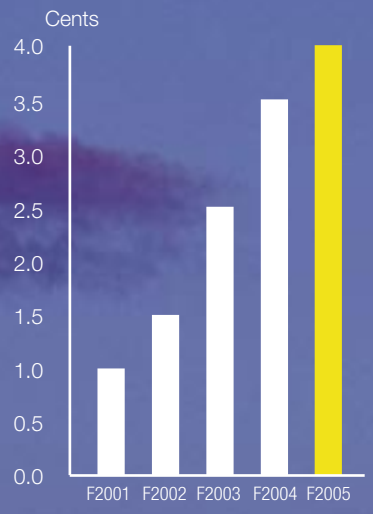
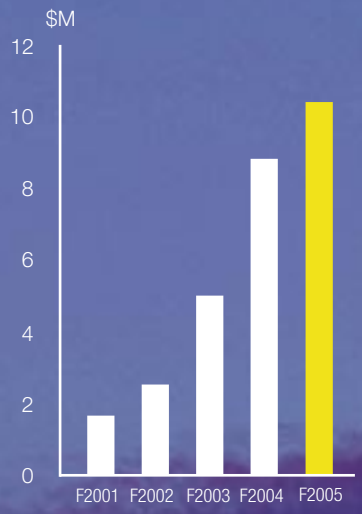
ANNUAL REPORT **2005**

MaxiTRANS

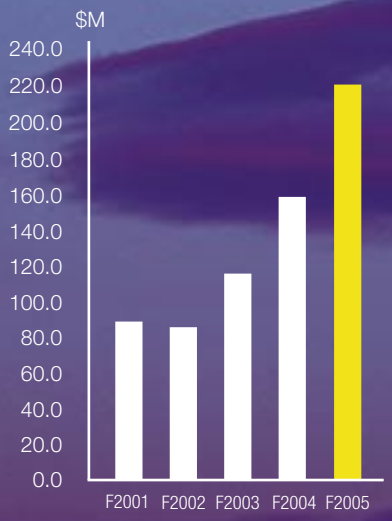
ORDINARY DIVIDENDS PER SHARE



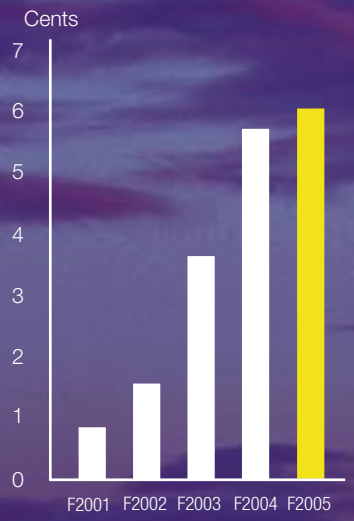
NET PROFIT AFTER TAX



SALES AND SERVICE REVENUE



EARNINGS PER SHARE



Highlights

- Record NPBT of $14.04 million +21%
- Record NPAT of $10.4 million +18%
  (excludes minority interest)
- Record EBITDA of $22.1 million +25%
- Record revenue of $223 million +40%
- Record dividends – 4 cents/share +14%
- Major profit turnaround in New Zealand
- Acquired 70% interest in Colrain joint venture – December 2004

MaxiTRANS has achieved record sales and earnings for the third consecutive year, and at the same time completed another strategic acquisition through the Colrain parts joint venture, which further diversifies the Company's operations.

MaxiTRANS has achieved record sales and earnings for the third consecutive year, and at the same time completed another strategic acquisition through the Colrain parts joint venture, which further diversifies the Company's operations. This record result has been achieved despite skilled labour shortages across our Australian manufacturing facilities which have adversely impacted on output and operational efficiency.

MaxiTRANS remains committed to its mission to be a growing and profitable manufacturer and supplier of high quality, innovative transport equipment, services and solutions that provide our customers with a competitive advantage.

Your Company has been transformed from having virtually total reliance on, and exposure to, the manufacture of trailers and vans five years ago to its current position as a manufacturer of a diverse range of trailing equipment and a supplier of trailer and truck parts and services.

The Company achieved a record net profit after tax of $10,429,000, an 18% increase on the prior year record of $8,821,000.

Pre-tax profit, which included $1,200,000 of one-off significant items of expense, increased 21% to a record $14,036,000 and revenues increased 40% to a record $225 million.

A portion of the one-off significant items of expense related to the restructuring and the merging of five warehouses and two sales operations into the new Colrain facility at Derrimut.

Earnings before interest, tax, depreciation and amortization ("EBITDA") increased to $22,079,000, another record and a 25% increase on the prior corresponding period.

The sustained operational improvement achieved over the last five years reflects the significant investment the Company has made in process improvement programs, capital equipment, strategically targeted acquisitions and in the quality and training of its employees.

RECORD DIVIDENDS

As a result of the sustained improvement in performance the Company will pay a final dividend of 2 cents per ordinary share on 18 October 2005, bringing the total dividends paid for the year to 4 cents per share (66% payout of net profit after tax), a 14% increase on the prior corresponding period.

GEARING AND WORKING CAPITAL MANAGEMENT

Working capital management is a critical discipline throughout MaxiTRANS and is monitored closely across all divisions, with the objective of minimizing inventory and accounts receivable and maximizing accounts payable, within agreed parameters with our customers and suppliers. Inventory increased by approximately $12 million from June 2004, reflecting the inclusion of Colrain for the first time and higher inventory at our Ballarat and New Zealand facilities, a result of increasing production levels and the carrying of components for major one-off orders at both locations.

Accounts receivable increased by $12 million from June 2004, reflecting the inclusion of Colrain for the first time and a major "spike" as at June 2005 due to record sales for the group in that month.

The Company is satisfied that slow moving and obsolete inventory and doubtful debts are adequately provided for and that working capital is being professionally measured and monitored.

Given the 'spikes' in inventory and accounts receivable as at June 2005, the debt to equity ratio was 57%, which was 4% higher than expected.

CAPITAL EXPENDITURE

Of the $17 million of capital expenditure for the year $11 million related to the acquisition of two strategic manufacturing properties at Richlands (Lusty EMS) and Hallam (Hamelex White). Within the balance of $6 million were several large projects at Ballarat that not only addressed OH&S issues but also provided solid internal rates of returns and increased capacity and operating efficiency.

STRATEGY

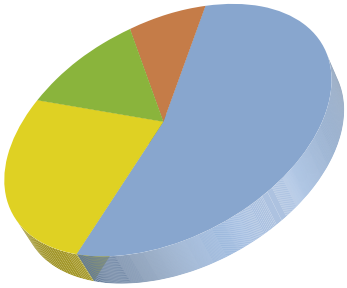
The sustained growth in earnings and revenue is underpinned by a strategy to maintain organic growth and operational improvement along with a commitment to diversification through the acquisition of businesses that offer opportunity to expand sales and lift capacity through capital expenditure and improved operational efficiency.

Our emphasis and focus remain on the customer's needs, product development, continuous improvement and investment in people, technology and equipment.

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 and steel tippers, service and finance - which provide a broader base of operations to cushion against cyclical downturns that may be experienced from time to time as well as a counter-cyclical balance.

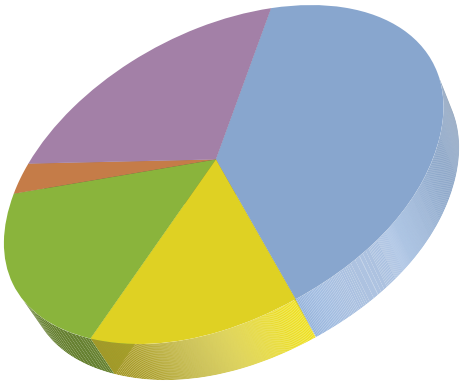
The Board of Directors and management of the Company have worked hard to achieve this turnaround and sustained growth, to strengthen our financial position and to seek out and acquire business opportunities that are strategically

External sales revenue – Total MaxiTRANS incl. NZ



F2002

- Trailers
- Vans
- Parts & Service
- Other



F2006 Forecast

- Trailers
- Vans
- Parts & Service
- Tippers
- Other


NORTHLINE
NORTHLINE

complementary to the group. Acquisition targets must demonstrate that they can contribute to improving shareholder value by increasing earnings per share and possess management capable of developing and taking the business, and its people, to the next stage.

The Company continues to seek out acquisition opportunities that provide product, market and geographical diversification, which reduce the risk and exposure to specific markets and/or product segments.

The opportunities before us to improve our operational efficiency and performance, along with acquisition opportunities, remain extensive. Resources have been employed to fast track operational improvement and efficiency, particularly given the skilled labour shortages existing in Australia at this time. With the Australian economy performing as strongly as it has over the last few years we do not see this issue dissipating. We have recognized the impact that the skilled labour shortages have had on capacity and operational efficiency in 2005 and the opportunities that exist once this issue is overcome. Several major steps have been taken to address this issue including fast tracking capital expenditure projects, implementation of lean manufacturing programs, creating an in-house process improvement capability, the introduction of gain sharing programs, the employment and training of a significant number of apprentices and the employment of skilled overseas welders

ACQUISITION

The Company acquired a 70% shareholding in Colrain Pty Ltd, which acquired the Colrain truck and trailer parts business and the Ultraparts and Trail Truck Parts divisions of MaxiTRANS, in December 2004. The cash consideration for MaxiTRANS' 70% interest was $9.6 million.

During the seven months to June 2005 Colrain rationalised five warehouses and two sales operations into one operation at a new warehouse, sales and distribution facility situated at Derrimut.

DIVESTITURE

The Company sold the TraileRentals business as at 30 June 2005. The sale of TraileRentals was undertaken as the business was no longer in line with our strategic objectives and conflicted with our ability to sell new equipment to competitors in the trailer rental segment.

TRAILERS AND VANS

Despite the capacity constraints previously mentioned, Freighter trailer unit sales increased by 5% on the prior year, another record performance, facilitated by continued strong demand. While the record sales were reflected generally across our dealer network our Victorian branch performed particularly well, underpinned by several large contracts.

Recognising the growing market demand for greater payload and operating efficiency, the new Freighter AirSTEEL trailer was launched in May 2005. This unit highlights the ability of the Company to lead the market with innovative solutions to customer needs, and has recently resulted in a large order from a significant transport operator.

While demand in the overall van market appeared to remain fairly static during the year the Company increased its unit sales of refrigerated and dry freight vans by 25% over the prior year. Contributing to this success were several significant fleet contracts and the launch of the new Advance van. While the Company does not expect the van market to grow significantly in the near future, we are confident that the broad range of temperature controlled equipment provided by MaxiTRANS should ensure we continue to grow our market share.

While the Ballarat factory achieved record output in 2005 we remain committed to further reducing lead times and improving operational efficiency. In order to achieve the requisite increase in capacity we will invest in further robotic and associated jigging programs and at the same time improve operational efficiency through several targeted process improvement programs.

We believe the actions we have taken to date have substantially overcome our skilled labour shortage and we are now extracting the benefits from a major robotic program commissioned late in the year along with other major capital expenditure programs.

TIPPERS

Lusty EMS, which was acquired in July 2003, has already doubled its capacity and increased unit sales by 46% on the prior year. Lusty EMS tends to have a rural customer base and is particularly strong in Queensland and NSW, although is growing rapidly in Victoria through sales representation, manufacturing and service support.

Distribution has been expanded through the appointment of existing MaxiTRANS dealers in NSW, the Sunraysia district around Mildura and Swan Hill and most recently WA.

The Richlands facility was adversely impacted by skilled labour shortages during the year, brought on by competing demand for skilled labour from the boat building and mining industries. This business has also been adversely impacted by drought conditions for most of the last year, particularly in Queensland and NSW, but with recent strong rains we are confident that strong demand will return along with improvement in operational performance.

The Ballarat manufacturing facility has steadily increased production of Lusty EMS tippers since it commenced production in November 2003 in order to satisfy the growing demand for this product in Victoria and South Australia.

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 experiencing, we are looking to expand capacity at the Hallam factory in Melbourne through a re-layout of the factory and the introduction of lean manufacturing techniques.

"I buy trailers from Lusty EMS because they have always taken the time to listen to my needs and understand my business."

Neil Findlay

Graham Lusty (left) with Neil Findlay, Managing Director – Findlay Bulk Transport

"Close relationships with customers large and small, ensure that we meet their needs in terms of quality, service and back up."

Michael Brockhoff

Michael Brockhoff, Managing Director – MaxiTRANS with Peter Fox, Executive Chairman – Linfox Australia Pty Ltd

PARTS – COLRAIN

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.

