unnecessary duplication of operations.

Repairs and Service

Hallam Repairs continues to provide a solid contribution to earnings and is renowned for its extensive experience, outstanding workmanship and service to its loyal customer base. Several employees of Hallam Repairs, including the manager, Andrew Glenister, achieved 20 years service during the year.

Derrimut Service, which is now in its second year of operation, is steadily expanding due to the demand from the Derrimut area, the transport hub of Melbourne. This operation is now achieving critical mass in terms of skilled employees and is achieving steady revenue growth, which we expect to continue. Derrimut Service achieved several new milestones during the year in terms of revenue and earnings and we expect this trend to continue as the manning levels increase. Derrimut Service is managed by Jeff Bird, with over 15 years experience with the Company.

The New Zealand operation increased sales of vans and trailers built at our Ballarat facility, allowing the local factory to focus on repairs and service.

Joint Venture Partnerships

Freighter Maxi-CUBE Queensland

Our Queensland dealer increased sales and earnings to record levels during the year, with parts and new unit sales both showing significant improvement on the prior year. MaxiTRANS also increased its interest in the dealership from 33.3% to 36.7%.

China Joint Venture

The 50% owned Yangzhou Maxi-Cube Tong Composites Co. Ltd achieved record sales and earnings for the year with a 136% increase in contribution to MaxiTRANS' earnings along with another increase in dividend payout. The Yangzhou factory operated at full capacity for most of the year and plans are underway to extend the factory by approximately 50% by April 2005.

Going Forward

Given the current positive economic indicators, the demand for our products, and the new products coming on stream, we are optimistic that the coming year will be another year of growth. Our current order intake and order book remain strong.

We will have a full year contribution from Lusty EMS at the new Richlands facility without the operational inefficiency associated with the relocation and start-up at Richlands, and a full year contribution from Hamelex White.

We are also optimistic about the recently announced joint venture with Colrain and the strategic and financial benefits this merger will bring.

Transport growth forecasts and trends

The recently released Auslink white paper prepared by the Department of Transport and Regional Services forecasts that, despite rail transport growing significantly to 2020, total non-bulk road freight and inter-capital non-bulk road freight are expected to grow at significantly faster rates than gross domestic product over the next 16 years. These government forecasts auger well for the road transport market and should reduce or smooth out cycles in the market.

People and Partnerships

Our Company's performance and ability to successfully grow is highly dependant on attracting, developing and retaining people with the necessary skills and commitment to deliver sustainable growth and continuous improvement. The Company is committed to training and development, as well as providing a safe and harmonious workplace and currently employs over 50 apprentices, with significantly more to be employed in the coming year.

The Company introduced the Dupont STOP safety program during the year and will continue to support and develop the program to minimize accidents and incidents at each and every workplace.

We take this opportunity to acknowledge the contribution of our employees to the Company's performance during the year, particularly given the amount of change taking place at many locations and the constant quest for increased production capacity and efficiency.

REVIEW

Our valued and respected dealer networks continue to provide outstanding representation and support to the MaxiTRANS brands and are recognized as one of our key strengths. We value the relationships we have with each and every one of our dealers, many of which have developed into long standing, personal relationships. Our dealers are partners in the true sense of the word, they are our eyes and ears in the market place, and it has been our ability to work together in harmonious and professional relationships that has resulted in our pre-eminent positions in the respective market segments.

The Company also acknowledges its vital partnerships and relationships with its customers and suppliers and the key role they play in the Company achieving its goals.

Since acquiring Lusty EMS, a Brisbane based producer of high quality aluminium tippers, in July 2003, MaxiTRANS has undertaken several initiatives to build on the inherent strengths of the business and to provide opportunities for growth.

Lusty EMS has traditionally been focused on the Queensland and New South Wales markets, particularly in the agricultural sector. Shortly after acquisition, MaxiTRANS significantly expanded distribution by appointing its Company owned Victorian Freighter/Maxi-CUBE dealer as the Lusty EMS dealer for Victoria and has recently appointed Mildura Truck Centre as the dealer for the Sunraysia region. These two appointments have greatly improved product availability and representation in southern states and are boosting demand.

To meet growing demand, MaxiTRANS commenced manufacturing Lusty EMS aluminium tippers at its Ballarat facility in November 2003. Additionally, a large new facility was purchased at Richlands in Brisbane. Four times larger than the previous facility, Richlands provides Lusty EMS with a modern, efficient facility that has enabled the transformation of production from a jobbing shop to a production line. Production volumes at both Lusty EMS sites have doubled, with further increases planned.

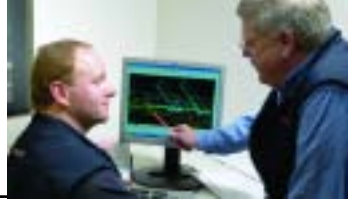
A significant factor in this growing demand has been the patented Stag, a unique B-Double tipper configuration that provides extra payload with manoeuvrability comparable to a traditional truck and dog. The Stag is penetrating non traditional markets such as the construction sector, thus reducing Lusty EMS' reliance on agricultural markets. Initially produced only in Brisbane, production of the Stag commenced at Ballarat in July 2004.

Plans are in place to produce steel bodied tippers in 2005 to further satisfy market requirements.

LUSTY EMS

LUSTY EMS 2004


LONG



As Australia's largest tipper manufacturer, Hamelex White is a very good strategic fit with the existing Lusty EMS tipper business. Acquired in March 2004, Hamelex White's major focus is in the construction sector, predominantly on the east coast and in South Australia. Hamelex White's customer base and market coverage are dissimilar to those of Lusty EMS and the two business units are complementary.

Operating from a modern 10,000 sq.m. factory in Hallam in south east Melbourne, Hamelex White has the capability to significantly increase capacity and improve efficiency through planned investment in manufacturing technology and conversion from a jobbing shop to a production line. It also has a modern facility at Penrith in Sydney's west that has a very strong service and repair business and also manufactures aluminium tubs for tippers.

Hamelex White has a strong and effective national dealer network, which is independent from that of Lusty EMS, and which will be retained in order to maximise the sales and profitability of both brands.

With manufacturing volume and efficiency projected to increase, and management strengthened and revitalised, Hamelex White is well placed to provide a solid contribution to MaxiTRANS' performance in 2005.

HamelexWhite

BOARD OF DIRECTORS

Offices & Officers

Company Secretary
Mr N.F. Gillies

Registered Office
346 Boundary Road, Derrimut
Victoria 3030

Principal Place of Business
346 Boundary Road, Derrimut
Victoria 3030

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

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

Auditor
KPMG
161 Collins Street
Melbourne, Victoria 3000

Bankers
Australia and New Zealand
Banking Group Limited

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

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

Director
Geoff Lord

Chairman
Ian Davis

Deputy Chairman
Jim Curtis

Managing Director
Michael Brockhoff

Contents

Financial Summary

		F2000	F2001	F2002	F2003	F2004
Sales & services revenue	**$'000**	101,125	89,307	86,544	117,224	158,928
EBITDA	**$'000**	1,477	6,820	7,587	12,157	17,731
EBIT	**$'000**	(1,935)	3,322	4,120	8,288	13,115
NPBT	**$'000**	(3,257)	2,100	3,409	7,053	11,606
NPAT	**$'000**	(2,970)	1,609	2,587	5,004	8,821
Significant items in NPBT	**$'000**	(2,558)	299	620	(1,387)	–
Basic EPS	**cents**	(2.76)	0.84	1.58	3.72	5.72
Ordinary dividends/share	**cents**	–	1	1.5	2.5	3.5
CPS dividends	**$'000**	540	540	540	271	–
Depreciation	**$'000**	1,675	1,632	1,687	1,939	2,061
Amortization – leased assets	**$'000**	265	123	87	371	709
Amortization – intangibles	**$'000**	1,472	1,743	1,693	1,559	1,846
Capex additions	**$'000**	687	2,068	7,404	7,837	5,517
Operating cash flow	**$'000**	(964)	9,314	7,663	7,159	3,342
NTA	**$'000**	12,856	14,472	17,649	18,696	33,458
Net assets	**$'000**	44,234	44,295	45,912	45,400	67,325
Interest bearing liabilities	**$'000**	20,497	12,710	10,485	15,731	19,272
Borrowing costs	**$'000**	1,322	1,222	711	1,235	1,509
Total bank debt	**$'000**	13,404	12,400	10,000	10,588	13,961
Gearing (net debt/equity)	**%**	46	29	22	35	29
Net interest cover	**times**	(1.46)	2.72	5.79	6.71	8.69

This statement reflects MaxiTRANS Industries Limited (**'MaxiTRANS'**) corporate governance policies and practices as at 30 June 2004 and which, unless otherwise stated, were in place throughout the year. The essential corporate governance principles incorporating the best practice recommendations of the ASX Corporate Governance Council (**'Council'**), and MaxiTRANS' policies and procedures and the Company's compliance with the Council recommendations, are as follows:

1. Principle 1: Lay solid foundations for management and oversight

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

Role and responsibility of the Board of MaxiTRANS

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

The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the Managing Director;
- monitoring the performance of the Managing Director;
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and Company Secretary;
- ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices;
- approving succession plans for the management team;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- providing strategic advice to management;
- reporting to shareholders and ensuring that all regulatory requirements are met;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- monitoring compliance with regulatory requirements and the Company's own ethical standards and policies;
- determining dividend payment and financing dividend payment;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- monitoring and ensuring compliance with best practice corporate governance requirements.

Role and responsibility of senior management

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

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

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

2. Principle 2: Structure of the Board to add value

Recommendation 2.1: A majority of the Board should be independent directors.

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

Non-Executive Directors

Mr Ian Davis (Chairman)	–	Independent
Mr Jim Curtis (Deputy Chairman)	–	Not independent
Mr Geoff Lord	–	Independent*

* Related party to Mr Geoff Lord, Belgravia Group, ceased to be a substantial shareholder on 15 January 2004. Selpam Pty Ltd, formerly part of the Belgravia Group substantial shareholding, ceased to be associated with the substantial shareholder on 15 January 2004.

Executive Director

Mr Michael Brockhoff (Managing Director)	–	Not Independent

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

At the date of this report, half of the MaxiTRANS Board is independent and MaxiTRANS does not therefore comply with Council recommendation 2.2. The Board has formalised a number of measures to ensure that all directors exercise independent judgement in decision making:

- Directors are expected to cast their vote on any resolution in accordance with their own judgement.
- Directors are expected to comply with their legal, statutory and equitable duties when discharging their responsibilities as directors. Broadly, these are duties to:
  - (i) act in good faith and in the best interests of MaxiTRANS as a whole
  - (ii) act with care and diligence
  - (iii) act for proper purposes
  - (iv) avoid a conflict of interest or duty
  - (v) refrain from making improper use of information gained through the position of director and taking improper advantage of the position of director.
- Directors may access information and seek independent advice that they consider necessary to fulfil their responsibilities and to exercise independent judgement in decision making.
- Directors are expected to be sensitive to conflicts of interest that may arise and mindful of their fiduciary obligations to MaxiTRANS and:
  - (i) disclose to the Board any actual or potential conflicts of interest which may exist or might reasonably be thought to exist as soon as the situation arises
  - (ii) take steps as are necessary and reasonable to resolve any conflict of interest
  - (iii) comply with the Corporations Act 2001 provisions on disclosing interests and restrictions on voting
  - (iv) if a conflict situation exists, it is expected that where a matter is being discussed by the Board to which the conflict relates, the director will be absent from the room.