The Colrain joint venture incorporating Colrain and MaxiTRANS' Ultraparts and Trail Truck group has created one of the largest participants in the truck and trailer parts distribution segment, which is 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 in our truck and trailer parts strategy and expect Colrain to make a solid contribution to group sales and earnings this year through increased sales, improved margins and operational efficiency. Now that the rationalisation and relocations have been bedded down, Colrain will provide significant synergies in purchasing and logistics, as well as eliminating unnecessary duplication of operations.

REPAIRS AND SERVICE

Hallam and Derrimut repair and service operations are highly regarded for their experience and workmanship and continue to provide a solid contribution to earnings. The Hallam operation focuses on fibreglass repairs and has a reputation second to none in that area of expertise. The Derrimut operation, while relatively new, is located in the transport hub of Melbourne and is emerging as a respected provider of mechanical repairs and servicing of trailers and vans.

NEW ZEALAND

The New Zealand operation achieved record sales and earnings in 2005. The 23% increase in sales along with the significant improvement in operational efficiency, logistics and purchasing resulted in record earnings and the steps taken have established a platform for the business to further expand in 2006 and increase earnings.

Garry Banks, the National Sales Manager, who has been with the company since inception in 1996, along with Arvind Lahoty, the Commercial Manager, facilitated the significant improvement in the performance of the company during this record year. The New Zealand trailing market remains strong and is expected to retain its strength throughout the coming year, which augers well for MaxiTRANS in New Zealand.

JOINT VENTURE PARTNERSHIPS

Freighter Maxi-CUBE Queensland

Our Queensland dealer increased sales and earnings to new record levels during the year, with parts, new unit sales and the workshop all showing significant improvement on the prior year.

China Joint Venture

The 50% owned Yangzhou Maxi-Cube Tong Composites Co. Ltd achieved solid sales and earnings for the year enabling a further increase in dividend payout. The Yangzhou factory, which has operated at full capacity for more than a year, increased its capacity by 50%.

"We have been buying Freighter trailers since 1958 because we like the product and the people we deal with"

Sam Sali

Grant Mitchell, General Manager – MaxiTRANS Victoria Branch, Sam Sali, Managing Director – Sam Sali & Sons, and Brett Smith, Sales Manager, Northern Region – MaxiTRANS Victoria Branch

Leigh Norris, 7 yrs service. Damien Troon, 1st yr Apprentice.

Liqin (Lily) Fu. Wayne Hayles, 11 yrs service. Ying (Zoe) Zhou.

GOING FORWARD

The major economic indicators for the coming year remain positive, the order books remain strong and several major fleets have placed large orders or are looking to re-equip, underpinning demand and foundations for a year of further growth.

As we progressively improve the operational performance of our manufacturing facilities we recognize that the opportunities for continuous improvement are substantial. To this end the Company recently created an in-house process improvement capability to facilitate the realization of the significant opportunities to improve operational performance and increase capacity and output.

By addressing the skilled labour shortage issue, we expect an improvement in performance from all of our manufacturing sites as a result of the actions taken along with the process improvement and capital expenditure programs implemented.

We will have a full year contribution from Colrain from the new Derrimut facility, without the ongoing one-off significant items. Again there is significant opportunity for sales growth, margin and operational improvement and the management of Colrain is committed to achieving these realistic targets. The management team has recently been strengthened to facilitate fast tracking the steps necessary to achieve our objectives.

TRANSPORT GROWTH FORECASTS AND TRENDS

The Federal Government's 2004 White Paper, *Auslink: Building our National Transport Future,* forecasts significant growth in transport operations in the coming 15 years. In particular, it predicts that the total freight task will almost double between 2000 and 2020. It forecasts Australia's economic growth to average 2.7% p.a. from 2004 until 2020, while inter-capital non bulk road freight is forecast to grow at an average rate of 4% p.a. and total non-bulk road freight is forecast to grow at an average of 3.6% p.a. in the same period, both well in excess of GDP growth. This should impact very favourably on demand for trailers and vans. The Auslink program will fund and facilitate a number of major infrastructure projects, some of which have already commenced, to rejuvenate and expand Australia's road and rail network and this is expected to be beneficial to demand for tippers.

The expected growth in the road freight task from now until 2020 is forecast by the Auslink White Paper to far exceed the expected growth in the rail freight task (as measured in "tonne kilometres").

OUR PEOPLE

We take this opportunity to recognise the contribution of our employees to the company's performance. Our people are the most important asset the Company has and it is therefore vital that we attract, develop and retain people with the necessary skills and commitment to achieve our strategic objectives. In a market economy where skilled labour is in short supply and becoming more and more mobile, it is essential that we maintain our focus on motivating and developing our people, to help them develop as individuals in the same way that we wish the Company to develop. The Company is committed to achieving these objectives through appropriate remuneration and recognition, training and development, as well as providing a safe and harmonious workplace.

MaxiTRANS currently employs 71 apprentices across several sites throughout Australia. The Company views this investment in apprentices as a significant ongoing commitment which will

produce long term results for both MaxiTRANS and its communities.

The Company has implemented the Dupont STOP safety program across the group. Safety is one of our key values and priorities and we will continue to support and develop the STOP program, along with other health and safety initiatives, with the objective of minimizing, and ultimately eliminating, all accidents and incidents at each and every workplace.

The Company is concerned with changing workers compensation legislation and regulations, particularly in Victoria and that there is becoming less and less incentive to establish manufacturing facilities, particularly in that state, with premiums that appear to be excessive given our safety records and claims experience. This may well influence future investment decisions.

Skill shortages over the past year have provided a key challenge to all Australian manufacturing plants. The need to increase our skilled workforce was foreseen some years ago and has resulted in the employment of apprentices across the Australian manufacturing sites, representing approximately 7% of all employees employed at our manufacturing sites in Australia. As previously stated the employment of apprentices is a long term commitment but is inadequate to meet our immediate needs.

Consequently the Company embarked on a program this year to recruit skilled welders from overseas to facilitate an increase in output, to meet the market demand and reduce unacceptably long lead times. These skilled and experienced workers, who enjoy exactly the same terms and conditions of employment as their fellow workers in Australia, have integrated well into the existing workforce and communities, and are contributing to the increased output being achieved, in turn benefiting the Company through increased sales and reduced lead times.

OUR PARTNERS

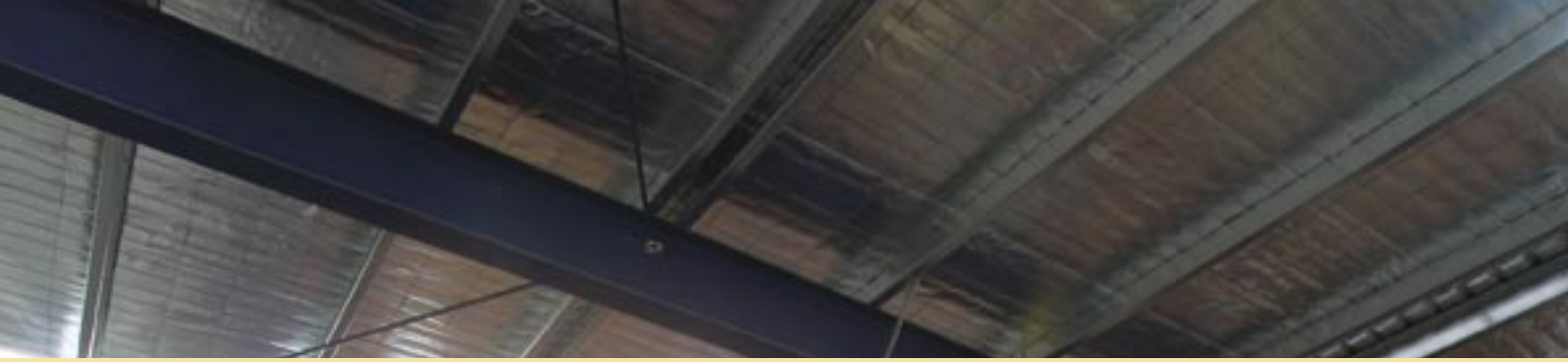
Our dealer networks are recognized as one of our key strengths and we value the relationships we have with each and every one of our dealers, many of which have developed into long standing, personal relationships. Our valued and respected dealer networks, across all of our trailer brands, continue to provide outstanding representation, support and service to the MaxiTRANS brands. 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 strong positions in the respective market segments.

The Company also acknowledges its vital partnerships and relationships with its customers, suppliers and other key stakeholders and the key role they play in the Company achieving its goals. Without these relationships we do not have a business. The skilled labour shortages and rising material prices being experienced throughout Australia create pressures that need to be managed sensitively and professionally with our customers and suppliers. We are proud of our long associations with many of our customers and suppliers - some are very large, many are quite small. The importance here is that long term relationships are based on trust, reliability and achieving mutual objectives, not purely financial outcomes or size of transactions.

“Hamelex White worked closely with us when we started the business and has helped us along the way, sticking with us through thick and thin.”

Gary Morrison

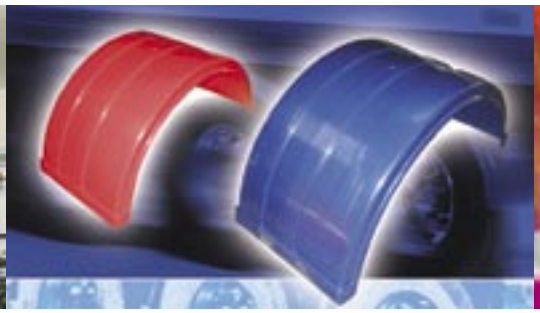
Gary Morrison, Managing Director – TGS with John Haslam, Sales and Marketing Manager – Hamelex White



"Our new warehouse and head office at Derrimut allows us to have greater control of stock and distribution of parts to our outlets."

Dale Ward, 23 years of service

Dale Ward, Warehouse and Inventory Manager – Colrain



Peter Loimaranta,
Financial Controller – Colrain

MaxiTRANS has progressively implemented a strategy of growth through acquisition and product development. This has resulted in increased sales and earnings in traditional and new market segments and provided a more diverse base to MaxiTRANS' operations at the same time.

This strategy was taken to its next logical conclusion on 1st December 2004 when MaxiTRANS entered into a joint venture which acquired the parts businesses of Colrain and MaxiTRANS (Ultraparts and Trail Truck Parts). The new joint venture, 70% owned by MaxiTRANS, has contributed positively to the Company's results in the past 7 months.

The Colrain joint venture has rationalised its sales, warehousing and distribution activities from five facilities to one new facility at Derrimut, Melbourne's rapidly expanding transport hub, to improve operational and logistical efficiency. Concurrently, the retail operations of Colrain and Trail Truck Parts have been rationalised, with 12 stores nationally trading under the name Colrain Trail Truck and opportunities for further retail development.

The merging of the Colrain and Maxus product ranges under one management has served to simplify promotion and product management while the purchasing power of the new joint venture has provided opportunities for more effective supply arrangements and improved margins. To facilitate further operational improvement and efficiency the business will migrate onto a common IT platform developed specifically for the parts distribution market.

After a challenging seven months merging the two parts businesses, which included significant items of expense relating to restructuring and rationalisation, Colrain is now poised to make a valuable contribution to the results of MaxiTRANS in the years to come.

COLRAIN

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
Commonwealth Bank of Australia

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.

Report of the Directors and Financial Report

FOR THE YEAR ENDED 30 JUNE 2005

MaxiTRANS Industries Ltd ACN 006 797 173
and Consolidated Entities

CONTENTS

FINANCIAL SUMMARY

		F2001	F2002	F2003	F2004	F2005
Sales & Services Revenue	**$'000**	89,307	86,544	117,224	158,928	223,177
EBITDA	**$'000**	6,820	7,587	12,157	17,731	22,079
EBIT	**$'000**	3,322	4,120	8,288	13,115	16,343
NPBT	**$'000**	2,100	3,409	7,053	11,606	14,036
NPAT (and after deducting minorities)	**$'000**	1,609	2,587	5,004	8,821	10,429
Significant Items in NPBT	**$'000**	299	620	(1,387)	–	(1,200)
Basic EPS	**cents**	0.84	1.58	3.72	5.72	6.08
Ordinary dividends/share	**cents**	1	1.5	2.5	3.5	4
Depreciation	**$'000**	1,632	1,687	1,939	2,061	2,890
Amortization – leased assets	**$'000**	123	87	371	709	744
Amortization – intangibles	**$'000**	1,743	1,693	1,559	1,846	2,102
Capex additions	**$'000**	2,068	7,404	7,837	5,517	16,787
Operating cash flow	**$'000**	9,314	7,663	7,159	3,342	8,004
NTA	**$'000**	14,472	17,649	18,696	33,458	37,227
Net Assets	**$'000**	44,295	45,912	45,400	67,325	76,264
Interest Bearing Liabilities	**$'000**	12,710	10,485	15,731	19,272	43,634
Borrowing costs	**$'000**	1,222	711	1,235	1,509	2,307
Total Bank Debt	**$'000**	12,400	10,000	10,588	13,961	38,246
Gearing (net debt/equity)	**%**	29%	22%	35%	29%	57%
Net interest cover	**times**	2.72	5.79	6.71	8.69	7.08

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2005

This statement reflects MaxiTRANS Industries Limited **('MaxiTRANS')** corporate governance policies and practices as at 30 June 2005 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 James Curtis (Deputy Chairman)	–	Not independent
Mr Geoff Lord	–	Independent

Executive Director

Mr Michael Brockhoff (Managing Director)	–	Not Independent

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

At the date of this report, 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), James 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 (Chairman), independent non-executive director, James Curtis, non-executive director and Ian Davis, independent non-executive director. Details of attendances by directors are to be found in the Report of the Directors on page 36.