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

Refer to the Report of the Directors on page 29 for details of directors' skills, experience and expertise.

Recommendation 2.2: The Chairperson should be an independent director.

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

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

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

Recommendation 2.4: The Board should establish a nomination committee.

The MaxiTRANS Nomination Committee was formally constituted on 27 June 2003. Committee members at the date of this report are Messrs Ian Davis (Chairman), Jim Curtis and Geoff Lord.

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

- assessment of the necessary and desirable competencies of Board members
- review of Board succession plans
- the appointment and removal of directors

3. Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

- **the practices necessary to maintain confidence in the Company's integrity**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

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

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

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

Recommendation 3.2: Disclose the policy concerning trading in Company securities by directors, officers and employees.

The Board encourages directors to own shares in MaxiTRANS. Directors (and relevant employees) must comply with the MaxiTRANS Code of Practice when dealing in MaxiTRANS securities. The essential provisions of the Code of Practice are set out below:

Directors are not permitted to deal in the Company's securities: -

- in circumstances where the director is in possession of unpublished price-sensitive information
- in closed periods. A closed period is defined as the two month period preceding the announcement of the full-year or half-year results. Only in exceptional circumstances may the Chairman provide clearance for any director to deal in the Company's securities during a closed period.

With suitable clearance from the Chairman, the most appropriate period to deal in MaxiTRANS securities is in the four week period following the annual general meeting and the announcement of the full-year or half-year results.

Directors must advise the disclosure officer of any dealings in MaxiTRANS securities within two business days of the dealing.

Directors must seek to prohibit closely associated persons from dealing in MaxiTRANS securities in circumstances where the director would not be permitted to do so. It is incumbent on the director to inform closely associated persons of the circumstances in which they are permitted to deal in the Company's securities.

4. Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

In accordance with the MaxiTRANS Audit Committee Charter, the Managing Director and Chief Financial Officer of MaxiTRANS are required to state in writing to the Board that MaxiTRANS' financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The statements are underpinned by representations from executive management and relevant accounting officers.

Recommendation 4.2: The Board should establish an audit committee.

The MaxiTRANS Audit Committee was established in 1994.

Recommendation 4.3: Structure the audit committee so that it consists of:
- **only non-executive directors**
- **a majority of independent directors**
- **an independent chairperson, who is not chairperson of the Board**
- **at least three members.**

At the date of this report the members of the MaxiTRANS Audit Committee are Messrs. Geoff Lord (appointed Chairman of the Audit Committee on 17 August 2004), independent non-executive director, Jim Curtis, non-executive director and Ian Davis, independent non-executive director (formerly Chairman of the Audit Committee until 17 August 2004). Details of attendances by directors are to be found in the Report of the Directors on page 31.

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

At the date of this report, the composition of the MaxiTRANS Audit Committee complies with Best Practice recommendation 4.3 in all respects. Mr Lord was appointed Chairman of the Audit Committee on 17 August 2004. Until the 15 January 2004, Mr Geoff Lord was not an independent director.

The Council has provided transitional relief until 1 July 2005 for companies not included in the S&P ASX 300 index as at 1 July 2003. During the reporting period, MaxiTRANS complied with the transitional arrangements.

The external auditor met with the Audit Committee twice during the year without management being present. The Audit Committee intends for the 2005 financial reporting period to have the auditor meet at least twice with the Audit Committee without management being present.

Recommendation 4.4: The audit Committee should have a formal charter.

The revised charter of the MaxiTRANS Audit Committee adopted by the Board in June 2003 clearly sets out the committee's role and responsibilities, composition, structure and membership requirements. The Audit Committee has the right to access management and seek independent professional advice in accordance with the Board Charter.

The primary role of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities. In particular, the Committee will focus on:
- Verifying and safeguarding the integrity of the Company's financial reporting
- Internal management processes and controls
- The removal, selection and appointment of the external auditor and the rotation of the external audit engagement partner
- Review of risk management and internal compliance and control systems

5. **Principle 5: Provide timely and balanced disclosure of all material matters concerning the Company**

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

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

The Continuous Disclosure Protocol provides guidelines on:

- What must be disclosed
- Responsibilities of the Board in relation to disclosure matters
- Responsibilities of the Disclosure Officer
- Responsibilities of senior management in relation to disclosure matters

The Managing Director and Chief Financial Officer are the only authorised personnel to engage in media contact and comment in relation to matters relevant to continuous disclosure.

6. **Principle 6: Respect the rights of shareholders**

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

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

The Company publishes all ASX announcements on the MaxiTRANS website, and also sends information to shareholders by mail and e-mail (where nominated). The MaxiTRANS website contains important information on the Company which is of use to shareholders in obtaining a greater understanding of the Company.

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

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

Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

It is MaxiTRANS policy that the Company's external auditor attends the AGM and be available to answer questions from shareholders. The external auditor of MaxiTRANS has attended all AGMs since the public listing of MaxiTRANS in 1994.

7. Principle 7: Recognise and manage risk

Recommendation 7.1: The Board or appropriate Board committee should establish policies on risk oversight and management.

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

- Review of management programs for monitoring and identifying significant areas of risk for the Company;
- Review and assess management information systems and internal control systems
- Review the insurance program for the MaxiTRANS Group
- Review of occupational heath and safety practices and compliance with legislation

Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:

7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board

7.2.2 The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The statement of the Managing Director and Chief Financial Officer, given in accordance with best practice recommendation 4.1 (the integrity of financial statements), incorporates matters relevant to a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and, MaxiTRANS' risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

8. Principle 8: Encourage enhanced performance

Recommendation 8.1: Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.

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

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

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

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

At the date of this report the members of the MaxiTRANS Corporate Governance Committee are Messrs. Ian Davis (Chairman), Jim Curtis and Geoff Lord. Refer to the Report of the Directors on page 31 for details of attendance by directors at Corporate Governance Committee meetings.

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

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

It is the Board's policy that the Board should at least annually:

- review the performance of the Board, the Company, and management
- review the allocation of the work of the Company between the Board and management
- review the criteria for success and the assessment of the performance of the Company.

The Board reviewed its performance for the year ended 30 June 2004 on 16 July 2004.

9. Principle 9: Remunerate fairly and responsibly

Recommendation 9.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

The level and composition of remuneration offered by MaxiTRANS is designed to attract and maintain talented and motivated directors and employees.

MaxiTRANS has adopted a transparent policy in relation to remuneration reporting. The Corporations Act 2001 requires annual disclosure of the Company of the details of the nature and amount of each element of the fee or salary of each director and each of the five highest paid officers of the Company. This includes disclosure in respect of non-monetary components such as options.

MaxiTRANS has a clear distinction between non-executive director remuneration and executive director remuneration. Non-executive directors receive a fixed fee, no termination benefits, and no bonuses. Executive directors have access to salary, termination benefits, superannuation benefits, a vehicle allowance, bonus and options entitlements.

Executive directors and senior executives may receive bonuses based on performance hurdles that are a blend of the consolidated entity's and each relevant segment's budgeted operating result being achieved or exceeded.

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

Recommendation 9.2: The Board should establish a remuneration committee.

The MaxiTRANS Remuneration Committee was established in 1994.

At the date of this report the members of the MaxiTRANS Remuneration Committee are Messrs. Ian Davis (Chairman), Michael Brockhoff (Managing Director), Jim Curtis and Geoff Lord. Refer to the Report of the Directors on page 31 for details of attendance by directors at Remuneration Committee meetings.

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

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

Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

Non-executive directors receive a fixed fee, no termination benefits, and no bonuses. Fees paid to non-executive directors are benchmarked against similar sized companies operating in similar industries.

The aggregate amount of directors' fees payable to non-executive directors must not exceed the maximum amount permitted under the MaxiTRANS Constitution of $400,000, as approved by shareholders on 25 February 1998.

Executive directors have access to salary, termination benefits, superannuation benefits, a vehicle allowance, bonus and options entitlements.

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

The level of remuneration paid to executive and non-executive directors is set out in the Report of the Directors on pages 30 and 31.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The maximum number of securities, including options, which may be issued under the MaxiTRANS Employee Share Plan and the Directors' and Employee Option Plan, is limited to 5% of the number ordinary securities on issue. The MaxiTRANS Employee Share Plan was approved by shareholders on 25 February 1998. The Directors' and Employee Option Plan was approved by shareholders in October 1994 and the terms of the plan were disclosed in the prospectus of the Company prior to its public listing in December 1994.

No new shares or options have been issued or granted under the above plans in the period under review.

10. Principle 10: Recognise the legitimate interests of stakeholders

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

MaxiTRANS has a number of legal and other obligations to non-shareholder stakeholders such as employees, clients, customers and the community as a whole. The Company is committed to developing mutually beneficial relationships with non-shareholder stakeholders and this is reflected in the Company's Code of Conduct setting out the Company's commitment and responsibilities to:

- Shareholders
- Clients, customers and consumers
- Employment practices
- Fair trading and dealing
- The general community
- Confidentiality and conflicts of interest
- Compliance with legislation

Your directors submit the financial report of MaxiTRANS Industries Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004 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:

Mr Ian R. Davis	(Chairman since 1994)
Mr James R. Curtis	(Deputy Chairman since 1994)
Mr Michael A. Brockhoff	(Managing Director since 2000)
Mr Geoffrey F. Lord	(Director since 2000)

Principal Activities

The principal continuing activities of the consolidated entity constituted by MaxiTRANS Industries Limited and the entities it controlled during the year consisted of the design, manufacture, sale, service and rental of transport equipment and related spare parts.

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

Consolidated Results

The operating profit of the consolidated entity for the year ended 30 June 2004 after income tax expense amounted to $8,821,000 (2003: $5,004,000).

Dividends

Dividends paid or declared for payment are as follows:

Ordinary shares	
A fully franked final dividend of 1.5 cents per share was paid on 17 October 2003, as proposed in last year's financial report	$2,199,301
A fully franked interim dividend of 1.5 cents per share was paid on 16 April 2004	$2,250,973
A fully franked final dividend of 2.0 cents per share will be paid on 18 October 2004	$3,416,234

State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(i) Capital Raisings

On the 27 February 2004, the Company raised $8,000,000 through an institutional placement of 10,000,000 shares.

On 7 April 2004, the Company raised $5,541,275 through the issue of 7,121,546 shares under a share purchase plan.

The capital was raised to fund the acquisition of the Hamelex White business and strategic manufacturing sites for Hamelex White and Lusty EMS.

(ii) Acquisitions

The Company acquired 100% of Lusty EMS Pty Ltd, a Brisbane based designer and manufacturer of aluminium semi-tippers, with effect from 1 July 2003 for cash and equity consideration of $6,000,000. The acquisition of Lusty is in line with MaxiTRANS' strategic direction to diversify and grow the business through entry into segments complementary to MaxiTRANS' existing range of products. The directors consider that the acquisition provides MaxiTRANS with an exciting opportunity to expand its areas of activity, while at the same time providing the opportunity to benefit from synergies between its current business operations and the operations of Lusty EMS.

The Company also acquired the Hamelex White business, a Melbourne based manufacturer of aluminium trailers, as at 1 March 2004 for cash and equity consideration of $10,571,000. This acquisition is a complementary fit to our acquisition in July 2003 of Lusty EMS.

(iii) Divestments

On 30 June 2004, the Company disposed of its minority interest in Fuwa K Hitch (Australia) Pty Ltd, a supplier and manufacturer of heavy duty transport components. Total proceeds from the sale of the minority interest were $946,000 and the consolidated profit on the sale of the interest was $11,000.