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.

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 2006 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 or e-mail (where nominated). The MaxiTRANS website contains important information on the Company which is of use to shareholders in obtaining a greater understanding of the Company.

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

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

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), confirms the existence of a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and also confirms that 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), James Curtis and Geoff Lord. Refer to the Report of the Directors on page 36 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 has conducted a review of its performance for the year ended 30 June 2005.

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 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), James Curtis and Geoff Lord. Refer to the Report of the Directors on page 36 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 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 Remuneration Report on page 33.

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 MaxiTRANS Executive Option Plan was approved by shareholders on 4 November 2004.

Refer to Note 22 of the financial statements and the Remuneration Report for details of 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

Report of the Directors

FOR THE YEAR ENDED 30 JUNE 2005

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 2005 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 2005 after income tax expense amounted to $10,429,000 (2004: $8,821,000).

DIVIDENDS

Dividends paid or declared for payment are as follows:

Ordinary shares	
A fully franked final dividend of 2 cents per share was paid on 18 October 2004, as proposed in last year's financial report	$3,416,234
A fully franked interim dividend of 2 cents per share was paid on 22 April 2005	$3,434,843
A fully franked final dividend of 2 cents per share will be paid on 18 October 2005	$3,434,843

STATE OF AFFAIRS

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

Acquisitions

The Company acquired 70% of Colrain Pty Ltd, a Melbourne based wholesaler and retailer of truck and trailer parts, with effect from 1 December 2004 for cash consideration of $9,640,000. The acquisition of Colrain 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 Colrain.

Other than for the matter 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 2005. 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. The Chairman's and Managing Director's Review also provides a financial and operating review as required by S299A of the Corporations Act 2001.

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.

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 2005.

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 60
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 Chairman of Amrad Corporation Limited since May 2005 (appointed as director of Amrad in April 2005), non-executive Director of Baxter Group Limited since December 2004, non-executive Director of Central Equity Limited since December 2003, Director of International Diabetes Institute, and Chairman of Retail Grocery Industry Code Administration Committee. Formerly a Director of Circadian Technologies Limited from 1985 to April 2005.
Special Responsibilities:	Chairman of Corporate Governance Committee and Remuneration Committee, member of Audit Committee and Chairman of Nomination Committee.
Interest in Shares:	1,062,200 ordinary shares beneficially held.
Options over ordinary shares:	Nil

James R. Curtis	Deputy Chairman, Non-Executive, Age 70
Qualifications & Experience:	Appointed Deputy Chairman in 1994. One of the founders of the group. Fifty two years experience in the transport equipment industry.
Special Responsibilities:	Member of Corporate Governance Committee, Audit Committee, Remuneration Committee and Nomination Committee.
Interest in Shares:	18,697,132 ordinary shares beneficially held.
Options over ordinary shares:	Nil

Michael A. Brockhoff	Managing Director, Executive, Age 52
Qualifications & Experience:	Appointed Managing Director in June 2000. Twenty seven years experience in the road transport industry.
Special Responsibilities:	Member of Remuneration Committee.
Interest in Shares:	3,000,000 ordinary shares beneficially held.
Options over ordinary shares:	2,400,000

Geoffrey F. Lord	Independent Non-Executive Director, Age 60
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 since September 2002, Australian Litigation Fund, Melbourne Victory Limited since November 2004. Director of the following companies: Triako Resources Limited since May 2000, Ausmelt Limited since February 2001, Auto Group Limited since April 1999, Institute of Drug Technology Limited since October 1998 and Adelhill Limited.
Special Responsibilities:	Member of Corporate Governance Committee and Remuneration Committee, Chairman of Audit Committee, member of Nomination Committee.
Interest in Shares:	3,934,414 ordinary shares beneficially held.
Options over ordinary shares:	Nil

Company Secretaries

Mr Neil Francis Gillies BBus(Accounting), FCIS was appointed to the position of Company Secretary in 1999.
Mr John Henry Nolan BBus Studies (Accounting), CPA was appointed to the position of Company Secretary in 2001.

REMUNERATION REPORT

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

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

- the capability and experience of the directors and senior executives
- the directors and senior executives ability to control the relevant segment/s' performance
- the consolidated entity's performance including:
  - the consolidated entity's earnings per share
  - total shareholder returns (i.e. growth in share price and dividends)
- the amount of incentives within each directors and senior executives remuneration.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives.

Fixed remuneration

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

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

Performance-linked remuneration

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding specified objectives. The short term incentive (STI) includes an "at risk" bonus provided in the form of cash. In addition to the bonus scheme, both the short-term incentive (STI) and the long-term incentive (LTI) are provided as options over ordinary shares of the Company under the terms of the Executive Option Plan **('EOP'),** as approved by shareholders at the Annual General Meeting held on 4 November 2004.

The Board did not exercise any discretion in the period under review, as provided by the terms of the EOP, on the payment of performance linked remuneration provided in the form of options.

Options issued under the EOP (in accordance with thresholds set in plans approved by shareholders), provide for executive directors and senior executives to receive up to an aggregate of options over ordinary shares not exceeding 5% of shares issued by the Company for no consideration. The ability to exercise the options is conditional on the consolidated entity achieving certain short and long term performance hurdles. The exercise price for options granted under the plan is 75 cents per ordinary share. Options granted under the EOP are not capable of exercise unless they vest in the option holder. The final exercise date for options granted under the EOP is 31 December 2008.

REMUNERATION REPORT *(continued)*

Short-term Incentive

Bonus

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

The financial performance objective is "profit before tax" compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

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

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

Options

In each of the 30 June 2005, 2006 and 2007 financial years, 20% of options **('EPS Options')** that were granted to executive directors and senior executives will vest on achievement by the Company of its target earnings per share for that financial year or, if applicable, at the end of the three financial year period (i.e. 30 June 2007) if the Company equals or exceeds its target cumulative earnings per share over that three year period. 60% of total options granted to executive directors and senior executives are available for vesting under the EPS condition.

The target earnings per share for the financial years ending 30 June 2005, 30 June 2006 and 30 June 2007 will be recommended by the Remuneration Committee for approval by the Board and set out in the business plan and budget agreed by the Board for each of those financial years. The EPS measure was chosen to directly align the individual's reward to the performance of the consolidated entity for the forthcoming year.

At the end of each financial year the Remuneration Committee will assess the actual performance of the consolidated entity against the target EPS set at the beginning of the financial year.

The Remuneration Committee will make a recommendation for approval by the Board that, subject to the target EPS hurdle being satisfied and having regard to any special circumstances that might apply, options capable of vesting in accordance with the terms of the EOP will do so. The method of assessment was chosen as it provides the committee with an objective assessment of the directors and senior executives performance.

For the period under review, the Company did not achieve the target EPS hurdle and no options have vested.

Long-term Incentive

Up to 40% of options will vest if the total return to shareholders **('TSR Options')** over either the three year period to 30 June 2007 or the four year period to 30 June 2008 equals or exceeds the minimum benchmark of the 50th percentile when compared to other S&P ASX 300 Index Companies. Once the benchmark is achieved, options will vest on a sliding scale. For executive directors and senior executives to obtain the maximum benefit of this criterion the Company must achieve returns at or above the 75th percentile. The TSR performance criteria was chosen as it is widely accepted as one of the best indicators of shareholder wealth creation as it includes share price growth, dividends and other capital adjustments. The method of assessment was chosen as it provides the Board with an objective means of measuring the consolidated entity's performance against its peer group. No TSR Options are capable of vesting before 30 September 2007.

REMUNERATION REPORT *(continued)*

Other Benefits

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

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

Service Agreements

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

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

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

Mr Michael Alan Brockhoff, Managing Director, has a contract of employment with the Company dated 3 May 2000. The contract specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Board and Managing Director will early in each financial year, consult and agree objectives for achievement during that year. The service contract can be terminated either by the Company or Mr Brockhoff providing 6 months notice. The Company may make a payment in lieu of notice of 6 months, equal to 100% of base salary, motor vehicle allowance and superannuation. This payment represented market practice at the time the terms were agreed. The Managing Director has no entitlement to a termination payment in the event of removal for misconduct or breach of any material terms of his contract of employment.

Mr John Nolan, Chief Financial Officer, has a contract of employment with the Company dated 23 July 2000. The service contract can be terminated either by the Company or Mr Nolan providing 6 months notice. The Company may make a payment in lieu of notice equal to six months salary.

Mr Neil Gillies, company secretary, has a contract of employment with the Company. This contract is for an unlimited term and is capable of termination on six months notice. The group retains the right to terminate the contract immediately, by making payment equal to three months' pay in lieu of notice.

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 1998 EGM, is not to exceed $400,000 per annum and directors fees are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently $54,000 per annum. The Chairperson receives $98,000 per annum. Non-executive directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of all committees. Non-executive directors are not entitled to any retirement benefits.

REMUNERATION REPORT *(continued)*

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant group executives who receive the highest remuneration are:

	Year	Salary $	Directors fees $	Bonus $	Non-cash benefits $	Super $	Options $	Other $	Total $	Proportion of remuneration performance related	Value of options as proportion of remuneration
Directors											
Non-executive											
Mr I Davis, Chairman	2005	–	98,000	–	–	8,820	–	–	106,820	–	–
	2004	–	75,000	–	–	6,750	–	–	81,750	–	–
Mr J Curtis	2005	–	54,000	–	–	17,400	–	11,600	83,000	–	–
	2004	–	40,000	–	–	23,400	–	13,200	76,600	–	–
Mr G Lord	2005	–	54,000	–	–	4,860	–	–	58,860	–	–
	2004	–	40,000	–	–	3,600	–	–	43,600	–	–
Executive											
Mr M Brockhoff,	2005	395,000	–	135,000	40,000	47,850	60,946	1,996	680,792	28.8%	9.0%
CEO	2004	380,000	–	80,000	40,000	55,000	14,430	3,071	572,501	16.5%	2.5%
Total all specified	2005	395,000	206,000	135,000	40,000	78,930	60,946	13,596	929,472	21.1%	6.6%
Directors	2004	380,000	155,000	80,000	40,000	88,750	14,430	16,271	774,451	12.2%	1.9%

	Year	Primary Salary $	Primary Bonus $	Primary Non-cash benefits $	Post Super $	Equity Options $	Other $	Total $	Proportion of remuneration performance related	Value of options as proportion of remuneration
Executives										
The Company										
Mr J Nolan,	2005	200,000	26,800	8,524	52,000	25,515	–	312,839	16.7%	8.2%
Chief Financial Officer	2004	182,500	–	8,980	20,075	–	–	211,555	–	–
Mr A Wibberley,	2005	183,000	–	4,727	25,090	10,312	–	223,129	4.6%	4.6%
General Manager – Manufacturing	2004	168,545	22,500	3,267	17,194	–	–	211,506	10.6%	–
Mr K Manfield,	2005	140,711	12,000	6,763	13,744	10,312	–	183,530	12.2%	5.6%
General Manager – Maxi-CUBE	2004	130,512	–	6,420	11,746	–	–	148,678	–	–
Consolidated										
Mr G Mitchell,	2005	125,000	25,000	–	15,030	10,312	17,000	192,342	18.4%	5.4%
General Manager – Vic Branch, MaxiTRANS Australia Pty Ltd	2004	110,000	–	–	11,430	–	17,000	138,430	–	–
Mr A Griffiths,	2005	130,000	16,225	7,260	13,160	10,312	–	176,957	15.0%	5.8%
General Manager – Hamelex White, MaxiTRANS Australia Pty Ltd (iii)	2004	–	–	–	–	–	–	–	–	–
Mr C Deverson,	2005	87,500	–	–	9,188	–	14,583	111,271	–	–
Managing Director, Colrain Pty Ltd (iii)	2004	–	–	–	–	–	–	–	–	–
Total, all named executives	2005	866,211	80,025	27,274	128,212	66,763	31,583	1,200,068	12.2%	5.6%
	2004	591,557	22,500	18,667	60,445	–	17,000	710,169	3.2%	–

REMUNERATION REPORT *(continued)*

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

(i) The short-term cash incentive bonus is for performance during the 30 June 2004 financial year using the criteria set out on page 31. The amount was determined after performance reviews were completed and approved by the Managing Director. 100% of bonuses vested during the current year.