Other than for the matters noted above, there were no significant changes in the state of affairs of the parent entity or its subsidiary companies, which occurred during the financial year.

Review of Operations

The accompanying Chairman's and Managing Director's Review includes a review of operations of the consolidated entity for the year ended 30 June 2004. In accordance with Australian Securities and Investment Commission Class Order 98/2395, the Board of Directors has adopted the Chairman's and Managing Director's Review as part of the Report of the Directors.

Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the group, in subsequent financial years other than agreement has been reached, subject to certain conditions precedent, to enter into a joint venture, which will acquire the Colrain parts group and the MaxiTRANS parts group, effective 1 November 2004. The cash consideration payable by MaxiTRANS for its 70% interest in the joint venture is approximately $9.6 million.

Environmental Regulation

The consolidated entity'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 consolidated entity has a policy of complying with its environmental performance obligations. No breach of any environmental regulation or law has been notified to the consolidated entity during or since the year ended 30 June 2004.

Future Developments

The accompanying Chairman's and Managing Director's Review includes a review of likely developments. The Board of Directors has adopted the report as part of the Report of the Directors.

Further information as to the likely developments in the operations of the consolidated entity and the expected results of these operations in subsequent financial years has not been included in this report because, the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

Information on Directors

Ian R. Davis	Chairman, Independent Non-Executive, Age 59
Qualifications & Experience:	Law degree with honours from University of Melbourne. Appointed Chairman 1994.
	Senior partner and previously National Chairman of international law firm, Minter Ellison. Mr Davis has extensive experience in the corporate and commercial area of law in which he practices. He is also a Director of Circadian Technologies Limited, Director of International Diabetes Institute, Director of Central Equity Limited and Chairman of Retail Grocery Industry Code Administration Committee.
Special Responsibilities:	Chairman of Corporate Governance Committee, Nomination Committee and Remuneration Committee, member of Audit Committee.
Interest in Shares:	1,036,125 ordinary shares beneficially held.
Interest in Options:	Nil

James R. Curtis	Deputy Chairman, Non-Executive, Age 69
Qualifications & Experience:	Appointed Deputy Chairman in 1994. One of the founders of the group. Fifty one years experience in the transport equipment industry.
Special Responsibilities:	Member of Corporate Governance Committee, Audit Committee, Nomination Committee and Remuneration Committee.
Interest in Shares:	18,697,132 ordinary shares beneficially held.
Interest in Options:	Nil

Michael A. Brockhoff	Managing Director, Executive, Age 51
Qualifications &	Appointed Managing Director in June 2000.
Experience:	Twenty six years experience in the road transport industry.
Special Responsibilities:	Member of Remuneration Committee.
Interest in Shares:	1,000,000 ordinary shares beneficially held.
Interest in Options:	Nil

Geoffrey F. Lord	Independent Non-Executive Director, Age 59
Qualifications & Experience:	B. Eco (Honours), M.B.A. (Distinction), ASSA, Australian Institute of Company Directors. Appointed Director in October 2000.
	Chairman and Chief Executive Officer of Belgravia Group, Chairman UXC Limited, Terrain Australia Limited, Australian Litigation Fund and Terrain Capital Limited, Director of the following companies: Triako Resources Limited, Ausmelt Limited, Auto Group Limited, Institute of Drug Technology Limited, Adelhill Limited and Kids Campus
Special Responsibilities:	Member of Corporate Governance Committee, Nomination Committee and Remuneration Committee, Chairman of Audit Committee.
Interest in Shares:	3,934,414 ordinary shares beneficially held.
Interest in Options:	Nil

Directors' and Executives' Emoluments

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

The remuneration committee, consisting of three non-executive directors and the Managing Director, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related incentives and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration and other terms of employment for the Managing Director and certain other senior executives are formalised in service agreements. Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive directors are not entitled to any performance related remuneration.

Details of the nature and amount of each element of the emoluments of each director of MaxiTRANS Industries Limited and the five most highly remunerated officers for the year ended 30 June 2004 are as follows:

	Salary	Directors Fees	Super	Non-Cash Benefits	Bonus	Other	Options Granted	Total
	$	$	$	$	$	$	$	$
Directors								
Mr I.R. Davis	–	75,000	6,750	–	–	–	–	81,750
Mr J.R. Curtis	–	40,000	23,400	–	–	13,200	–	76,600
Mr M.A. Brockhoff	380,000	–	55,000	40,000	80,000	3,071	14,430	572,501
Mr G.F. Lord	–	40,000	3,600	–	–	–	–	43,600

Options granted on 15th December 2000 to Mr Brockhoff have been valued at the date of grant using a binomial valuation model taking into account relevant market parameters. The ability to exercise the options is conditional on the achievement of certain future share price performance hurdles as detailed under "Share Options". The total fair value of these options calculated at grant date was disclosed in the Report of Directors for the year ended 30 June 2001. The amount disclosed as remuneration for the financial year ended 30 June 2004 has been calculated by taking into account the fair value at grant date and a staggered 3.5 year vesting period determined by the earliest exercise dates as set out in Note 24 to the financial statements.

Directors' and Executives' Emoluments (continued)

	Salary	Super	Non-Cash Benefits	Bonus	Other	Options Granted	Total
	$	$	$	$	$	$	$
Executive Officers, Company and Consolidated (excluding Directors)							
Mr J. Nolan	182,500	20,075	8,980	–	–	–	211,555
Mr A. Wibberley	168,545	17,194	3,267	22,500	–	–	211,506
Mr N. Gillies	125,538	12,956	693	–	18,417	–	157,604
Mr D. May	125,000	13,005	–	–	19,500	–	157,505
Mr K. Manfield	130,512	11,746	6,420	–	–	–	148,678

Executive officers are officers who are involved in, concerned in, or who take part in, the management of the affairs of MaxiTRANS Industries Limited and / or entities under its control.

Meetings of Directors

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

	Directors' Meetings (1)		Audit Committee		Remuneration Committee		Corporate Governance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Ian R. Davis	14	14	4	4	3	3	2	2
James R. Curtis	14	14	4	4	3	3	2	2
Michael A. Brockhoff	14	14	–	–	3	3	–	–
Geoffrey F. Lord	14	13	4	4	3	3	2	2

(1) Directors' meetings include one circular resolution.

(2) The Nomination Committee did not meet during the year.

Audit Committee

As at the date of this report, the Company had an Audit Committee of the Board of Directors that met four times during the year. The details of the functions and memberships of the audit and other 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 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 Company has entered into a contract of insurance in relation to the indemnity of the Company's directors and officers for a premium of $39,730. The insurance premium relates to claims for damages, judgements, settlements or costs in respect of wrongful acts committed by directors or officers in their capacity as directors or officers but excluding wilful, dishonest, fraudulent, criminal or malicious acts or omissions by any director or officer. The directors indemnified are those existing at the date of this report. The officers indemnified include each full time executive officer and secretary.

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

On 20 March 2003 the Company 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 by the Company over unissued ordinary shares during or since the year ended 30 June 2004 to directors or any of the five most highly remunerated officers as part of their remuneration.

Shares Under Option

As at the date of this report there are no unissued ordinary shares for which options are outstanding under the Directors and Employees Options Plan.

Shares Issued on the Exercise of Options

During the year 2,250,000 options over ordinary shares held by Mr Michael Brockhoff were exercised at an exercise price of 17 cents per share and 600,000 options over ordinary shares held by Mr John Nolan were exercised at an average exercise price of 23 cents per share, being options granted in a previous financial year in accordance with their respective employment contracts.

On 8th July 2004 Mr Brockhoff exercised 750,000 options at an exercise price of 17 cents per share.

Further details on share options are detailed in Note 24 to the financial statements.

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.

Rounding of Accounts

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

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

Mr Ian R. Davis, Director

Mr Michael A. Brockhoff, Director

20 August 2004

The Directors of MaxiTRANS Industries Limited declare that:

(1) the financial statements and notes, as set out on pages 34 to 69 are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) giving a true and fair view of the financial position as at 30 June 2004 and performance for the year ended on that date, as represented by the results of the operations and the cash flows of the Company and consolidated entity;

(2) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(3) there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 26 to the financial statements 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 subsidiaries pursuant to ASIC Class Order 98/1418.

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

Ian Russell Davis, Director

Michael Alan Brockhoff, Director

20 August 2004

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Revenue from the sale of goods	3	153,123	110,773	–	–
Revenue from the rendering of services	3	5,805	6,451	1,635	1,952
Other revenues from ordinary activities	3	1,754	1,069	5,168	3,004
Total revenue		160,682	118,293	6,803	4,956
Changes in inventories of finished goods and work in progress		5,596	(684)	–	–
Raw materials and consumables used		(100,486)	(68,832)	–	–
Employee expenses		(38,790)	(27,413)	(929)	(934)
Depreciation and amortisation expenses	4	(4,616)	(3,869)	(27)	(31)
Borrowing costs	4	(1,509)	(1,235)	–	(273)
Other expenses from ordinary activities		(10,171)	(9,900)	(2,026)	(681)
Share of net profits of associates and joint ventures accounted for using the equity method	27	900	693	–	–
Profit from ordinary activities before related income tax expense		11,606	7,053	3,821	3,037
Income tax (expense) / benefit relating to ordinary activities	7(a)	(2,785)	(2,049)	12	(111)
Net profit attributable to members of the parent entity	19	8,821	5,004	3,833	2,926
Non-owner transaction changes in equity					
Net exchange difference on translation of financial statements of self-sustaining foreign operations	18	(65)	(302)	–	–
Total changes in equity from non-owner related transactions attributable to members of the parent entity		8,756	4,702	3,833	2,926
Basic earnings per share (cents per share)	6	5.72¢	3.72¢		
Diluted earnings per share (cents per share)	6	5.66¢	3.52¢		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 37 to 69.

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Current Assets					
Cash assets	28(b)	10	7	–	–
Receivables	8	19,436	13,367	41,249	28,987
Inventories	9	23,683	12,626	–	–
Other	10	295	123	–	2
Total Current Assets		43,424	26,123	41,249	28,989
Non-Current Assets					
Investments accounted for using the equity method	11(a)	3,168	3,861	–	–
Other financial assets	11(b)	–	6	17,548	12,574
Property plant & equipment	12	30,256	25,722	84	72
Intangible assets	13	33,867	26,704	11	11
Deferred tax assets	7(b)	1,768	1,095	1,625	1,065
Other	10	497	384	–	196
Total Non-Current Assets		69,556	57,772	19,268	13,918
Total Assets		112,980	83,895	60,517	42,907
Current Liabilities					
Accounts payable	14	17,690	16,234	167	42
Interest bearing liabilities	15	2,110	2,261	34	20
Current tax liabilities	7(c)	1,841	1,617	1,860	1,617
Provisions	16	4,290	2,623	–	–
Total Current Liabilities		25,931	22,735	2,061	1,679
Non-Current Liabilities					
Interest bearing liabilities	15	17,162	13,470	–	–
Deferred tax liabilities	7(d)	2,138	1,912	2,138	1,912
Provisions	16	424	378	–	–
Total Non-Current Liabilities		19,724	15,760	2,138	1,912
Total Liabilities		45,655	38,495	4,199	3,591
Net Assets		67,325	45,400	56,318	39,316
Equity					
Contributed equity	17	52,538	34,919	52,538	34,919
Reserves	18	7,324	7,389	276	276
Retained profits	19	7,463	3,092	3,504	4,121
Total Equity		67,325	45,400	56,318	39,316

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 37 to 69.

STATEMENTS OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Cash Flows from Operating Activities					
Receipts from customers		170,242	123,620	2,636	1,955
Payments to suppliers & employees		(162,774)	(114,958)	(165)	(1,408)
Dividends received		78	–	4,078	3,000
Interest received		34	6	–	4
Interest & other costs of finance paid		(1,509)	(1,235)	–	(273)
Income tax paid		(2,729)	(274)	(2,729)	(274)
Net Cash Provided by (Used in) Operating Activities	28(a)	3,342	7,159	3,820	3,004
Cash Flows from Investing Activities					
Payments for property, plant & equipment		(4,582)	(2,849)	(4)	(45)
Payments for business acquired		(8,640)	–	–	–
Loans repaid by other entities		705	377	–	–
Payments for controlled entities		(5,057)	–	(5,057)	–
Payments for investments		–	(1,093)	–	(1,093)
Proceeds from sale of investment in associates		946	–	946	–
Payments for associates		(130)	–	–	–
Proceeds from sale of property, plant & equipment		567	921	15	–
Net Cash Provided By (Used in) Investing Activities		(16,191)	(2,644)	(4,100)	(1,138)
Cash Flows from Financing Activities					
Proceeds from share issues		13,749	–	13,749	–
Proceeds from borrowings		3,450	587	–	–
Converting preference share buy back		–	(3,130)	–	(3,130)
(Advancing) / repayment of borrowings		(767)	(331)	(9,903)	3,514
Dividends paid		(3,580)	(2,220)	(3,580)	(2,220)
Net Cash Provided by (Used in) Financing Activities		12,852	(5,094)	266	(1,836)
Net increase (decrease) in cash		3	(579)	(14)	30
Cash at beginning of year		7	586	(20)	(50)
Cash at end of year	28(b)	10	7	(34)	(20)

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 37 to 69.

1. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. 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 by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous year.

The following is a summary of the material accounting policies adopted by the consolidated entity 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 controlled entities. A controlled entity is any entity controlled by MaxiTRANS Industries Limited or any of its subsidiaries. Control exists where MaxiTRANS Industries Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with MaxiTRANS Industries Limited to achieve the objectives of MaxiTRANS Industries Limited. A list of controlled entities is contained in Note 26 to the financial statements.

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

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future. Investments in associate companies are recognised in the Company's financial statements at the lower of cost or recoverable amount (refer Note 1(j)).

(b) 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.

(c) Non-current assets

Acquisitions of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

(c) Non-Current assets (continued)

Acquisitions of assets (continued)

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

1. Statement of Significant Accounting Policies (continued)

Current valuations for land and buildings valued on the cost basis are carried out at least once every three years.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

Depreciation and amortisation

(i) Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

(ii) Useful lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method or diminishing value method where appropriate, over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(iii) Rates of depreciation and amortisation

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

	2004	2003
Property Plant and Equipment		
Buildings	2.5-4.0%	2.5-4.0%
Leasehold improvements	20.0%	20.0%
Plant and equipment	5.0-50.0%	10.0-33.3%
Leased plant and equipment	10.0-22.5%	10.0-22.5%
Intangibles		
Goodwill	5.0%	5.0%
Brand names	1.0%	1.0%
Intellectual property	2.0-10.0%	2.0-10.0%
Patents and trademarks	5.0-33.3%	20.0-33.3%

(d) Income tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1. Statement of Significant Accounting Policies (continued)

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 26. The implementation date for the tax-consolidated group is 1 July 2002.

The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intra-group transactions).

The tax-consolidated group has entered into a tax sharing agreement that requires wholly-owned subsidiaries to make contributions to the head entity for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable annually.

The assets and liabilities arising under the tax sharing agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

(e) Employee entitlements

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at amounts that are expected to be paid including related on-costs. The long service leave entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

Employee Share and Option Plan

MaxiTRANS Industries Limited grants options from time to time to certain employees under the Directors and Employees Option Plan. Further information is set out in Note 24 to the financial statements. Other than the costs incurred in administering the scheme which are expensed as incurred, the scheme has not resulted in any expense to the consolidated entity in the current period. Shares or options issued are recorded in contributed equity at the fair value of consideration received, if any.

(f) Intangibles

(i) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight-line basis over 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(ii) Patents, trademarks and brand names

Patents, trademarks and brand names are valued in the financial statements at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

(iii) Intellectual property

Intellectual property is brought to account at cost and is amortised over the period in which their benefits are expected to be realised.

(g) Research and development expenditure

Research and development costs are charged to operating profit before income tax expense as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

(h) Provision for warranties

Provision is made in respect of the consolidated entity's estimated liability on all products and services under warranty at balance date. This provision is based on the consolidated entity's history of warranty claims and expected future warranty costs.

1. Statement of Significant Accounting Policies (continued)

(i) Cash

For the purpose of the Statements of Cash Flows, cash includes:

– cash on hand and at call with banks or financial institutions, net of bank overdrafts; and

– investments in money market instruments with less than 14 days to maturity.

(j) Investments

Non-current investments are brought to account at cost and are carried at the lower of cost and recoverable amount.

Investments in associate companies are recognised in the Company's financial statements at the lower of cost and recoverable amount. In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

(k) Leased assets

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Contingent rentals are expensed as incurred.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(l) Foreign currency

Transactions and balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statements of financial performance in the financial year in which the exchange rates change.

Translation of controlled foreign entities

The financial statements of overseas controlled entities that are integrated foreign operations are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

The assets and liabilities of foreign operations accounted for as associates that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve (refer Note 18).

(m) 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 (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company.

Diluted EPS is calculated by dividing the basic EPS 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.

1. Statement of Significant Accounting Policies (continued)

(n) Revenue

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.

Revenue from the rendering of services

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

Revenue from the sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest and dividend revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.

(o) 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 statements 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.

(p) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, including trade creditors and lease finance charges.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(q) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(r) Converting financial instruments

For information relating to converting preference shares refer Note 17.

(s) 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.

(t) Interest bearing liabilities

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in Note 14 Accounts Payable under “Other creditors and accruals”.

Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

2. Changes in Accounting Policies

There have been no changes to accounting policies in the year ended 30 June 2004.

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
3. Revenue from Ordinary Activities				
Sale of goods	153,123	110,773	–	–
Rendering of services	5,805	6,451	1,635	1,952
	158,928	117,224	1,635	1,952
Other revenues:				
From operating activities				
– dividends received from wholly-owned controlled entities	–	–	4,000	3,000
– dividends received from associate	–	–	78	–
– interest revenue from other parties	34	6	–	4
– other	207	142	129	–
From outside operating activities				
– proceeds on disposal of property, plant and equipment	567	921	15	–
– proceeds on disposal of investment in associate	946	–	946	–
Total other revenues	1,754	1,069	5,168	3,004
Total revenue from ordinary activities	160,682	118,293	6,803	4,956

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
4. Profit from Ordinary Activities				
Profit from ordinary activities before related income tax expense has been determined after charging/(crediting) the following items:				
Cost of goods sold	119,809	94,114	–	–
Borrowing costs:				
– interest – bank loans and overdraft	1,160	791	–	–
– converting preference share dividends classified as interest expense	–	271	–	271
– finance lease charges	349	173	–	2
Total borrowing costs	1,509	1,235	–	273
Depreciation:				
– property	307	288	–	–
– plant and equipment	1,754	1,651	21	24
Total depreciation	2,061	1,939	21	24
Amortisation of non-current assets:				
– goodwill	374	374	–	–
– intellectual property	1,356	1,109	–	–
– brand names	69	69	–	–
– patents and trademarks	47	7	–	–
– capitalised leased assets	709	371	6	7
Total amortisation	2,555	1,930	6	7
Net expenses from movements in provision for:				
– employee entitlements	624	275	–	–
– warranty	190	157	–	–
– other	(72)	113	–	–
Net expense resulting from movements in provisions	742	545	–	–
Net bad and doubtful debts expense including movements in provision for doubtful debts	15	42	–	–
Rental expense on operating leases	1,487	1,370	–	–
Research and development expenditure written off as incurred	438	306	–	–
Crediting as income:				
Net (gain)/loss on disposal of:				
– property plant and equipment	(89)	(334)	–	–
– investment in associates	(11)	–	(132)	–
Total (gain)/loss on disposal	(100)	(334)	(132)	–

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
5. Individually Significant Items of Revenue and Expense				
Process improvement programs	–	(991)	–	–
Converting preference share dividends classified as interest expense	–	(271)	–	–
Other	–	(125)	–	–
Net revenue/(expense) from individually significant items	–	(1,387)	–	–
Income tax expense applicable	–	335	–	–
	–	(1,052)	–	–

6. Earnings per Share

Classification of securities as potential shares

The following securities have been classified as potential ordinary shares and included in diluted earnings per share only:

(i) converting preference shares; and

(ii) options outstanding under the Directors and Employees Options Plan.

Further details of these securities are contained in notes 17 and 24.

On 7 January 2003 the Company made an on market buyback of 7,453,000 converting preference shares ("CPS") for consideration of $3,130,000. On 31 March 2003 the remaining 7,547,000 CPS were converted to ordinary shares in accordance with the terms of issue of the CPS. The CPS are included in diluted earnings per share for the relevant periods only.

	Consolidated	
	2004 $'000	2003 $'000
Earnings reconciliation		
Net profit before preference share dividend (interest)	8,821	5,275
Preference share dividends (interest) not previously provided for, paid during the year	–	(271)
Basic earnings	8,821	5,004
Preference share dividends (interest) not previously provided for, paid during the year	–	271
Diluted earnings	8,821	5,275

	Consolidated	
	2004 Number	2003 Number
6. Earnings per Share (continued)		
Weighted average number of shares		
Number for basic earnings per share – ordinary shares	154,231,449	134,499,669
Effect of executive share options	1,536,182	1,251,750
Effect of converting preference shares	–	14,160,550
Number for diluted earnings per share	155,767,631	149,911,969

At 30 June 2004 and 30 June 2003 all executive share options were dilutive and therefore were included in the calculation of diluted EPS at that date.

Full details of options are set out in Note 24.