(ii) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account in both the current and prior periods. Comparative information was not restated as market conditions were already included in the valuation.

(iii) Mr A Griffiths was not a specified executive or highly remunerated officer for the year ended 30 June 2004. Mr C Deverson commenced employment with the consolidated entity in December 2004.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Option type	Expiry date	Fair value of option
18 March 05	TSR	31 Dec 08	$0.2005
18 March 05	EPS	31 Dec 08	$0.2674
31 March 05	TSR	31 Dec 08	$0.1958
31 March 05	EPS	31 Dec 08	$0.2610

Additional factors and assumptions that apply in respect of all the above grants and option types listed above are:

Exercise price	Market price of shares on grant date	Estimated volatility	Risk free interest rate	Div yield
$0.75	$0.92	36%	5.58%	5.30%

Analysis of share-based payments granted as remuneration – unaudited

Details of vesting profile of the options granted as remuneration to each director of the Company and each of the five named Company executives and relevant group executives is detailed below.

	Number of options granted		Value yet to vest	
	Number	Date	Min (A)	Max (B)
Directors				
Mr M Brockhoff	2,400,000	18 Mar 2005	Nil	$385,002
Company executives				
Mr J Nolan	1,100,000	18 Mar 2005	Nil	$180,985
Mr A Wibberley	450,000	31 Mar 2005	Nil	$63,762
Mr K Manfield	450,000	31 Mar 2005	Nil	$63,762
Consolidated entity executives				
Mr G Mitchell	450,000	31 May 2005	Nil	$63,762
Mr A Griffiths	450,000	31 May 2005	Nil	$63,762

No options vested or were forfeited in the year ended 30 June 2005.

REMUNERATION REPORT *(continued)*

The target Earnings Per Share **('EPS')** was not achieved for the year ended 30 June 2005 and therefore no options granted during the period vested with any director or executive officer. Options that would have vested had the target EPS been achieved are now subject to the cumulative EPS condition.

(A) The minimum value of options yet to vest is nil as the performance criteria may not be met and consequently the option may not vest.

(B) The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Stock Exchange at the date the options are exercised. The maximum values presented above are based on the assumption that the share price on the date the option is exercised does not exceed the share price as set out in the following table:

Date of issue	Option type	Share price
18 Mar 2005	EPS	$1.0174
18 Mar 2005	TSR	$0.9505
31 Mar 2005	EPS	$1.0110
31 Mar 2005	TSR	$0.9458

Analysis of movements in options – unaudited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the five named Company executives and relevant group executives is detailed below.

	Granted in year (A) $	Exercised in year (B) $	Forfeited in year (C) $	Total option value in year $
Directors				
Mr M Brockhoff	385,002	442,500	Nil	827,502
Company executives				
Mr J Nolan	180,985	–	Nil	180,985
Mr A Wibberley	63,762	–	Nil	63,762
Mr K Manfield	63,762	–	Nil	63,762
Consolidated entity executives				
Mr G Mitchell	63,762	–	Nil	63,762
Mr A Griffiths	63,762	–	Nil	63,762

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes method. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 30 June 2005 to 30 June 2008).

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black-Scholes method with no adjustments for whether or not the performance criteria have been achieved.

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 Davis	13	13	3	3	3	3	2	2
James Curtis	13	13	3	3	3	3	2	2
Michael Brockhoff	13	12	–	–	3	3	–	–
Geoffrey Lord	13	13	3	3	3	3	2	1

[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 three 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 $40,455. 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

During the financial year, the Company granted options for no consideration in MaxiTRANS Industries Limited to the following directors and to the following five most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price ($)	Expiry date
Directors			
Mr M Brockhoff	2,400,000	0.75	31 December 2008
Officers			
Mr J Nolan	1,100,000	0.75	31 December 2008
Mr A Wibberley	450,000	0.75	31 December 2008
Mr G Mitchell	450,000	0.75	31 December 2008
Mr K Manfield	450,000	0.75	31 December 2008
Mr A Griffiths	450,000	0.75	31 December 2008

All options were granted during the financial year. No options have been granted since the end of the financial year.

UNISSUED SHARES UNDER OPTION

As at the date of this report, unissued ordinary shares of the Company under option are:

Expiry date	Exercise price ($)	Number of shares
31 December 2008	0.75	6,850,000

Subject to the discretion of the Board, on cessation of employment any options not capable of exercise will lapse. Options not exercised at the 31 December 2008 will lapse. Vesting of options is subject to achievement of certain performance hurdles as set out in Note 22 in the financial statements and in the Remuneration Report. Options may not be exercised unless they vest.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the year 750,000 options over ordinary shares held by Mr Michael Brockhoff were exercised at an exercise price of 17 cents per share, being options granted in a previous financial year in accordance with Mr Brockhoff's employment contract.

Further details on share options are detailed in Note 22 to the financial statements and in the Remuneration Report.

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act forms part of this Directors' report.

Details of the amounts paid to the auditor of the Company, KPMG, for audit and non-audit services provided during the year are set out below.

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $
Remuneration of Auditor				
Remuneration of the auditor of the Company for:				
– auditing or reviewing the financial statements	215,000	143,000	52,000	45,000
– other services (taxation & advisory)	82,000	139,000	9,000	35,000
	297,000	282,000	61,000	80,000

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.

AUDITORS INDEPENDENCE DECLARATION

The independence declaration of our auditor, KPMG, forms part of the Director's Report for the year ended 30 June 2005.

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 Russell Davis, Director

Mr Michael Alan Brockhoff, Director

Dated this 22nd day of August 2005

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

B W Szentirmay
Partner

Melbourne
22nd August 2005

Directors Declaration

FOR THE YEAR ENDED 30 JUNE 2005

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

(a) the financial statements and notes, including the remuneration disclosures that are contained in pages 30 to 35 of the Remuneration Report in the Directors' Report, as set out on pages 41 to 88, are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards in Australia, including AASB 1046 *Director and Executive Disclosures by Disclosing Entities,* and the Corporations Regulations 2001; and

  (ii) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2005 and of their performance, as represented by the results of the operations and the cash flows for the year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2005.

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

Mr Ian Russell Davis, Director

Mr Michael Alan Brockhoff, Director

Dated this 22nd day of August 2005

Statements of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		The Company	
	Note	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenue from the sale of goods	3	216,127	153,123	–	–
Revenue from the rendering of services	3	7,050	5,805	3,137	1,635
Other revenues from ordinary activities	3	2,220	1,754	7,282	5,168
Total revenue		225,397	160,682	10,419	6,803
Changes in inventories of finished goods and work in progress		10,913	5,596	–	–
Raw materials and consumables used		(148,201)	(100,486)	–	–
Employee expenses		(52,204)	(38,790)	(2,465)	(929)
Depreciation and amortisation expenses	4	(5,736)	(4,616)	(32)	(27)
Borrowing costs	4	(2,307)	(1,509)	–	–
Other expenses from ordinary activities		(14,921)	(10,171)	(901)	(2,026)
Share of net profits of associates and joint ventures accounted for using the equity method	26	1,095	900	–	–
Profit from ordinary activities before related income tax expense		14,036	11,606	7,021	3,821
Income tax (expense) / benefit relating to ordinary activities	7(a)	(3,362)	(2,785)	100	12
Net profit		10,674	8,821	7,121	3,833
Net profit attributable to outside equity interests		(245)	–	–	–
Net profit attributable to members of the parent entity	19	10,429	8,821	7,121	3,833
Non-owner transaction changes in equity					
Net exchange difference on translation of financial statements of self-sustaining foreign operations	18	(184)	(65)	–	–
Total changes in equity from non-owner related transactions attributable to members of the parent entity		10,245	8,756	7,121	3,833
Basic earnings per share (cents per share)	6	6.08¢	5.72¢		
Diluted earnings per share (cents per share)	6	6.07¢	5.66¢		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 44 to 88.

Statements of Financial Position

FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		The Company	
	Note	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current Assets					
Cash assets	27(b)	390	10	3	–
Receivables	8	31,579	19,436	31,902	41,249
Inventories	9	35,418	23,683	–	–
Other	10	296	295	–	–
Total Current Assets		67,683	43,424	31,905	41,249
Non-Current Assets					
Investments accounted for using the equity Method	11(a)	2,913	3,168	–	–
Other financial assets	11(b)	–	–	27,187	17,548
Property plant & equipment	12	43,957	30,256	64	84
Intangible assets	13	39,037	33,867	–	11
Deferred tax assets	7(b)	2,053	1,768	1,614	1,625
Other	10	800	497	–	–
Total Non-Current Assets		88,760	69,556	28,865	19,268
Total Assets		156,443	112,980	60,770	60,517
Current Liabilities					
Accounts payable	14	27,072	17,690	205	167
Interest bearing liabilities	15	1,533	2,110	–	34
Current tax liabilities	7(c)	1,159	1,841	757	1,860
Provisions	16	5,693	4,290	–	–
Total Current Liabilities		35,457	25,931	962	2,061
Non-Current Liabilities					
Interest bearing liabilities	15	42,101	17,162	–	–
Deferred tax liabilities	7(d)	2,354	2,138	2,352	2,138
Provisions	16	267	424	–	–
Total Non-Current Liabilities		44,722	19,724	2,352	2,138
Total Liabilities		80,179	45,655	3,314	4,199
Net Assets		76,264	67,325	57,456	56,318
Equity					
Contributed equity	17	53,406	52,538	53,406	52,538
Reserves	18	6,864	7,324	–	276
Retained profits	19	11,317	7,463	4,050	3,504
Total Entity Interest		71,587	67,325	57,456	56,318
Outside equity interests		4,677	–	–	–
		76,264	67,325	57,456	56,318

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 44 to 88.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		The Company	
	Note	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Cash Flows from Operating Activities					
Receipts from customers		234,522	170,242	3,446	2,636
Payments to suppliers & employees		(221,231)	(162,774)	(460)	(165)
Dividends received		864	78	7,182	4,078
Interest received		109	34	5	–
Interest & other costs of finance paid		(2,307)	(1,509)	–	–
Income tax paid		(3,953)	(2,729)	(3,645)	(2,729)
Net Cash Provided by (Used in) Operating Activities	26 (a)	8,004	3,342	6,528	3,820
Cash Flows from Investing Activities					
Payments for property, plant & equipment		(17,174)	(4,582)	–	(4)
Payments for business acquired		–	(8,640)	–	–
Loans repaid by other entities		303	705	–	–
Payments for controlled entities		(14,094)	(5,057)	(9,640)	(5,057)
Proceeds from sale of investment in associates		–	946	–	946
Payments for associates		–	(130)	–	–
Proceeds from sale of property, plant & equipment		2,016	567	–	15
Net Cash Provided By (Used in) Investing Activities		(28,949)	(16,191)	(9,640)	(4,100)
Cash Flows from Financing Activities					
Proceeds from share issues		4,305	13,749	128	13,749
Proceeds from borrowings		24,285	3,450	–	–
(Advancing) / repayment of borrowings		(1,154)	(767)	9,133	(9,903)
Dividends paid		(6,111)	(3,580)	(6,111)	(3,580)
Net Cash Provided by (Used in) Financing Activities		21,325	12,852	3,150	266
Net increase (decrease) in cash		380	3	37	(14)
Cash at beginning of year		10	7	(34)	(20)
Cash at end of year	26 (b)	390	10	3	(34)

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 44 to 88.

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 24 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.

1. Statement of Significant Accounting Policies *(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.

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.

	2005	2004
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%	5.0-50%
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%

1. Statement of Significant Accounting Policies *(continued)*

(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.

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 24. 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 Executive Option Plan. Further information is set out in Note 22 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.

1. Statement of Significant Accounting Policies *(continued)*

(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.

(i) Cash

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

– cash on hand and at call with banks or financial institutions; 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.

1. Statement of Significant Accounting Policies *(continued)*

(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, 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.

(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.

1. Statement of Significant Accounting Policies *(continued)*

(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) 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.

(s) 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 2005.

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
3. Revenue from Ordinary Activities				
Sale of goods	216,127	153,123	–	–
Rendering of services	7,050	5,805	3,137	1,635
	223,177	158,928	3,137	1,635
Other revenues:				
From operating activities				
– dividends received from wholly-owned controlled entities	–	–	7,000	4,000
– dividends received from associate	–	–	182	78
– interest revenue from other parties	109	34	5	–
– other	95	207	95	129
From outside operating activities				
– proceeds on disposal of property, plant and equipment	2,016	567	–	15
– proceeds on disposal of investment in associate	–	946	–	946
Total other revenues	2,220	1,754	7,282	5,168
Total revenue from ordinary activities	225,397	160,682	10,419	6,803

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'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	179,681	119,809	–	–
Borrowing costs:				
– interest – bank loans and overdraft	1,947	1,160	–	–
– finance lease charges	360	349	–	–
Total borrowing costs	2,307	1,509	–	–
Depreciation:				
– property	410	307	–	–
– plant and equipment	2,480	1,754	11	21
Total depreciation	2,890	2,061	11	21
Amortisation of non-current assets:				
– goodwill	580	374	–	–
– intellectual property	1,398	1,356	11	–
– brand names	70	69	–	–
– patents and trademarks	54	47	–	–
– capitalised leased assets	744	709	10	6
Total amortisation	2,846	2,555	21	6
Net expenses from movements in provision for:				
– employee entitlements	565	624	–	–
– warranty	125	190	–	–
– other	(173)	(72)	–	–
Net expense resulting from movements in provisions	517	742	–	–
Net bad and doubtful debts expense including movements in provision for doubtful debts	42	15	–	–
Rental expense on operating leases	2,533	1,487	–	–
Research and development expenditure written off as incurred	480	438	–	–
Crediting as income:				
Net (gain)/loss on disposal of:				
– property plant and equipment	(334)	(89)	–	–
– investment in associates	–	(11)	–	(132)
Total (gain)/loss on disposal	(334)	(100)	–	(132)

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
5. Individually Significant Items of Revenue and Expense				
Process improvement programs	(469)	–	–	–
Product design & rectification costs	(243)	–	–	–
Colrain JV restructuring and relocation costs	(405)	–	–	–
Profit on sale of the TraileRentals business	247	–	–	–
Other	(330)	–	–	–
Net revenue/(expense) from individually significant items	(1,200)	–	–	–
Income tax expense applicable	360	–	–	–
	(840)	–	–	–

6. Earnings per Share

Classification of securities as potential shares

The options outstanding under the Directors and Employees Options Plan have been classified as potential ordinary shares and included in diluted earnings per share only.

	Consolidated	
	2005 $'000	2004 $'000
Earnings reconciliation		
Net profit	10,674	8,821
Net profit attributable to outside equity interests	(245)	–
Basic earnings	10,429	8,821

	Consolidated	
	2005 Number	2004 Number
Weighted average number of shares		
Number for basic earnings per share - ordinary shares	171,443,253	154,231,449
Effect of executive share options	261,679	1,536,182
Number for diluted earnings per share	171,704,932	155,767,631

At 30 June 2005 and 30 June 2004 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 22.

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
7. Taxation				
(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%)	4,211	3,482	2,106	1,146
Add/(deduct) tax effect of:				
Non deductible depreciation and amortisation	211	178	–	–
Research & development allowance	(650)	(554)	–	–
Capital loss on sale of investment	–	–	–	43
Non deductible expenses	24	30	10	10
Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax consolidated group	–	–	2,830	3,056
Recovery of income tax expense under a tax sharing agreement	–	–	(2,830)	(3,056)
Associate equity accounted income	(299)	(200)	(55)	–
Sundry items	–	37	(19)	–
Prior year adjustments	(135)	(188)	(42)	(3)
Inter-company eliminations	–	–	(2,100)	(1,208)
	(849)	(697)	(2,206)	(1,158)
Income tax expense	3,362	2,785	(100)	(12)
Income tax expense attributable to operating profit is made up of:				
– current income tax provision	3,422	3,148	–	–
– deferred income tax provision	283	110	–	–
– future income tax benefit	(208)	(285)	(206)	(9)
– prior year adjustment	(135)	(188)	106	(3)
Income tax expense	3,362	2,785	(100)	(12)

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'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	1,913	1,593	1,474	1,450
– Leases	104	102	104	102
– Depreciation and amortisation	27	56	27	56
– Other	9	17	9	17
	2,053	1,768	1,614	1,625
(c) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at beginning of year	1,841	1,617	1,860	1,617
Income tax paid for operating activities of the current year	(3,953)	(2,729)	(3,645)	(2,729)
Acquisition of controlled entity	23	31	–	31
Current year's income tax expense on profit from ordinary activities	3,248	2,922	2,542	2,941
	1,159	1,841	757	1,860
(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	512	814	513	814
– Difference in amortisation of intangibles for income tax and accounting purposes	1,468	1,164	1,468	1,164
– Deferred expenses	229	–	229	–
– Other	145	160	142	160
	2,354	2,138	2,352	2,138

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 a prior financial year did not result in any changes to the carrying values of deferred tax assets or liabilities of the consolidated entity.

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
8. Receivables				
Trade debtors [i]	29,340	18,798	–	–
Provision for doubtful debts	(105)	(71)	–	–
	29,235	18,727	–	–
Other debtors	2,344	709	–	214
Amounts receivable from:				
– controlled entities	–	–	31,902	41,035
Total receivables	31,579	19,436	31,902	41,249

[i] Selected trade debtors' invoices of a controlled entity are pledged as security for the "Invoice finance" facility. As at 30 June 2005 $5,581,000 (2004: $3,620,000) was drawn under this facility.

9. Inventories				
Second-hand units – at cost	1,205	1,239	–	–
Finished goods – at cost	15,410	5,173	–	–
Work in progress – at cost	5,186	4,431	–	–
Raw materials – at cost	13,935	13,055	–	–
Less: provision for obsolescence	(318)	(215)	–	–
Total inventories	35,418	23,683	–	–

10. Other Assets				
Current				
Employee expense advances	13	9	–	–
Prepayments	283	286	–	–
	296	295	–	–
Non-current				
Loans to associate entities	800	497	–	–

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
11. Investments and Other Financial Assets					
Non-current					
(a) Investments accounted for using the equity method					
– associated entities	26	2,913	3,168	–	–
(b) Other financial assets					
– investments in controlled entities – at cost	24	–	–	25,691	16,052
– investments in associated entities – at cost	26	–	–	1,496	1,496
– other investments		–	–	–	–
Total other financial assets		–	–	27,187	17,548

12. Property Plant & Equipment

Land and Buildings				
Land at cost	8,643	3,518	–	–
Buildings at cost	19,795	13,445	–	–
Accumulated depreciation	(1,703)	(1,268)	–	–
	18,092	12,177	–	–
Total land and buildings	26,735	15,695	–	–
Plant and Equipment				
Plant & equipment at cost	18,828	15,157	–	–
Accumulated depreciation	(8,640)	(8,111)	–	–
	10,188	7,046	–	–
Office equipment at cost	3,649	2,898	101	126
Accumulated depreciation	(2,108)	(1,711)	(71)	(86)
	1,541	1,187	30	40
Leased plant & equipment	5,823	6,253	50	50
Accumulated depreciation	(1,427)	(964)	(16)	(6)
	4,396	5,289	34	44
Capital work in progress	1,097	1,039	–	–
Total plant and equipment	17,222	14,561	64	84
Total property plant and equipment	43,957	30,256	64	84

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 at that time. The independent valuations obtained valued the land and buildings at $15,911,000, which was in excess of the carrying value of land and buildings at that date.

Refer to Note 28 for details of security over land and buildings.

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'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	3,518	2,657	–	–
Disposals	–	–	–	–
Additions	5,125	–	–	–
Additions from business acquired	–	861	–	–
Carrying amount at the end of year	8,643	3,518	–	–
Buildings				
Carrying amount at the beginning of year	12,177	11,382	–	–
Additions	6,325	278	–	–
Additions from business acquired	–	824	–	–
Disposals	–	–	–	–
Depreciation	(410)	(307)	–	–
Carrying amount at the end of year	18,092	12,177	–	–
Plant and Equipment				
Carrying amount at the beginning of year	7,046	5,131	–	–
Additions	2,363	1,700	–	–
Additions from business acquired	–	557	–	–
Acquisition of controlled entity	1,642	378	–	–
Transfers from capital works in progress	2,149	1,358	–	–
Transfers (to)/from leased plant and equipment	353	(46)	–	–
Transfers (to)/from inventory	–	(355)	–	–
Disposals	(1,529)	(420)	–	–
Depreciation	(1,836)	(1,257)	–	–
Carrying amount at the end of year	10,188	7,046	–	–
Office Equipment				
Carrying amount at the beginning of year	1,187	945	40	72
Additions	431	763	–	3
Acquisition of controlled entity	576	–	–	–
Disposals	(9)	(24)	–	(14)
Depreciation	(644)	(497)	(11)	(21)
Carrying amount at the end of year	1,541	1,187	29	40
Leased plant and equipment				
Carrying amount at the beginning of year	5,289	5,051	–	–
Additions	336	935	44	50
Disposals	(132)	(34)	–	–
Transfers from/(to) plant and equipment	(353)	46	–	–
Amortisation	(744)	(709)	(10)	(6)
Carrying amount at the end of year	4,396	5,289	34	44
Capital works in progress				
Carrying amount at the beginning of year	1,039	556	–	–
Additions	2,207	1,841	–	–
Transfers to property, plant and equipment	(2,149)	(1,358)	–	–
Carrying amount at the end of year	1,097	1,039	–	–

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
13. Intangibles					
Goodwill at cost		14,689	7,475	–	–
Accumulated amortisation		(4,440)	(3,860)	–	–
		10,249	3,615	–	–
Brand names at cost		6,930	6,930	–	–
Accumulated amortisation		(346)	(276)	–	–
		6,584	6,654	–	–
Intellectual property at cost		29,616	29,557	–	–
Accumulated amortisation		(8,214)	(6,816)	–	–
		21,402	22,741	–	–
Patents and trademarks at cost		902	902	–	11
Accumulated amortisation		(100)	(46)	–	–
		802	856	–	11
Total Intangibles		39,037	33,867	–	11

14. Accounts Payable					
Trade creditors		23,882	16,389	4	167
Other creditors and accruals		3,190	1,301	201	–
Total accounts payable		27,072	17,690	205	167

15. Interest Bearing Liabilities					
Current					
Bank overdraft	28	–	981	–	34
Lease liability	29	1,533	1,129	–	–
Total current interest bearing liabilities		1,533	2,110	–	34
Non Current					
Bank loans – secured	28	38,246	12,980	–	–
Lease liability	29	3,855	4,182	–	–
Total non-current interest bearing liabilities		42,101	17,162	–	–

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
16. Provisions				
Current				
Employee entitlements	4,891	3,462	–	–
Warranty	802	677	–	–
Other provisions	–	151	–	–
Total current provisions	5,693	4,290	–	–
Non Current				
Employee entitlements	267	424	–	–
Aggregate employee entitlements liability	5,158	3,886	–	–
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	677	466	–	–
Provisions made during the year	125	211	–	–
Carrying amount at end of year	802	677	–	–
Other provisions				
Other	–	151	–	–

	Consolidated		The Company	
	2005	2004	2005	2004
Number of Employees				
Number of employees at year end	998	760	11	11

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
17. Contributed Equity				
171,742,155 (2004: 170,061,708) fully paid ordinary shares	53,406	52,538	53,406	52,538
Total	53,406	52,538	53,406	52,538
Ordinary Shares – paid up capital at the beginning of the financial year 170,061,708 (2004: 143,993,893)	52,538	34,919	52,538	34,919
Shares issued during the year:				
– 750,000 on 8 July 2004[1]	128	–	128	–
– 930,447 on 18 October 2004[2]	740	–	740	–
– 2,639,220 on 18 August 2003[3]	–	1,000	–	1,000
– 606,471 on 17 October 2003[2]	–	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[2]	–	467	–	467
At end of financial year	53,406	52,538	53,406	52,538

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) 750,000 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.
(2) The additions to contributed equity were made in accordance with the Company's dividend re-investment plan applicable to dividends paid on ordinary shares.
(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	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
18. Reserves				
Capital redemption	–	276	_	276
Foreign currency translation	(136)	48	–	–
Asset revaluation	7,000	7,000	–	–
Total	6,864	7,324	_	276
Capital redemption reserve – movements during the year				
Balance at beginning of year	276	276	276	–
Transfer to retained earnings	(276)	–	(276)	–
	–	276	–	–
Foreign currency translation reserve – movements during the year				
Balance at beginning of year	48	113	–	–
Net exchange difference on translation of foreign associate	(184)	(65)	–	–
	(136)	48	–	–

Nature and purpose of reserves

Capital redemption reserve
The capital redemption reserve included amounts transferred from profits to be available for the redemption of preference shares, which being no longer required, were transferred to retained earnings.