7. Taxation

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(a) Income tax The prima facie tax payable on operating profit differs from the income tax expense in the financial statements and is reconciled as follows:				
Prima facie tax payable on operating profit at 30% (2003: 30%)	3,482	2,116	1,146	911
Add/(deduct) tax effect of:				
Non deductible depreciation and amortisation	178	188	–	–
Research & development allowance	(554)	(229)	–	–
Capital loss on sale of investment	–	–	43	–
Non deductible expenses	30	–	10	–
Unrecognised tax losses recouped on foreign income	–	(121)	–	–
Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax consolidated group	–	–	3,056	3,308
Recovery of income tax expense under a tax sharing agreement	–	–	(3,056)	(3,308)
Associate equity accounted income	(200)	–	–	–
Interest on converting preference shares	–	81	–	81
Sundry items	37	21	–	11
Prior year adjustments	(188)	(7)	(3)	8
Inter-company eliminations	–	–	(1,208)	(900)
	(697)	(67)	(1,158)	(800)
Income tax expense	2,785	2,049	(12)	111
Income tax expense attributable to operating profit is made up of:				
– current income tax provision	3,148	1,908	–	103
– deferred income tax provision	110	356	–	–
– future income tax benefit	(285)	(208)	(9)	–
– prior year adjustment	(188)	(7)	(3)	8
Income tax expense	2,785	2,049	(12)	111

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
7. Taxation (continued)				
(b) Deferred tax assets				
Future income tax benefits				
The future income tax benefit is made up of the following estimated tax benefits:				
– Provisions and accrued employee benefits not currently deductible	1,593	1,047	1,450	1,017
– Leases	102	–	102	–
– Depreciation and amortisation	56	–	56	–
– Other	17	48	17	48
	1,768	1,095	1,625	1,065
(c) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at beginning of year	1,617	–	1,617	–
Income tax paid for operating activities of the current year	(2,729)	(274)	(2,729)	(274)
Acquisition of controlled entity	31	–	31	–
Current year's income tax expense on profit from ordinary activities	2,922	1,891	2,941	1,891
	1,841	1,617	1,860	1,617
(d) Deferred tax liabilities				
Deferred income tax				
The deferred tax liability is made up of the following estimated tax expenses:				
– Difference in future lease rental income and depreciation for income tax and accounting purposes	814	1,006	814	1,006
– Difference in amortisation of intangibles for income tax and accounting purposes	1,164	828	1,164	828
– Other	160	78	160	78
	2,138	1,912	2,138	1,912

The Company elected to be the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly-owned subsidiaries, from the implementation date of 1 July 2002. The financial effects of this change results in the recognition of tax balances of the group by the Company. In accordance with tax sharing agreements with each of the respective subsidiaries, each subsidiary recognises its related tax effects with corresponding inter-company receivable by the Company in accordance with UIG Abstract 52. The initial recognition of tax balances by the head entity in the prior financial year did not result in any changes to the carrying values of deferred tax assets or liabilities of the consolidated entity.

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
8. Receivables					
Trade debtors [1]		18,798	13,309	–	–
Provision for doubtful debts		(71)	(55)	–	–
		18,727	13,254	–	–
Other debtors		709	113	214	–
Amounts receivable from:					
– controlled entities		–	–	41,035	28,987
Total receivables		19,436	13,367	41,249	28,987

[1] Selected trade debtors' invoices of a controlled entity are pledged as security for the "Invoice finance" facility. As at 30 June 2004 $3,620,000 (2003: $3,243,000) was drawn under this facility.

9. Inventories					
Second-hand units – at cost		1,239	734	–	–
Finished goods – at cost		5,173	1,599	–	–
Work in progress – at cost		4,431	2,410	–	–
Raw materials – at cost		13,055	8,159	–	–
Less: provision for obsolescence		(215)	(276)	–	–
Total inventories		23,683	12,626	–	–
10. Other Assets					
Current					
Employee expense advances		9	9	–	2
Prepayments		286	114	–	–
		295	123	–	2
Non-current					
Loans to associate entities		497	384	–	196
11. Investments and Other Financial Assets					
Non-current					
(a) Investments accounted for using the equity method – associated entities	27	3,168	3,861	–	–
(b) Other financial assets					
– investments in controlled entities – at cost	26	–	–	16,052	9,979
– investments in associated entities – at cost	27	–	–	1,496	2,589
– other investments		–	6	–	6
Total other financial assets		–	6	17,548	12,574

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
12. Property Plant & Equipment				
Land and Buildings				
Land at cost	3,518	2,657	–	–
Buildings at cost	13,445	12,343	–	–
Accumulated depreciation	(1,268)	(961)	–	–
	12,177	11,382	–	–
Total land and buildings	15,695	14,039	–	–
Plant and Equipment				
Plant & equipment at cost	15,157	12,057	–	–
Accumulated depreciation	(8,111)	(6,926)	–	–
	7,046	5,131	–	–
Office equipment at cost	2,898	2,866	126	180
Accumulated depreciation	(1,711)	(1,921)	(86)	(108)
	1,187	945	40	72
Leased plant & equipment	6,253	5,473	50	–
Accumulated depreciation	(964)	(422)	(6)	–
	5,289	5,051	44	–
Capital work in progress	1,039	556	–	–
Total plant and equipment	14,561	11,683	84	72
Total property plant and equipment	30,256	25,722	84	72

Independent valuations of land and buildings are undertaken every three years. Independent valuations were obtained as at 30 June 2003 in relation to all land and buildings held. The independent valuations obtained valued the land and buildings at $15,911,000.

Refer to Note 29 for details of security over land and buildings.

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
12. Property Plant & Equipment (continued)				
Reconciliations				
Reconciliations of the carrying amounts for each class of property plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning of year	2,657	1,414	–	–
Disposals	–	–	–	–
Transfers from capital works in progress	–	1,131	–	–
Additions from business acquired	861	112	–	–
Carrying amount at the end of year	3,518	2,657	–	–
Buildings				
Carrying amount at the beginning of year	11,382	8,427	–	–
Additions	278	403	–	–
Additions from business acquired	824	–	–	–
Transfers from capital works in progress	–	2,840	–	–
Disposals	–	–	–	–
Depreciation	(307)	(288)	–	–
Carrying amount at the end of year	12,177	11,382	–	–
Plant and Equipment				
Carrying amount at the beginning of year	5,131	3,534	–	–
Additions	1,700	1,686	–	–
Additions from business acquired	557	–	–	–
Acquisition of controlled entity	378	–	–	–
Transfers from capital works in progress	1,358	1,388	–	–
Transfers (to)/from leased plant and equipment	(46)	24	–	–
Transfers (to)/from inventory	(355)	200	–	–
Disposals	(420)	(572)	–	–
Depreciation	(1,257)	(1,129)	–	–
Carrying amount at the end of year	7,046	5,131	–	–
Office Equipment				
Carrying amount at the beginning of year	945	820	72	33
Additions	763	647	3	45
Disposals	(24)	–	(14)	–
Depreciation	(497)	(522)	(21)	(24)
Carrying amount at the end of year	1,187	945	40	72
Leased plant and equipment				
Carrying amount at the beginning of year	5,051	472	–	25
Additions	935	4,989	50	–
Disposals	(34)	(15)	–	–
Transfers from/(to) plant and equipment	46	(24)	–	(18)
Amortisation	(709)	(371)	(6)	(7)
Carrying amount at the end of year	5,289	5,051	44	–
Capital works in progress				
Carrying amount at the beginning of year	556	5,915	–	–
Additions	1,841	–	–	–
Transfers to property, plant and equipment	(1,358)	5,359	–	–
Carrying amount at the end of year	1,039	556	–	–

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
13. Intangibles					
Goodwill at cost		7,475	7,475	–	–
Accumulated amortisation		(3,860)	(3,487)	–	–
		3,615	3,988	–	–
Brand names at cost		6,930	6,930	–	-
Accumulated amortisation		(276)	(207)	–	–
		6,654	6,723	–	–
Intellectual property at cost		29,557	21,438	–	–
Accumulated amortisation		(6,816)	(5,459)	–	–
		22,741	15,979	–	–
Patents and trademarks at cost		902	53	11	11
Accumulated amortisation		(46)	(39)	–	–
		856	14	11	11
Total Intangibles		33,867	26,704	11	11
14. Accounts Payable					
Trade creditors		16,389	13,885	167	37
Other creditors and accruals		1,301	2,349	–	5
Total accounts payable		17,690	16,234	167	42
15. Interest Bearing Liabilities					
Current					
Bank overdraft	29	981	1,608	34	20
Lease liability	30	1,129	653	–	–
Total current interest bearing liabilities		2,110	2,261	34	20
Non Current					
Bank loans – secured	29	12,980	8,980	–	–
Lease liability	30	4,182	4,490	–	–
Total non-current interest bearing liabilities		17,162	13,470	–	–

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
16. Provisions				
Current				
Employee entitlements	3,462	2,157	–	–
Warranty	677	466	–	–
Other provisions	151	–	–	–
Total current provisions	4,290	2,623	–	–
Non Current				
Employee entitlements	424	378	–	–
Aggregate employee entitlements liability	3,886	2,535	–	–
Reconciliations				
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below –				
Warranty				
Carrying amount at beginning of year	466	309	–	–
Provisions made during the year	211	157	–	–
Carrying amount at end of year	677	466	–	–
Other provisions				
Other	151	–	–	–
Dividend				
Carrying amount at beginning of year	–	135	–	135
Provisions made during the year:				
– Interim preference dividend 2003 [1]	–	68	–	68
Payments made during the period	–	(203)	–	(203)
	–	–	–	–

[1] Preference share dividends were provided for on a straight line basis over the period the benefits accrued to the holders of preference shares.

	Consolidated		The Company	
	2004	2003	2004	2003
Number of Employees				
Number of employees at year end	760	531	11	11

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
17. Contributed Equity				
170,061,708 (2003: 143,993,893) fully paid ordinary shares	52,538	34,919	52,538	34,919
Total	52,538	34,919	52,538	34,919
Ordinary Shares – paid up capital at the beginning of the financial year 143,993,893 (2003: 130,644,937)	34,919	31,359	34,919	31,359
Shares issued during the year:				
– 1,268,690 on 18 October 2002 [1]	–	240	–	240
– 11,148,331 on 31 March 2003 [2]	–	3,020	–	3,020
– 931,935 on 17 April 2003 [1]	–	300	–	300
– 2,639,220 on 18 August 2003 [3]	1,000	–	1,000	–
– 606,471 on 17 October 2003 [1]	403	–	403	–
– 2,250,000 on 12 December 2003 [4]	382	–	382	–
– 600,000 on 18 December 2003 [5]	138	–	138	–
– 2,281,803 on 5 March 2004 [6]	2,000	–	2,000	–
– 10,000,000 on 5 March 2004 [7]	8,000	–	8,000	–
– 7,121,546 on 7 April 2004 [8]	5,541	–	5,541	–
– Transaction costs arising from the issue of shares pursuant to share placement and shareholder subscription	(312)	–	(312)	–
– 568,775 on 16 April 2004 [1]	467	–	467	–
At end of financial year	52,538	34,919	52,538	34,919

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.

[1] The additions to contributed equity were made in accordance with the Company's dividend re-investment plan applicable to dividends paid on ordinary shares.

[2] On 7 January 2003 the Company made an on market buyback of 7,453,000 converting preference shares ("CPS") for consideration of $3,130,000. On 31 March 2003 the remaining 7,547,000 CPS were converted to ordinary shares in accordance with the terms of issue of the CPS resulting in the issue of 11,148,331 ordinary shares.

The rate of conversion of the converting preference shares into ordinary shares was based on the market value of the ordinary shares at the time of conversion. As a result, $3,020,000 ($2,784,000 from debt and $236,000 from CPS – equity) was transferred into ordinary contributed equity on that date.

17. Contributed Equity (continued)

[3] 2,639,220 shares were issued in conjunction with the acquisition of Lusty EMS Pty Ltd.
[4] 2,250,000 options held by Mr Michael Brockhoff were exercised at an exercise price of 17 cents per share pursuant to the exercise of options granted in accordance with his employment contract.
[5] 600,000 options held by Mr John Nolan were exercised at an average exercise price of 23 cents per share pursuant to the exercise of options granted in accordance with his employment contract.
[6] 2,281,803 shares were issued in conjunction with the acquisition of Hamelex White.
[7] 10,000,000 shares were issued by a placement to professional investors.
[8] 7,121,546 shares were issued to shareholders through a share purchase plan.