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	2005 $'000	2004 $'000	2005 $'000	2004 $'000
19. Retained Profits					
Retained profits at beginning of year		7,463	3,092	3,504	4,121
Transfer from the Capital redemption reserve		276	–	276	–
Net profit attributable to members of the parent entity		10,429	8,821	7,121	3,833
Dividends	20	(6,851)	(4,450)	(6,851)	(4,450)
Retained profits at end of year		11,317	7,463	4,050	3,504

20. Dividends

Dividends proposed or paid are:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percent franked
2005					
Final – ordinary[1]	2.0	3,435	18 October 2005	30% (Class C)	100%
Interim – ordinary	2.0	3,435	22 April 2005	30% (Class C)	100%
Total franked amount		6,870			
2004					
Final – ordinary	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			

[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 2005 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 DRP was suspended effective 21 February 2005.

Dividend franking account

	The Company	
	2005 $'000	2004 $'000
Class C (30%) franking credits available to shareholders of MaxiTRANS Industries Limited for subsequent financial years	4,058	3,107

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 2005 and 30 June 2004 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 2005

Business Segments	Sales of New Trailer and Tipper Units	Sales of Parts & Service	Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Revenue					
External segment revenue	166,405	46,037	10,735	–	223,177
Inter-segment revenue	2,853	1,886	–	(4,739)	–
Total segment revenue	169,258	47,923	10,735	(4,739)	223,177
Other unallocated revenue					2,220
Total revenue					225,397
Result					
Segment result	12,335	3,190	337	–	15,862
Share of net profit of equity accounted investments					1,095
Unallocated corporate expenses					(2,921)
Profit from ordinary activities before related income tax expense					14,036
Income tax expense					(3,362)
Net profit					10,674
Depreciation and amortisation	3,731	1,210	199	–	5,140
Unallocated depreciation and amortisation					596
Total depreciation and amortisation					5,736
Assets					
Segment assets	101,759	37,261	1,852	–	140,872
Unallocated corporate assets					15,571
Consolidated total assets					156,443
Liabilities					
Segment liabilities	10,136	16,254	29	–	26,419
Unallocated corporate liabilities					53,760
Consolidated total liabilities					80,179
Acquisitions of non-current assets	16,277	2,787	851	–	19,915
Acquisitions of unallocated non-current assets					29
Consolidated total acquisitions of non-current assets					19,944

21. Segment Information *(continued)*

Year ended 30 June 2004

Business Segments	Sales of New Trailer and Tipper Units	Sales of Parts & Service	Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'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

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. Executive Share and Options Plans

The Company has a senior executive option plan **("EOP")** approved at the annual general meeting on 4 November 2004. The plan provides for the grant of options to senior executives for no consideration. Total options granted under the plan may not exceed 5% of the Company's issued capital.

Each option granted under the EOP is convertible to one ordinary share. The exercise price of options granted under the EOP is 75 cents.

The final exercise date for options granted under the EOP is 31 December 2008. Options not exercised by 31 December 2008 will lapse. On cessation of employment with the Company, options that have not vested with the executive on the date of cessation of employment will lapse. No option is capable of exercise unless it vests.

In each of the financial years ending 30 June 2005, 30 June 2006 and 30 June 2007, 20% of options granted to each executive will vest if the Company achieves its target earnings per share for that financial year, or if applicable, at the end of the three year financial period the Company equals or exceeds its cumulative target earnings per share over the three year period. The remaining 40% of options will vest on a sliding scale if the total shareholder return **("TSR")** for the three year period ending 30 June 2007 or the four year period ending 30 June 2008, equals or exceeds the 50th percentile of the combined TSR of other companies in the S&P/ ASX 300 Index. Accordingly, the plan does not represent remuneration for past services.

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

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting and dividend rights will attach to the ordinary shares which are issued when the options have been exercised. The options will not be listed on the Australian Stock Exchange **("ASX").** The Company will apply to ASX to obtain listing and quotation of all shares issued on the exercise of options.

Employment Contract Options

On 15 December 2000, options over 3,000,000 unissued ordinary Company shares were granted to Mr Michael Brockhoff in accordance with his employment contract as negotiated prior to commencing his duties of Managing Director with MaxiTRANS Industries Limited.

During the year ended 30 June 2005, 750,000 employment contract options held by Mr Brockhoff were exercised at an exercise price of 17 cents per share. The remaining 2,250,000 options were exercised in the previous financial year at an exercise price of 17 cents per share. There were no employment contract options yet to be exercised at balance date.

22. Executive Share and Options Plans *(continued)*

Summary of options over unissued ordinary shares

Details of options over unissued ordinary shares as at the beginning and ending of the reporting date and movements during the year are set out in the following table:

Consolidated and Company 2005

Grant date	Exercise date on or after	Expiry date	Exercise price (cents)	No of options at beginning of year	Options granted	Options exercised	No of options on issue at end of year	Proceeds Received ($)
15 Dec 2000	1 Jul 2004	30 Jun 2005	17	750,000	–	750,000	–	127,500
18 Mar 2005 31 Mar 2005	30 Sep 2005	31 Dec 2008	75	–	1,370,000	–	1,370,000	–
18 Mar 2005 31 Mar 2005	30 Sep 2006	31 Dec 2008	75	–	1,370,000	–	1,370,000	–
18 Mar 2005 31 Mar 2005	30 Sep 2007	31 Dec 2008	75	–	4,110,000	–	4,110,000	–
Total				750,000	6,850,000	750,000	6,850,000	127,500

No options vested or lapsed in the period ended 30 June 2005.

Consolidated and Company 2004

Grant date	Exercise date on or after	Expiry date	Exercise price (cents)	No of options at beginning of year	Options exercised	No of options on issue at end of year	No of options vested at end of year	Proceeds Received ($)
15 Dec 2000	1 Jul 2003	30 Jun 2005	17	2,250,000	2,250,000	–	–	382,500
15 Dec 2000	1 Jul 2004	30 Jun 2005	17	750,000	–	750,000	750,000	–
15 Dec 2000	1 Jan 2003	30 Jun 2005	20	200,000	200,000	–	–	40,000
15 Dec 2000	1 Jan 2003	30 Jun 2005	23	200,000	200,000	–	–	46,000
15 Dec 2000	1 Jan 2003	30 Jun 2005	26	200,000	200,000	–	–	52,000
Total				3,600,000	2,850,000	750,000	750,000	520,500

No options were granted or lapsed in the period ended 30 June 2004.

The fair value of shares issued as a result of exercising the options during the reporting period at their issue date is the market price of shares of the Company on the Australian Stock Exchange as at the close of trading.

The amounts recognised in the financial statements of the Company and consolidated entity in relation to executive share options exercised during the financial year were:

		Consolidated		The Company	
	Note	2005 $	2004 $	2005 $	2004 $
Issued ordinary share capital	17	127,500	520,500	127,500	520,500

22. Executive Share and Options Plans *(continued)*

Options granted to directors and senior executives

During the financial year, the Company granted options for no consideration over unissued ordinary shares in MaxiTRANS Industries Limited to the following directors and the five most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price ($)	Expiry date
Directors			
Mr M Brockhoff	2,400,000	0.75	31 December 2008
Officers			
Mr J Nolan	1,100,000	0.75	31 December 2008
Mr A Wibberley	450,000	0.75	31 December 2008
Mr G Mitchell	450,000	0.75	31 December 2008
Mr K Manfield	450,000	0.75	31 December 2008
Mr A Griffiths	450,000	0.75	31 December 2008

All options were granted during the financial year. No options have been granted since the end of the financial year.

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry date	Exercise price ($)	Number of shares
31 December 2008	0.75	6,850,000

Subject to the discretion of the Board, on cessation of employment any options not capable of exercise will lapse. Options not exercised at 31 December 2008 will lapse. Vesting of options is subject to achievement of certain performance hurdles as set out in this note. Options may not be exercised unless they vest.

Shares issued on exercise of options

During the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of shares		Total amount paid on exercise of options	
2005	2004	2005 ($)	2004 ($)
750,000	2,850,000	127,500	520,500

23. 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 24 to the financial statements.

Equity interests in associated entities: Details of the percentage of ordinary shares held in associated entities are disclosed in Note 26 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 Company are set out below:

Shares

MaxiTRANS Industries Limited	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Specified directors:					
Mr M Brockhoff	3,259,000	–	750,000	1,000,000	3,009,000
Mr I Davis	1,036,125	26,075	–	–	1,062,200
Mr J Curtis	18,697,132	–	–	–	18,697,132
Mr G Lord	3,934,414	–	–	–	3,934,414
Specified executives:					
Mr J Nolan	782,233	19,675	–	–	801,908
Mr K Manfield	24,992	628	–	–	25,620

Options

MaxiTRANS Industries Limited	Options held at 1 July 2004	Options Granted	Options Exercised	Options held at 30 June 2005
Specified directors:				
Mr M Brockhoff	750,000	2,400,000	750,000	2,400,000
Specified executives:				
Mr J Nolan	–	1,100,000	–	1,100,000
Mr K Manfield	–	450,000	–	450,000
Mr G Mitchell	–	450,000	–	450,000
Mr A Wibberley	–	450,000	–	450,000
Mr A Griffiths	–	450,000	–	450,000

No options vested during the year and no options were exercisable at 1 July 2005.

23. Related Party Transactions *(Continued)*

(e) Directors' transactions in shares and share options

Directors and their related entities acquired 776,075 existing ordinary shares, and disposed of 1,000,000 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.

A total of 2,400,000 options were granted to Mr M Brockhoff during the year (Note 22). During the year 750,000 options held by Mr M 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.

(f) Directors remuneration and retirement benefits

Details of directors' remuneration and retirement benefits are disclosed in the Remuneration Report on page 33.

(g) Transactions with director related entities

MaxiTRANS Industries Limited and controlled entities paid legal fees of $487,300 (2003: $282,530) to Minter Ellison of which Mr I Davis is a senior partner. All dealings were in the ordinary course of business and on normal commercial terms and conditions.

Colrain Pty Ltd and it's controlled entities paid rent of $304,000 in respect of business premises and $671,000 for supply of parts, for resale, to companies associated with Mr C Deverson, a director of the Colrain companies. 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.

24. Investment in Controlled Entities

(a) Particulars in relation to controlled entities

Name of Entity	Country of incorp.	Class of shares	Interest held 2005 %	Interest held 2004 %
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	100
Hamelex White Pty Ltd	Aust.	Ord.	100	100
Colrain Pty Ltd	Aust.	Ord.	70	–
Colrain Queensland Pty Ltd	Aust.	Ord.	70	–
Colrain (Albury) Pty Ltd	Aust.	Ord.	53.2	–
Colrain (Ballarat) Pty Ltd	Aust.	Ord.	52.5	–
Colrain (Geelong) Pty Ltd	Aust.	Ord.	59.5	–

24. Investment in Controlled Entities *(Continued)*

(b) Acquisition of controlled entities

Acquisition of entity

During the financial year the consolidated entity entered into a joint venture for the purchase of 70% of the voting shares of Colrain Pty Ltd as at 1 December 2004 for cash. During the prior period the consolidated entity purchased 100% of the voting shares of Lusty EMS Pty Ltd as at 1 July 2003 for cash and shares.

Details of the acquisitions are as follows:

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Total consideration	14,094	6,000	9,640	6,000
Shares issued as consideration	–	(1,000)	–	(1,000)
Outflow of cash	14,094	5,000	9,640	5,000
Fair value of net assets acquired:				
Property, plant and equipment	1,408	378	1,408	378
Deferred tax asset	203	55	203	55
Goodwill	7,213	–	7,213	–
Cash assets	138	76	138	76
Inventories	6,836	944	6,836	944
Receivables	431	963	431	963
Intellectual property and patents	59	4,634	59	4,634
Payables	(415)	(942)	(415)	(942)
Other provisions	(727)	(108)	(727)	(108)
Financial liabilities & equity	(1,052)	–	(5,506)	–
Consideration (cash and shares)	14,094	6,000	9,640	6,000

Purchase of 70% of Colrain Pty Ltd was affected as at 1 December 2004 and the operating results of the entity from that date have been included in the consolidated operating profit.

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.

25. Deed of Cross Guarantee

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, at 30 June 2005 is set out on the following page.

	Consolidated	
	2005 $'000	2004 $'000
25. Deed of Cross Guarantee *(continued)*		
Summarised statement of financial performance and retained profits		
Profit from ordinary activities before related income tax expense	13,002	11,606
Income tax expense relating to ordinary activities	(2,992)	(2,785)
Net profit	10,010	8,821
Retained profits at the beginning of the year	7,463	3,092
Transfer from reserves	276	–
Dividends	(6,851)	(4,459)
Retained profits at the end of the year	10,898	7,463
Statement of financial position		
Cash assets	6	10
Receivables	23,364	19,436
Inventories	23,461	23,683
Other	294	295
Total Current Assets	47,125	43,424
Investments accounted for using the equity method	2,913	3,168
Other financial assets	9,640	–
Property plant & equipment	41,781	30,256
Intangible assets	32,025	33,867
Deferred tax assets	1,815	1,768
Other	800	497
Total Non-Current Assets	88,974	69,556
Total Assets	136,099	112,980
Accounts payable	21,246	17,690
Interest bearing liabilities	1,050	2,110
Current tax liabilities	777	1,841
Provisions	4,836	4,290
Total Current Liabilities	27,909	25,931
Interest bearing liabilities	34,399	17,162
Deferred tax liabilities	2,354	2,138
Provisions	269	424
Total Non-Current Liabilities	37,022	19,724
Total Liabilities	64,931	45,655
Net Assets	71,168	67,325
Contributed equity	53,406	52,538
Reserves	6,864	7,324
Retained profits	10,898	7,463
Total Equity	71,168	67,325

26. Investments Accounted for Using the Equity Method

Investments in associates

Name of Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount		The Company Carrying Amount	
		2005 %	2004 %	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Freighter Maxi-Cube Queensland Pty Ltd	Trailer retailer	36.67	36.67	912	1,100	–	–
Yangzhou Maxi-Cube Tong Composites Co. Limited	Panel manufacturer	50.00	50.00	2001	2,068	1,496	1,496
				2,913	3,168	1,496	1,496

	Consolidated	
	2005 $'000	2004 $'000
Movements in carrying amounts of investments in associates		
Carrying amount of investments in associates at the beginning of the financial year	3,168	3,861
Additional investment in associates during the year	–	130
Profit distribution from associates	(1,166)	(723)
Share of associates' profit and loss	1,095	900
Sale of shares in associate	–	(935)
Share of decrement in foreign currency reserves	(184)	(65)
Carrying amount of investments in associates at end of year	2,913	3,168
Results of associates		
Share of associates profit and loss from ordinary activities before income tax	1,510	1,082
Share of associates income tax expense relating to profit and loss from ordinary activities	(394)	(142)
Share of associates net profit – as disclosed by associates	1,116	940
Adjustments:		
Amortisation of goodwill arising from investment	(21)	(40)
Share of associates net profits using the equity method	1,095	900
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	908	731
Share of associates net profits using the equity method	1,095	900
Profits distributed from associates	(1,166)	(723)
Share of associates retained profits at end of year	837	908

	Consolidated	
	2005 $'000	2004 $'000
26. Investments Accounted for Using the Equity Method *(continued)*		
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	48	113
Share of increment (decrement) in reserve during the financial year	(184)	(65)
Balance at the end of the financial year	(136)	48

Summary financial position of associates

Assets	15,500	15,499
Liabilities	(10,309)	(10,645)
Net assets as reported by associates	5,192	4,854
Adjustments arising from equity accounting		
– Goodwill (net of amortisation)	308	329
– Other adjustments	(2,587)	(2,015)
Net assets – equity adjusted	2,913	3,168

Balance date

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

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
27. Note to the Statements of Cash Flows				
(a) Reconciliation of cash flow from operations with operating profit / (loss) after tax				
Operating profit / (loss) after income tax	10,674	8,821	7,121	3,833
Non cash flows in operating profit				
Depreciation/amortisation of assets	5,736	4,616	32	27
(Profit)/loss on sale of fixed assets	(334)	(89)	–	138
(Profit)/loss on sale of investments	–	(5)	–	–
Share of associates (profit)/loss	(1,095)	(900)	–	–
Change in assets & liabilities				
(Increase)/decrease in receivables	(10,080)	(4,527)	214	(212)
(Increase)/decrease in other assets	(932)	(875)	–	–
(Increase)/decrease in inventories	(4,900)	(5,023)	–	–
Increase/(decrease) in accounts payable and other liabilities	8,966	532	39	124
Increase/(decrease) in income tax payable	(705)	223	(1,103)	242
Increase/(decrease) in deferred taxes	134	(136)	225	(332)
Increase/(decrease) in provisions	540	705	–	–
Cash flow from operations	8,004	3,342	6,528	3,820
(b) Reconciliation of cash				
Bank overdraft	–	–	–	(34)
Deposits at call	–	–	–	–
Cash at bank and on hand	390	10	3	–
Cash at bank and on hand	390	10	3	(34)
(c) Non-cash financing and investing activities				
Acquisition of plant & equipment by means of finance leases	336	936	–	50

These acquisitions are not reflected in the statements of cash flows.

During the year ended 30 June 2005, 930,447 shares with a value of $739,980 were issued in accordance with the Company's ordinary share dividend re-investment plan (2004: 1,175,246 shares with a value of $869,870).

In addition to the payments for controlled entities set out above for the year ended June 2004, 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	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
28. Finance Facilities				
At year end, the consolidated entity had the following financing facilities in place with its bankers:				
Available facilities				
Loan facility	35,415	12,980	–	–
Overdraft and invoice finance	11,000	7,500	–	–
Lease facility	8,150	5,500	–	–
Other facilities	740	740	–	–
	55,305	26,720	–	–
Facilities utilised at balance date				
Loan facility	32,665	12,980	–	–
Overdraft and invoice finance	5,581	981	–	–
Lease facility	5,388	4,042	–	–
Other facilities	740	740	–	–
	44,374	18,743	–	–
Facilities not utilised at balance date				
Loan facility	2,750	–	–	–
Overdraft and invoice finance	5,419	6,519	–	–
Lease facility	2,762	1,458	–	–
	10,931	7,977	–	–

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 $34,725,000 (2004: $24,485,000).

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	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
29. Capital and Leasing Commitments				
(a) Finance lease commitments				
Payable				
– not later than 1 year	1,575	1,101	–	–
– later than 1 year	4,592	4,886	–	–
– later than 5 years	–	221	–	–
Minimum lease payments	6,167	6,208	–	–
Future finance charges	(779)	(897)	–	–
Total lease liability	5,388	5,311	–	–

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.

(b) Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
– not later than 1 year	1,077	1,387	–	–
– later than 1 year but not later than 5 years	2,559	2,239	–	–
– later than 5 years	–	–	–	–
Total operating lease commitments	3,636	3,626	–	–

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.

c) Capital expenditure commitments				
Contracted but not provided for and payable not later than 1 year	155	142	–	–

30. 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	
	2005 $	2004 $	2005 $	2004 $
31. Remuneration of Auditor				
Remuneration of the auditor of the Company for:				
– auditing or reviewing the financial statements	215,000	143,000	52,000	45,000
– other services (taxation & advisory)	82,000	139,000	9,000	35,000
	297,000	282,000	61,000	80,000

32. Financial Instruments

(a) Significant accounting policies

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

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 2005 or 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 2005

			Fixed Interest Rate				
	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash	–	–	–	–	–	390	390
Trade receivables	–	–	–	–	–	29,235	29,235
Other receivables	–	–	–	–	–	2,344	2,344
		–	–	–	–	31,579	31,579
Financial liabilities							
Accounts payable	–	–	–	–	–	27,072	27,072
Bank loans	6.53	17,230	–	15,435	–	–	32,665
Overdraft & invoice finance	6.67	5,581	–	–	–	–	5,581
Finance leases	6.80	–	1,533	3,855	–	–	5,388
Other	–	–	–	–	–	4,315	4,315
Employee entitlements	5.60	5,158	–	–	–	–	5,158
		27,969	1,533	19,290	–	31,387	80,179

Year ended 30 June 2004

			Fixed Interest Rate				
	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-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

32. Financial Instruments *(continued)*

(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	
	2005 $'000	2004 $'000
Financial assets		
Recognised financial assets		
Trade receivables	29,235	18,727
Other receivables	2,344	709
	31,579	19,436

(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	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Financial assets				
Traded on organised markets	–	–	–	–
Not readily traded				
Trade receivables	29,235	18,727	29,235	18,727
Other receivables	2,344	709	2,344	709
	31,579	19,436	31,579	19,436
Financial liabilities				
Traded on organised markets	–	–	–	–
Not readily traded				
Accounts payable	27,072	17,690	27,072	17,690
Bank loans	32,665	12,980	32,665	12,980
Overdraft & invoice finance	5,581	981	5,581	981
Finance leases	5,388	5,311	5,388	5,311
Other	4,315	4,807	4,315	4,807
Employee entitlements	5,518	3,886	5,518	3,886
	80,179	45,655	80,179	45,655

32. Financial Instruments *(continued)*

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.

33. 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.

34. Impact of adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition management

The Board has established a project to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

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 included:

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

The assessment and planning phase was complete as at 30 June 2005.

Design phase

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase incorporated:

- Formulation of revised accounting policies and procedures for compliance with AIFRS requirements
- Identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS
- Development of revised AIFRS disclosures
- Formulation of accounting and business processes to support AIFRS reporting obligations
- Identification of required changes to financial reporting and business source systems
- Development of training programs for staff

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

The design phase was complete as at 30 June 2005.

Implementation Phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required disclosures of AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards.*

This phase was substantially complete as at 30 June 2005.

Impact of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed in the reconciliations from current Australian GAAP to AIFRS, and the selection and application of AIFRS accounting policies, are based on AIFRS standards that management expect to be in place. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS, consequently the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this Note.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction
- changes to the Company's and consolidated entity's operations.

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards.* In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

(a) Business combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet. The assets and liabilities are then subject to the other requirements of AASB 1, as discussed.

Comparative period

Business combinations that occurred on or after 1 July 2004 will be restated to comply with AIFRS. All business combinations will be accounted for by applying the purchase method. There are no expected adjustments impacting the Company or consolidated entity.

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

(b) Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

In respect of acquisitions prior to transition date, goodwill is expected to be included on the basis of its deemed cost, which represents the amount recorded under Australian GAAP, adjusted for reclassifications of other intangible assets not meeting the AIFRS recognition criteria. No reclassifications are expected.

Goodwill will be stated at cost (less accumulated amortisation) less any accumulated impairment losses. Goodwill will be allocated to cash generating units and tested annually for impairment (refer (c) for further details on impairment testing).

Research and development

Under AIFRS expenditure on research activities will be expensed as incurred whereas under current Australian GAAP certain research costs are included within development projects and therefore capitalised.

Under AIFRS, expenditure on development activities must be capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete the development. Capitalised development expenditure will be stated at cost less accumulated amortisation and impairment losses.

No research or development expenditure has been capitalised under current Australian GAAP in the year ended 30 June 2005 or in the prior financial year. No significant changes are expected applying the AIFRS requirements.

Other intangible assets

Other intangible assets acquired separately or through a business combination will be stated at cost less accumulated amortisation and impairment losses.

On transition other intangible assets have been reviewed to ensure they are capable of recognition under AASB 138 Intangible Assets and tested for impairment. No impairment losses are expected. This is expected to result in a de-recognition of internally generated intellectual property at transition date of $3,362,000, with a commensurate reduction in the asset revaluation reserve of $7,000,000 and an increase in retained earnings of $3,638,000 of the consolidated entity. This also has the effect of reducing intellectual property amortisation of $621,000 for the year ended 30 June 2005 of the consolidated entity.

Amortisation

Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment annually. Other intangible assets will be amortised from the date they are available for use. Changes in useful life on transition to AIFRS will be accounted for prospectively. The estimated useful lives as at 1 July 2004 are expected to be as follows:

	AIFRS	Current AGAAP
Goodwill	Indefinite	20 years

The impact on the results for the year ended 30 June 2005 is expected to be an increase of $580,000 from the reversal of the goodwill amortisation for the consolidated entity. The estimated useful lives of other forms of intangible assets are not expected to change.

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

(c) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis, are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. 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, the relevant cash flows have not been discounted to their present value.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets (excluding investment property, defined benefit assets and deferred tax assets), goodwill and indefinite life intangible assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

Goodwill, which is not amortised under AIFRS (refer (b)), intangible assets that have an indefinite useful life and intangible assets not yet ready for use are tested for impairment annually.

If there is any indication that an asset is impaired (or for those tested annually), the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined using a discounted cash flow analysis.

A cash generating unit will be the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows of other assets or group of assets, with each cash-generating unit being no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

Goodwill and other relevant non-current assets have been tested for impairment as at transition date and 30 June 2005. There is no impairment loss expected for the consolidated entity.

Calculation of recoverable amount

Under current Australian GAAP, the recoverable amount of non-current assets was assessed at an entity level using undiscounted cash flows.

The recoverable amount of other assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

Reversals of impairment

Under current Australian GAAP impairment losses have not been reversed.

Under AIFRS an impairment loss in respect of goodwill must not be reversed. In respect of other assets, an impairment loss will be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss will be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

There is no expected impact of this change in treatment on transition or at 30 June 2005 for the company or the consolidated entity.