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
18. Reserves				
Capital redemption	276	276	276	276
Foreign currency translation	48	113	–	–
Asset revaluation	7,000	7,000	–	–
Total	7,324	7,389	276	276
Capital redemption – movements during the year:				
Balance at beginning of year	276	425	276	425
Premium on buyback of converting preference shares	–	(149)	–	(149)
Balance at end of year	276	276	276	276
Foreign currency translation reserve – movements during the year				
Balance at beginning of year	113	415	–	–
Net exchange difference on translation of foreign associate	(65)	(302)	–	–
	48	113	–	–

Nature and purpose of reserves

Capital redemption reserve

The capital redemption reserve includes amounts transferred from profits to be available for the redemption of preference shares.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the equity accounting of foreign associates, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation.

Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in prior financial years.

		Consolidated		The Company	
	Note	2004 $'000	2003 $'000	2004 $'000	2003 $'000
19. Retained profits					
Retained profits at beginning of year		3,092	713	4,121	3,820
Net profit attributable to members of the parent entity		8,821	5,004	3,833	2,926
Dividends	20	(4,450)	(2,625)	(4,450)	(2,625)
Retained profits at end of year		7,463	3,092	3,504	4,121

20. Dividends

Dividends proposed or paid are:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percent franked
2004					
Final – ordinary [1]	2.0	3,416	18 October 2004	30% (Class C)	100%
Interim – ordinary	1.5	2,250	16 April 2004	30% (Class C)	100%
Total franked amount		5,666			
2003					
Final – ordinary	1.5	2,200	17 October 2003	30% (Class C)	100%
Interim – ordinary	1.0	1,319	17 April 2003	30% (Class C)	100%
Final – preference	1.8	270	30 September 2002	30% (Class C)	100%
Interim – preference	1.8	136	31 March 2003	30% (Class C)	100%
Total franked amount		3,925			

[1] The financial effects of this dividend has not been brought to account in the consolidated entity financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial reports.

Dividend re-investment plan

The Company has a dividend reinvestment plan ("DRP") for the benefit of shareholders who wish to participate. The terms of the DRP provide for additional shares to be issued in lieu of the cash dividend otherwise payable on participating shares.The additional shares will be issued at a discount of 5% (or such other lesser discount as determined by the directors in their absolute discretion) to the average market price of ordinary shares on the last business day of each of the 4 weeks immediately prior to the record date.

The directors may, in their absolute discretion, vary the issue price of DRP shares, limit the amount of the dividend to which the DRP will apply, or suspend the plan.

Dividend franking account

	The Company	
	2004 $'000	2003 $'000
Class C (30%) franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	3,107	2,144

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 the payment of dividends recognised as a liability at year-end and franking credits that will arise from the payment of the current tax liability.

Tax consolidation legislation

On 1 July 2002, MaxiTRANS Industries Limited and its wholly-owned subsidiaries adopted the Tax Consolidation legislation which requires a tax-consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax-consolidated group) disclosed at 30 June 2004 and 30 June 2003 have been measured under the new legislation as those available from the tax-consolidated group.

21. Segment Information

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.

Year ended 30 June 2004

Business Segments	Sales of New Trailer & Tipper Units $'000	Sales of Parts & Service $'000	Other $'000	Eliminations $'000	Consolidated $'000
Revenue					
External segment revenue	132,838	18,759	7,331	–	158,928
Inter-segment revenue	1,170	1,752	–	(2,922)	–
Total segment revenue	134,008	20,511	7,331	(2,922)	158,928
Other unallocated revenue					1,754
Total revenue					160,682
Result					
Segment result	11,721	979	295	–	12,995
Share of net profit of equity accounted investments					900
Unallocated corporate expenses					(2,289)
Profit from ordinary activities before related income tax expense					11,606
Income tax expense					(2,785)
Net profit					8,821
Depreciation and amortisation	3,281	726	151	–	4,158
Unallocated depreciation and amortisation					458
Total depreciation and amortisation					4,616
Assets					
Segment assets	85,160	11,105	4,108	–	100,373
Unallocated corporate assets					12,607
Consolidated total assets					112,980
Liabilities					
Segment liabilities	9,974	844	25	–	10,843
Unallocated corporate liabilities					34,812
Consolidated total liabilities					45,655
Acquisitions of non-current assets	6,474	647	216	–	7,337
Acquisitions of unallocated non-current assets					422
Consolidated total acquisitions of non-current assets					7,759

21. Segment Information (continued)

Year ended 30 June 2003

Business Segments	Sales of New Trailer & Tipper Units $'000	Sales of Parts & Service $'000	Other $'000	Eliminations $'000	Consolidated $'000
Revenue					
External segment revenue	95,654	15,140	6,430	–	117,224
Inter-segment revenue	–	2,746	80	(2,826)	–
Total segment revenue	95,654	17,886	6,510	(2,826)	117,224
Other unallocated revenue					1,069
Total revenue					118,293
Result					
Segment result	8,379	290	244	–	8,913
Share of net profit of equity accounted investments					693
Unallocated corporate expenses					(2,553)
Profit from ordinary activities before related income tax expense					7,053
Income tax expense					(2,049)
Net profit					5,004
Depreciation and amortisation	2,914	514	137	–	3,565
Unallocated depreciation and amortisation					304
Total depreciation and amortisation					3,869
Individually significant revenues/(expenses) included in profit from ordinary activities before income tax					
Process improvement programs	(991)	–	–	–	(991)
Interest on converting preference shares					(271)
Other	–	(125)	–	–	(125)
Assets					
Segment assets	55,372	9,968	1,922	–	67,262
Unallocated corporate assets					16,633
Consolidated total assets					83,895
Liabilities					
Segment liabilities	6,505	412	1	–	6,918
Unallocated corporate liabilities					31,577
Consolidated total liabilities					38,495
Acquisitions of non-current assets	3,595	1,742	416	–	5,753
Acquisitions of unallocated non-current assets					2,084
Consolidated total acquisitions of non-current assets					7,837

Secondary reporting – Geographical segments

The consolidated entity's external revenues are predominantly derived from customers located within Australia. The consolidated entity's assets and acquisitions of non-current assets are predominantly located within Australia.

22. Remuneration of Directors

Remuneration levels are competitively set to attract and retain qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages. Remuneration packages include a mix of fixed remuneration, performance-based, and equity-based remuneration.

Executive directors and senior executives may receive bonuses based on performance hurdles that are a blend of the consolidated entity's and each relevant segment's budgeted operating result being achieved or exceeded.The following tables provide the details of all directors of the Company ("specified directors") and the five executives of the consolidated entity with the greatest authority ("specified executives") and the nature and amount of the elements of their remuneration for the year ended 30 June 2004.

		Primary					Post Employment	Equity Compensation	
		Salary	Directors Fees	Bonus	Other	Non-Cash Benefits	Super	Value of Options [1]	Total
		$	$	$	$	$	$	$	$
Directors									
Mr I R Davis	2004	–	75,000	–	–	–	6,750	–	81,750
	2003	–	50,000	–	–	–	4,500	–	54,500
Mr J R Curtis	2004	–	40,000	–	13,200	–	23,400	–	76,600
	2003	–	30,000	–	12,000	–	18,000	–	60,000
Mr M A Brockhoff	2004	380,000	–	80,000	40,000	3,071	55,000	14,430	572,501
	2003	365,000	–	–	40,000	4,384	44,550	34,538	488,472
Mr G F Lord	2004	–	40,000	–	–	–	3,600	–	43,600
	2003	–	30,000	–	–	–	2,700	–	32,700
Total specified directors	2004	380,000	155,000	80,000	53,200	3,071	88,750	14,430	774,451
	2003	365,000	110,000	–	52,000	4,384	69,750	34,538	635,672

23. Executive Remuneration

		Primary				Post Employment	Equity Compensation	
		Salary	Bonus	Other	Non-Cash Benefits	Super	Value of Options [1]	Total
		$	$	$	$	$	$	$
Specified Executives								
Mr J Nolan	2004	182,500	–	–	8,980	20,075	–	211,555
Chief Financial Officer	2003	173,056	35,000	–	3,667	22,886	2,937	237,546
Mr A Wibberley	2004	168,545	22,500	–	3,267	17,194	–	211,506
General Manager Manufacturing	2003	150,900	12,000	–	–	14,661	–	177,561
Mr D May	2004	125,000	–	19,500	–	13,005	–	157,505
General Manager Parts	2003	126,167	–	15,833	–	12,780	–	154,780
Mr K Manfield	2004	130,512	–	–	6,420	11,746	–	148,678
General Manager Sales	2003	125,856	8,000	–	1,186	12,047	–	147,089
Mr G Mitchell	2004	110,000	–	17,000	–	11,430	–	138,430
Victorian Branch Manager	2003 [2]	–	–	–	–	–	–	–
Total specified executives	2004	716,557	22,500	36,500	18,667	73450	–	867,674
	2003	575,979	55,000	15,833	4,853	62,374	2,937	716,976

[1] The fair value of options is calculated at the grant date using a Binomial valuation model, allocated to each reporting period over the option vesting period.

[2] Mr G Mitchell was not a specified executive during the year ended 30 June 2003.

24. Employee Share and Options Plans

Summary of transactions

On 15 December 2000, options over 3,600,000 unissued ordinary Company shares were granted to Mr Michael Brockhoff and Mr John Nolan. The options were granted in accordance with the terms of the employment contracts of Messrs Brockhoff and Nolan. The market value of shares under these options as at 30 June 2004 was 75 cents per share (2003: 38 cents per share).

The options are exercisable as follows:

(i) Michael Brockhoff

The options below were issued to Mr Michael Brockhoff in accordance with his employment contract as negotiated prior to commencing his duties of Managing Director with MaxiTRANS Industries Limited.

Category	No. of options	Hurdle price	Exercise price	Expiry date
Category A:	1,000,000	25 Cents	17 Cents	30 June 2005
Category B:	1,000,000	37 Cents	17 Cents	30 June 2005
Category C:	1,000,000	50 Cents	17 Cents	30 June 2005

Options in each category may only be exercised if the closing ASX share price of ordinary shares on 20 consecutive trading days is exceeded as above (the hurdle price) – subject to the performance condition being satisfied before 30 June 2004.

The quantity of options in each category exercisable on or before the following dates is as follows:

30 June 2001	Nil
30 June 2002	25%
30 June 2003	50%
30 June 2004	75%
30 June 2005	100%

During the year ended 30 June 2004 2,250,000 options held by Mr Brockhoff were exercised at an exercise price of 17 cents per share pursuant to the exercise of options granted in accordance with his employment contract.

There were 750,000 options yet to be exercised at balance date. These options were exercised on 8 July 2004.

(ii) John Nolan

The options below were issued to Mr John Nolan in accordance with his employment contract as negotiated prior to commencing his duties of Chief Financial Officer with MaxiTRANS Industries Limited.

Category	No. of options	Exercise price	Expiry date
Category A:	200,000	20 Cents	30 June 2005
Category B:	200,000	23 Cents	30 June 2005
Category C:	200,000	26 Cents	30 June 2005

The quantity of options in each category exercisable on or before the following dates is as follows:

31 December 2000	Nil
31 December 2001	33%
31 December 2002	67%
31 December 2003	100%

During the year ended 30 June 2004 600,000 options held by Mr John Nolan were exercised at an average exercise price of 23 cents per share pursuant to the exercise of options granted in accordance with his employment contract.

In relation to all other directors and specified executives no options or shares were issued during the year, were exercised during the year, or remain unvested or unissued at balance date.

25. Related Party Transactions

(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 26 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) Transactions relating to the wholly-owned group

Details of dividend and interest revenue derived by the Company from wholly-owned controlled entities are disclosed in Note 3 to the financial statements. Details of interest expense in respect of transactions with wholly-owned controlled entities are disclosed in Note 4 to the financial statements.

Amounts receivable from wholly-owned controlled entities are disclosed in Note 8 to the financial statements. No interest is payable on these amounts.

Other transactions that occurred during the financial year between entities in the wholly owned group were the provision of manufactured material, rental of premises and management services. These transactions are in the normal course of business and on normal commercial terms and conditions.

(c) Directors

The names of each person holding the position of director of MaxiTRANS Industries Limited during the financial year are Messrs. I. R. Davis, J. R. Curtis, M.A. Brockhoff and G. F. Lord.

(d) Directors' and specified executives' holdings of shares and share options

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

MaxiTRANS Industries Limited	Held at 1 July 2003	Purchases	Received on exercise of options	Sales	Other [1]	Held at 30 June 2004
Specified directors:						
Mr M Brockhoff	1,009,000	–	2,250,000	–	–	3,259,000
Mr I Davis	998,901	47,224	–	–	–	1,036,125
Mr J Curtis	20,897,941	6,426	–	2,207,235	–	18,697,132
Mr G Lord	12,489,736	6,426	–	776,748	7,785,000	3,934,414
Specified executives:						
Mr J Nolan	360,057	22,166	600,000	200,000	–	782,233
Mr K Manfield	18,233	6,759	–	–	–	24,992

[1] Selpam Pty Ltd, formerly associated with Belgravia Group, a related party to director Mr G. Lord, ceased its association with Belgravia Group on 15 January 2004. Accordingly, Belgravia Group ceased to be a substantial shareholder from 15 January 2004.

25. Related Party Transactions (continued)

(e) Directors' transactions in shares and share options

Directors and their related entities acquired 60,076 existing ordinary shares, and disposed of 2,983,983 existing ordinary shares, in MaxiTRANS Industries Limited on terms and conditions no more favourable than those available to other shareholders acting on an arm's length basis.

No options were granted to directors and their related parties during the year. During the year 2,250,000 options held by Mr Brockhoff were exercised at an exercise price of 17 cents per share pursuant to the exercise of options granted in accordance with his employment contract.

On 8th July 2004 Mr Brockhoff exercised 750,000 options at an exercise price of 17 cents per share.

(f) Directors remuneration and retirement benefits

Details of directors' remuneration and retirement benefits are disclosed in Note 22 to the financial statements.

(g) Transactions with director related entities

MaxiTRANS Industries Limited paid legal fees of $282,530 (2003: $217,243) to Minter Ellison of which Mr I.R. Davis is a senior partner. All dealings were in the ordinary course of business and on normal commercial terms and conditions.

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

(h) Transactions with non-director related entities

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

26. Investment in Controlled Entities

(a) Particulars in relation to controlled entities

Name of Entity	Country of incorp.	Class of shares	Interest held 2004 %	Interest held 2003 %
The Company:				
MaxiTRANS Industries Limited				
Controlled entities of MaxiTRANS Industries Limited:				
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
TraileRentals 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	–
Hamelex White Pty Ltd	Aust.	Ord.	100	–

26. Investment in Controlled Entities (continued)

(b) Acquisition of controlled entitiy

During the financial year the consolidated entity purchased 100% of the voting shares of Lusty EMS Pty Ltd. Details of the acquisition are as follows:

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Lusty EMS Pty Ltd				
Total consideration	6,000	–	6,000	–
Shares issued as consideration	(1,000)	–	(1,000)	–
Outflow of cash	5,000	–	5,000	–
Fair value of net assets acquired:				
Property, plant and equipment	378	–	378	–
Deferred tax asset	55	–	55	–
Cash assets	76	–	76	–
Inventories	944	–	944	–
Receivables	963	–	963	–
Intellectual property and patents	4,634	–	4,634	–
Payables	(942)	–	(942)	–
Other provisions	(108)	–	(108)	–
Consideration (cash and shares)	6,000	–	6,000	–

Lusty EMS Pty Ltd was acquired on 1 July 2003 and the operating results of the entity from that date have been included in the consolidated operating profit.
The entity manufactures aluminium tippers.

(c) Acquisition of business

During the financial year the consolidated entity purchased specific assets and liabilities of the business of Hamelex White. Details of the acquisition are as follows:

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Hamelex White				
Total consideration	10,571	–	–	–
Shares issued as consideration	(2,000)	–	–	–
Outflow of cash	8,571	–	–	–
Fair value of net assets acquired:				
Property, plant and equipment	2,242	–	–	–
Deferred tax asset	255	–	–	–
Inventories	4,675	–	–	–
Intellectual property	4,249	–	–	–
Other provisions	(850)	–	–	–
Consideration (cash and shares)	10,571	–	–	–

The business of Hamelex White was acquired on 1 March 2004 and the operating results of the business from that date have been included in the consolidated operating profit.

The business manufactures aluminium and steel tippers.

27. Investments Accounted for Using the Equity Method

Investments in associates

Name of Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount		The Company Carrying Amount	
		2004 %	2003 %	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Freighter Maxi-CUBE Queensland Trust	Trailer retailer	–	33.33	–	980	–	–
Freighter Maxi-CUBE Queensland Pty Ltd	Trailer retailer	36.67	–	1,100	–	–	–
Yangzhou Maxi-CUBE Tong Composites Co. Limited	Panel manufacturer	50.00	50.00	2,068	1,856	1,496	1,496
Fuwa K Hitch (Australia) Pty Ltd	Parts distributor	–	40.00	–	1,025	–	1,093
				3,168	3,861	1,496	2,589

	Consolidated	
	2004 $'000	2003 $'000
Movements in carrying amounts of investments in associates		
Carrying amount of investments in associates at the beginning of the financial year	3,861	2,753
Additional investment in associates during the year	130	1,093
Profit distribution from associates	(723)	(376)
Share of associates' profit and loss	900	693
Sale of shares in associate	(935)	–
Share of decrement in foreign currency reserves	(65)	(302)
Carrying amount of investments in associates at end of year	3,168	3,861
Results of associates		
Share of associates profit and loss from ordinary activities before income tax	1,082	692
Share of associates income tax expense relating to profit and loss from ordinary activities	(142)	27
Share of associates net profit – as disclosed by associates	940	719
Adjustments:		
Amortisation of goodwill arising from investment	(40)	(26)
Share of associates net profits using the equity method	900	693
Share of post acquisition retained profits and reserves attributable to associates		
Retained profits		
Retained profits attributable to associates at the beginning of the financial year	731	414
Share of associates net profits using the equity method	900	693
Profits distributed from associates	(723)	(376)
Share in associate's losses on sale of shares	143	–
Share of associates retained profits at end of year	1,051	731

27. Investments Accounted for Using the Equity Method (continued)

	Consolidated 2004 $'000	Consolidated 2003 $'000
Share of post acquisition retained profits and reserves attributable to associates (continued)		
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	113	415
Share of increment (decrement) in reserve during the financial year	(65)	(302)
Balance at the end of the financial year	48	113
Summary financial position of associates		
Assets	15,499	16,675
Liabilities	(10,645)	(11,346)
Net assets as reported by associates	4,854	5,329
Adjustments arising from equity accounting		
– Goodwill (net of amortisation)	(329)	(701)
– Other adjustments	(1,357)	(767)
Net assets – equity adjusted	3,168	3,861
Share of associates operating lease commitments payable		
Within one year	–	110
One year or later and no later than five years	–	334
	–	444

Balance date

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

28. Note to the Statements of Cash Flows

(a) Reconciliation of cash flow from operations with operating profit / (loss) after tax

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Operating profit / (loss) after income tax	8,821	5,004	3,833	2,926
Non cash flows in operating profit				
Depreciation/amortisation of assets	4,616	3,869	27	31
(Profit)/loss on sale of fixed assets	(89)	(334)	138	–
(Profit)/loss on sale of investments	(5)	–	–	–
Bad debts written off	–	(9)	–	–
Share of associates (profit)/loss	(900)	(693)	–	–
Change in assets & liabilities				
(Increase)/decrease in receivables	(4,527)	(5,215)	(212)	(2,402)
(Increase)/decrease in other assets	(875)	(247)	–	–
(Increase)/decrease in inventories	(5,023)	(1,379)	–	–
Increase/(decrease) in accounts payable and other liabilities	532	3,765	124	(15)
Increase/(decrease) in income tax payable	223	1,617	242	1,617
Increase/(decrease) in deferred taxes	(136)	146	(332)	847
Increase/(decrease) in provisions	705	635	–	–
Cash flow from operations	3,342	7,159	3,820	3,004

28. Note to the Statements of Cash Flows (continued)

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(b) Reconciliation of cash				
Bank overdraft	–	–	(34)	(20)
Deposits at call	–	–	–	–
Cash at bank and on hand	10	7	–	–
Cash at bank and on hand	10	7	(34)	(20)
(c) Non-cash financing and investing activities				
Acquisition of plant & equipment by means of finance leases	936	4,989	50	–

These acquisitions are not reflected in the statements of cash flows.
During the year ended 30 June 2004, 1,175,246 shares with a value of $869,870 were issued in accordance with the Company's ordinary share dividend re-investment plan (2003: 2,200,625 shares with a value of $540,246).
In addition to the payments for controlled entities set out above, 4,921,023 ordinary shares with a value of $3,000,000 were issued to the vendors of Lusty EMS Pty Ltd and Hamelex White as part of the cost of acquisition.

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
29. Finance Facilities				
At year end, the consolidated entity had the following financing facilities in place with its bankers:				
Available facilities				
Loan facility	12,980	8,980	–	–
Overdraft facility	1,000	1,000	–	–
Invoice finance	6,500	6,500	–	–
Lease facility	5,500	4,500	–	–
Other facilities	740	740	–	–
	26,720	21,720	–	–
Facilities utilised at balance date				
Loan facility	12,980	8,980	–	–
Overdraft and invoice finance	981	1,608	–	–
Lease facility	4,042	4,097	–	–
Other facilities	740	740	–	–
	18,743	15,425	–	–
Facilities not utilised at balance date				
Overdraft and invoice finance	6,519	5,892	–	–
Lease facility	1,458	403	–	–
	7,977	6,295	–	–

The loan, overdraft and other facilities are fully secured by a registered equitable mortgage over the whole of the assets and undertakings of the consolidated entity and a registered mortgage over the land and buildings of controlled entities. Selected trade debtors invoices of a controlled entity are pledged as security for the "invoice finance" facility. The total carrying amount of assets pledged as security is $24,485,000 (2003: $22,113,000).
The loan facility is subject to annual review. Termination of the agreement can be effected by notice in writing from either party. Interest rates are a combination of fixed and variable. The bank overdraft is payable on demand and subject to annual review.

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
30. Capital and Leasing Commitments				
(a) Finance lease commitments				
Payable				
– not later than 1 year	1,101	954	–	–
– later than 1 year	4,886	2,878	–	–
– later than 5 years	221	2,435	–	–
Minimum lease payments	6,208	6,267	–	–
Future finance charges	(897)	(1,124)	–	–
Total lease liability	5,311	5,143	–	–

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

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(b) Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
– not later than 1 year	1,387	1,078	–	–
– later than 1 year but not later than 5 years	2,239	1,900	–	–
– later than 5 years	–	202	–	–
Total operating lease commitments	3,626	3,180	–	–

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

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
c) Capital expenditure commitments				
Contracted but not provided for and payable not later than 1 year	142	86	–	–

31. Class order

The Company, together with its subsidiaries, MaxiTRANS Australia Pty Ltd, Transtech Research Pty Ltd, Lusty EMS Pty Ltd and MaxiTRANS Industries (NZ) Pty Ltd, 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 1 June 2001.

A consolidated statement of financial performance and consolidated statement of financial position comprising the Company and subsidiaries which are a party to the deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, have not been prepared at 30 June 2004 or for the preceding financial period as they would not be materially different to the consolidated statements on pages 34 and 35.

32. Litigation

At any given point in time the consolidated entity may be engaged in defending legal actions brought against it. At the date of this report the consolidated entity is not subject to any material legal action.

	Consolidated		The Company	
	2004 $	2003 $	2004 $	2003 $
33. Remuneration of Auditor				
Remuneration of the auditor of the Company for:				
– auditing or reviewing the financial statements	143,000	122,000	45,000	41,000
– other services (taxation, advisory & company liquidations)	139,000	97,000	35,000	28,000
	282,000	219,000	80,000	69,000

34. 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.

Derivative financial instruments are used by the consolidated entity to hedge exposure to exchange rate risk associated with foreign currency transactions. The consolidated entity had no foreign currency hedge contracts at 30 June 2004. Interest rate risk associated with movements in interest rates which impact on the borrowings of the consolidated entity is partly fixed through the forward purchase of bank bills.

(b) Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Year ended 30 June 2004

	Average Interest Rate %	Variable Interest $'000	Fixed Interest Rate Less than 1 Year $'000	Fixed Interest Rate 1 to 5 Years $'000	Interest Bearing $'000	Total $'000
Financial assets						
Cash		–	–	–	10	10
Trade receivables		–	–	–	18,727	18,727
Other receivables		–	–	–	709	709
		–	–	–	19,446	19,446
Financial liabilities						
Accounts payable		–	–	–	17,690	17,690
Bank loans	6.22	3,480	–	9,500	–	12,980
Overdraft & invoice finance	7.05	981	–	–	–	981
Finance leases	6.62	–	1,129	4,182	–	5,311
Other		–	–	–	4,807	4,807
Employee entitlements	5.60	3,886	–	–	–	3,886
		8,347	1,129	13,682	22,497	45,655

34. Financial Instruments (continued)

Year ended 30 June 2003

	Average Interest Rate %	Variable Interest $'000	Fixed Interest Rate Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Interest Bearing $'000	Total $'000
Financial assets							
Cash		–	–	–	–	7	7
Trade receivables		–	–	–	–	13,254	13,254
Other receivables		–	–	–	–	113	113
		–	–	–	–	13,374	13,374
Financial liabilities							
Accounts payable		–	–	–	–	16,234	16,234
Bank loans	6.35	3,480	–	5,500	–	–	8,980
Overdraft & invoice finance	6.35	1,608	–	–	–	–	1,608
Finance leases	6.35	–	788	2,377	1,979	–	5,143
Other		–	–	–	–	3,995	3,995
Employee entitlements	4.40	2,535	–	–	–	–	2,535
		7,623	788	7,877	1,979	20,229	38,495

(c) Credit risk

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

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

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

	Maximum credit risk 2004 $'000	2003 $'000
Financial assets		
Recognised financial assets		
Trade receivables	18,727	13,254
Other receivables	709	113
	19,436	13,367

34. Financial Instruments (continued)

(d) Net fair value

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

	Carrying Amount		Net Fair Value	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Financial assets				
Traded on organised markets	–	–	–	–
Not readily traded				
Trade receivables	18,727	13,254	18,727	13,254
Other receivables	709	113	709	113
	19,436	13,367	19,436	13,367
Financial liabilities				
Traded on organised markets	–	–	–	–
Not readily traded				
Accounts payable	17,690	16,234	17,690	16,234
Bank loans	12,980	8,980	12,980	8,980
Overdraft & invoice finance	981	1,608	981	1,608
Finance leases	5,311	5,143	5,311	5,143
Other	4,807	3,995	4,807	3,995
Employee entitlements	3,886	2,535	3,886	2,535
	45,655	38,495	45,655	38,495

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.

35. Events Subsequent to Balance Date

There has not arisen since in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the group, in subsequent financial years other than agreement has been reached, subject to certain conditions precedent, to enter into a joint venture, which will acquire the Colrain parts group and the MaxiTRANS parts group, effective 1 November 2004. The cash consideration payable by MaxiTRANS for its 70% interest in the joint venture is approximately $9.6 million.

36. International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value
- Income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity
- Internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised
- Goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised
- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The Board has established a project to achieve transition to IFRS reporting, beginning with the half-year ending 31 December 2005. The Company's implementation project consists of three phases as described below.

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS
- Assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- Preparation of a conversion plan for expecting changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The Company considers the assessment and planning phase to be complete in most respects as at 30 June 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase will incorporate:

- Formulating revised accounting policies and procedures for compliance with IFRS requirements
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS
- Developing revised IFRS disclosures
- Designing accounting and business processes to support IFRS reporting obligations
- Identifying and planning required changes to financial reporting and business source systems
- Developing training programs for staff

The Company has commenced consideration of these issues. The design phase is expected to be completed during the upcoming financial year.

Implementation Phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the company to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

Except for certain training that has been given to finance staff, the company has not yet commenced the implementation phase. However, the company expects this phase to be substantially complete by 30 June 2005.

Independent audit report to members of MaxiTRANS Industries Limited

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both MaxiTRANS Industries Limited (the "Company") and the "Consolidated Entity", for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:
- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion
In our opinion, the financial report of MaxiTRANS Industries Limited is in accordance with:

(a) the Corporations Act 2001, including:
  (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne, 20 August 2004

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 17 August 2004 are:

	Ordinary Shares
Transcap Pty Ltd & related parties	23,720,611
Commonwealth Bank of Australia	10,094,321
Acorn Capital Limited	8,902,305

Voting rights
As at 17 August 2004, there were 4,703 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 17 August 2004, there were no unquoted equity securities on issue.

Distribution of shareholders
(As at 17 August 2004)

Category – No of shares	Number
1-1,000	285
1,001 - 5,000	1,284
5,001 - 10,000	1,102
10,001 - 100,000	1,878
100,001 and over	154
	4,703

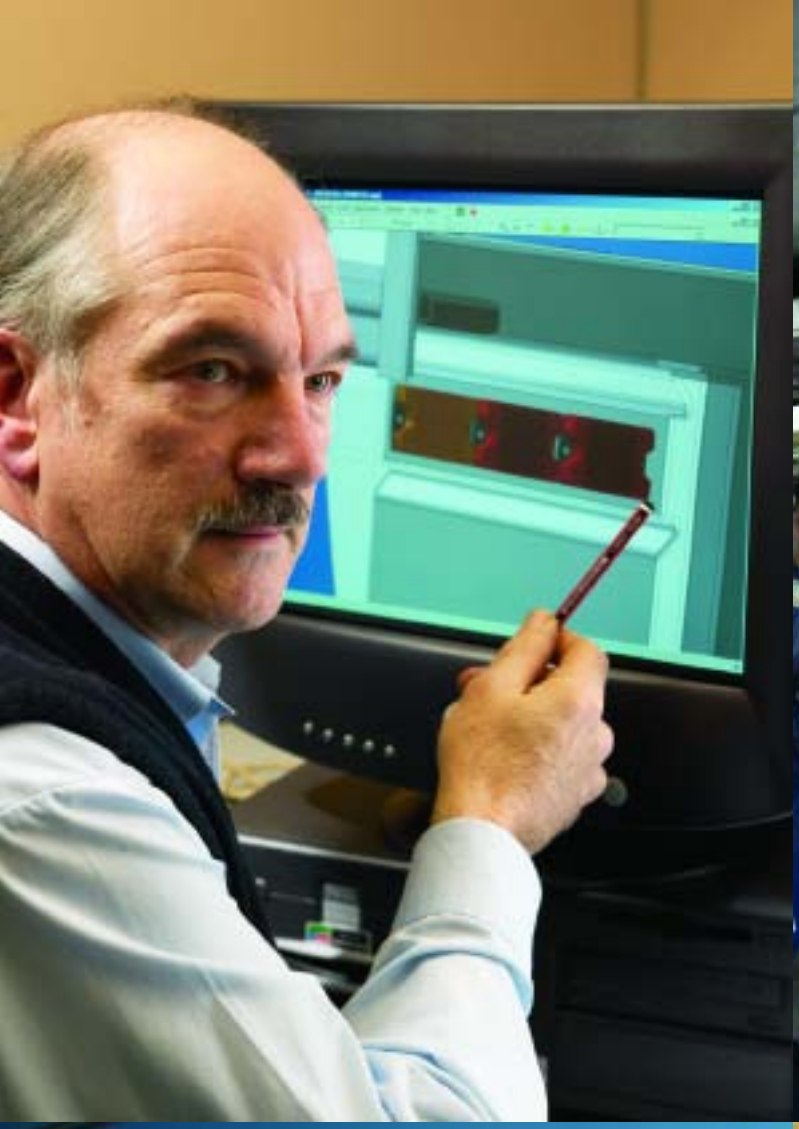
Shareholders with less than a marketable parcel
As at 17 August 2004, there were 105 shareholders holding less than a marketable parcel of 633 ordinary shares ($0.79 on 17 August 2004) in the Company totalling 28,069 ordinary shares.

On market buyback
There is no current on-market buy-back.

Restricted Securities
As at 17 August 2004, there were 2,652,072 ordinary shares subject to a Securities Clearing House holding lock. The holding lock was removed on 19 August 2004.

Twenty largest shareholders – ordinary shares (As at 17 August 2004)

Name	Number of fully paid ordinary shares held	Percentage held of issued ordinary shares
Transcap Pty Ltd	19,009,985	11.13%
Citicorp Nominees Pty Ltd	11,104,402	6.50%
National Nominees Limited	10,611,587	6.21%
Selpam Pty Ltd	4,039,679	2.36%
Toroa Pty Ltd	3,511,200	2.06%
ANZ Nominees Limited	3,457,810	2.02%
Westpac Custodian Nominees Limited	3,448,308	2.02%
Mrs R Brockhoff	3,000,000	1.76%
Integrated Trailer Technology Pty Ltd	2,281,803	1.34%
J P Morgan Nominees Australia Limited	1,981,189	1.16%
Invia Custodian Pty Ltd <Black A/C>	1,636,300	0.96%
M F Custodian Pty Ltd	1,490,386	0.87%
John E Gill Trading Pty Ltd	1,446,766	0.85%
Mr J A MacDonnell & Mr R J MacDonnell	1,326,036	0.78%
Pluto Mining Pty Ltd	1,326,036	0.78%
John E Gill Operations Pty Ltd	1,280,844	0.75%
Mr J R Curtis	1,199,426	0.70%
Denvorcorp Holdings Pty Ltd	1,036,125	0.61%
Mr M Brockhoff	1,000,000	0.59%
Ms C A Brown	1,000,000	0.59%
TOTAL	75,187,882	44.02%







MaxiTRANS

FREIGHTER

Maxi-CUBE

HamelexWhite

LUSTY EMS

PANEL Masta

TRAIL TRUCK Parts

MAXUS

TRAILERENTALS