(d) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

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

The expected impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense is an increase in deferred tax assets of $675,000, an increase in deferred tax liabilities of $2,394,000 and a decrease in retained earnings of $1,719,000. No adjustment to the Company is expected.

The expected impact of the change in basis on the tax expense for the financial year ended 30 June 2005 is an increase in tax expense by $199,000 for the consolidated entity. Deferred tax assets and deferred tax liabilities of the consolidated entity are expected to decrease by $162,000 and increase by $37,000 respectively as at 30 June 2005. There is no expected impact to the Company.

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

(e) Employee benefits

Share based payments

Under current Australian GAAP no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market and non-market performance conditions, and spread over the vesting period during which the employees becomes unconditionally entitled to the options. The fair value of options granted will be measured using the binomial method, taking into account the terms and conditions attached to the options. The amount recognised as an expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions.

No adjustment will be made for options granted before 7 November 2002 which have vested before 1 January 2004. Options granted after 7 November 2002 remaining unvested at 1 January 2004 will be recognised in the opening balance sheet through retained earnings resulting in a nil impact on transition.

For the financial year ended 30 June 2005, employee benefits expense and equity are expected to be increased by $159,000 in the company and in the consolidated entity representing the options expense for the period.

(f) Foreign currency

Financial statements of foreign operations

Under current Australian GAAP, the assets and liabilities of self-sustaining foreign operations are translated at the rates of exchange ruling at reporting date except for equity items, fixed assets and goodwill which 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 recognised directly in the foreign currency translation reserve until disposal of the operation, when it is transferred directly to retained earnings.

Under AIFRS each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the entity's functional currency to the consolidated entity's presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate reserve of equity.

There are no expected changes in functional currency for the Company or its subsidiaries.

All foreign operations are translated into Australian dollars using the method described as above, the concepts of 'self sustaining' and 'integrated' operations do not exist in the AIFRS framework.

On disposal of a foreign operation, the amount recognised in the foreign currency translation reserve attributable to the foreign operation is included in the calculation of gain or loss on disposal and recycled through the current year income statement.

The AASB 1 election to reset existing foreign currency translation reserve balance to nil is not expected to be adopted. Foreign currency translation differences that have arisen prior to the date of transition are expected to continue to be presented as a separate component of equity.

Goodwill and fair value adjustments arising on acquisition of foreign operations prior to transition date continue to be translated at historical rates as permitted by AASB 1, therefore there is no impact on transition in respect of this change.

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

(g) Earnings per share

Under AIFRS basic and diluted earnings per share are calculated using the profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The basic and diluted earnings per share for the discontinued operations is calculated and disclosed separately.

The earnings per share for the financial year ended 30 June 2005 calculated on the AIFRS adjusted results are expected to be:

Basic EPS from continuing operations: 6.54¢

Diluted EPS from continuing operations: 6.53¢

(h) Financial instruments

MaxiTRANS Industries Limited expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

The entity has followed Australian GAAP in accounting for financial instruments within the scope of AASB 132 and AASB 139 as described in Note 1 Statement of significant accounting policies.

(i) Property, plant and equipment

As carrying amounts, depreciation rates and useful economic lives are not expected to change there is no effect on the income statements for the financial year ended 30 June 2005. No adjustments are expected for the Company.

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. For the consolidated entity an amount of $2,016,000 is expected to be reclassified from revenue to other expenses for the financial year ended 30 June 2005. No adjustment is expected for the Company.

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

Summary of transitional adjustments

The following table sets out the expected adjustments to the statements of financial position of the Company and the consolidated entity at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005.

	Consolidated 1 July 2004			Consolidated 30 June 2005		
	AGAAP $'000	Transition impact $'000	AIFRS $'000	AGAAP $'000	Transition impact $'000	AIFRS $'000
ASSETS						
Current Assets						
Cash	10	–	10	390	–	390
Receivables	19,436	–	19,436	31,579	–	31,579
Inventories	23,683	–	23,683	35,418	–	35,418
Other	295	–	295	296	–	296
Total Current Assets	43,424	–	43,424	67,683	–	67,683
Non-current assets						
Investments in associates	3,168	–	3,168	2,913	–	2,913
Other financial assets	–	–	–	–	–	–
Property, plant and equipment	30,256	–	30,256	43,957	–	43,957
Goodwill	3,615	–	3,615	10,249	580	10,829
Other intangible assets	30,252	(3,362)	26,890	28,788	(2,733)	26,055
Deferred tax assets	1,768	675	2,443	2,053	513	2,566
Other	497	–	497	800	–	800
Total non-current assets	69,556	(2,687)	66,869	88,760	(1,640)	87,120
Total assets	112,980	(2,687)	110,293	156,443	(1,640)	154,803
LIABILITIES						
Current Liabilities						
Accounts and other payable	17,690	–	17,690	27,072	–	27,072
Interest bearing liabilities	2,110	–	2,110	1,533	–	1,533
Current tax payable	1,841	–	1,841	1,159	–	1,159
Provisions	4,290	–	4,290	5,960	–	5,960
Total Current Liabilities	25,931	–	25,931	35,724	–	35,724
Non-current liabilities						
Interest bearing liabilities	17,162	–	17,162	42,101	–	42,101
Deferred tax liabilities	2,138	2,394	4,532	2,354	2,432	4,786
Provisions	424	–	424	–	–	–
Total Non-current Liabilities	19,724	2,394	22,118	44,455	2,432	46,887
Total Liabilities	45,655	2,394	48,049	80,179	2,432	82,611
Net Assets	67,325	(5,081)	62,244	76,264	(4,072)	72,192
EQUITY						
Contributed Equity	52,538	–	52,538	53,406	–	53,406
Reserves	7,324	(7,000)	324	6,864	(7,000)	(136)
Retained profits	7,463	1,919	9,382	11,317	2,863	14,180
	67,325	(5,081)	62,244	71,587	(4,137)	67,450
Parent interest	–	–	–	71,587	(4,137)	67,450
Minority interest	–	–	–	4,677	65	4,742
Total Equity	67,325	(5,081)	62,244	76,264	(4,072)	72,192

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

The Company 1 July 2004			The Company 30 June 2005		
AGAAP $'000	Transition impact $'000	AIFRS $'000	AGAAP $'000	Transition impact $'000	AIFRS $'000
–	–	–	3	–	3
41,249	–	41,249	31,902	–	31,902
–	–	–	–	–	–
–	–	–	–	–	–
41,249	–	41,249	31,905	–	31,905
–	–	–	–	–	–
17,548	–	17,548	27,187	–	27,187
84	–	84	64	–	64
–	–	–	–	–	–
11	–	11	–	–	–
1,625	–	1,625	1,614	–	1,614
–	–	–	–	–	–
19,268	–	19,268	22,865	–	22,865
60,517	–	60,517	60,770	–	60,770
167	–	167	205	–	205
34	–	34	–	–	–
1,860	–	1,860	757	–	757
2,061	–	2,061	962	–	962
–	–	–	–	–	–
2,138	–	2,138	2,352	–	2,352
–	–	–	–	–	–
2,138	–	2,138	2,352	–	2,352
4,199	–	4,199	3,314	–	3,314
56,318	–	56,318	57,456	–	57,456
52,538	–	52,538	53,406	–	53,406
276	–	276	–	–	–
3,504	–	3,504	4,050	–	4,050
56,318	–	56,318	57,456	–	57,456
56,318	–	56,318	57,456	–	57,456
–	–	–	–	–	–
56,318	–	56,318	57,456	–	57,456

34. Impact of adopting Australian equivalents to International Financial Reporting Standards *(continued)*

Summary of impact of transition to AIFRS on retained earnings.

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 is summarised below:

	Consolidated $'000	The Company $'000
Retained earnings as at 1 July 2004 under AGAAP	7,463	3,504
AIFRS reconciliation:		
– Accumulated amortisation and costs from de-recognition of internally generated intellectual property	3,638	–
– impact of taxation	(1,719)	–
Retained earnings as at 1 July 2004 under AIFRS	9,382	3,504

The following table sets out the expected adjustments to the statements of financial performance of the Company and the consolidated entity for the year ended 30 June 2005.

	Consolidated For the Year Ended 30 June 2005			The Company For the Year Ended 30 June 2005		
	AGAAP $'000	Transition impact $'000	AIFRS $'000	AGAAP $'000	Transition impact $'000	AIFRS $'000
Revenue	223,177	–	223,177	3,137	–	3,137
Other income	2,220	(2,016)	204	7,282	–	7,282
Changes in inventories of finished goods and work in progress	10,913	–	10,913	–	–	–
Raw materials and consumables used	(148,201)	–	(148,201)	–	–	–
Employee expenses	(52,204)	(159)	(52,363)	(2,465)	(159)	(2,624)
Depreciation and amortisation expense	(5,736)	1,209	(4,527)	(31)	–	(31)
Other expenses	(14,921)	2,016	(12,905)	(902)	–	(902)
Borrowing costs	(2,307)	–	(2,307)	–	–	–
Share of net profit of associates	1,095	–	1,095	–	–	–
Profit before income tax expense	14,036	1050	15,086	7,021	(159)	6,862
Income tax expense	(3,362)	(199)	(3,561)	100	100	
Profit for the period	10,674	851	11,525	7,121	(159)	6,962
Attributable to:						
Equity holders of the parent	10,429	786	11,215	7,121	–	6,962
Minority interests	245	65	310	–	–	–
	10,674	851	11,525	7,121	(159)	6,962

Independent Audit Report

FOR THE YEAR ENDED 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, the disclosures made by the Company in accordance with the Corporations Regulations 2001 as required by AASB 1046 *Director and Executive Disclosures by Disclosing Entities* on pages 30 to 34 of the "Remuneration report" in the Directors' report ("remuneration disclosures") and the directors declaration for MaxiTRANS Industries Limited (the "Company") and the "Consolidated Entity", for the year ended 30 June 2005.

The Remuneration report also contains information on pages 34 to 35 not required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities,* which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration 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 and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001.* 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 and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001.*

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.

Audit opinion

In our opinion, the financial report including the remuneration disclosures that are contained on pages 30 to 34 of the Remuneration report in the Director's report of MaxiTRANS Industries Limited are 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 2005 and of their performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards in Australia, including AASB 1046 Director and Executive Disclosing Entities, and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

B W Szentirmay
Partner

Dated at Melbourne, this 22nd day of August 2005

Australian Stock Exchange Additional Information

FOR THE YEAR ENDED 30 JUNE 2005

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 12 August 2005 are:

	Ordinary shares
Transcap Pty Ltd & related parties	23,714,185
Perpetual Trustees Australia Limited	12,788,135
Commonwealth Bank of Australia	12,003,440
Acorn Capital Limited	8,902,305

Voting rights

As at 12 August 2005, there were 4,506 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 12 August 2005, there were 6,850,000 unquoted options over unissued ordinary shares granted to employees under the Executive Option Plan. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

Distribution of shareholders
(As at 12 August 2005)

Category – No of shares	Number of shareholders
1-1,000	316
1,001 - 5,000	1,319
5,001 - 10,000	1,062
10,001 - 100,000	1,689
100,001 and over	120
	4,506

Shareholders with less than a marketable parcel

As at 12 August 2005, there were 119 shareholders holding less than a marketable parcel of 596 ordinary shares ($0.84 on 12 August 2005) in the Company totalling 27,134 ordinary shares.

On market buyback

There is no current on-market buy-back.

Australian Stock Exchange Additional Information

FOR THE YEAR ENDED 30 JUNE 2005

Twenty largest shareholders – ordinary shares (as at 12 August 2005)

Name	Number of fully paid ordinary shares held	Percentage held of issued ordinary shares
Transcap Pty Ltd	19,009,985	11.07%
National Nominees Limited	16,737,889	9.75%
Citicorp Nominees Pty Ltd	15,750,077	9.17%
RBC Global Services Australia Nominees Pty Limited	12,390,911	7.21%
ANZ Nominees Limited	3,835,800	2.23%
J P Morgan Nominees Australia Limited	3,580,671	2.08%
Toroa Pty Ltd	3,511,200	2.04%
Mrs R Brockhoff	2,000,000	1.16%
John E Gill Trading Pty Ltd	1,713,175	0.99%
Invia Custodian Pty Ltd <Black A/C>	1,636,300	0.95%
Westpac Custodian Nominees Limited	1,532,654	0.89%
Bond Street Custodians Limited	1,341,000	0.78%
John E Gill Operations Pty Ltd	1,313,078	0.76%
Mr J R Curtis	1,199,426	0.70%
Denvorcorp Holdings Pty Ltd	1,062,200	0.62%
Medical Research Foundation for Women and Babies	1,042,185	0.61%
Mr M Brockhoff	1,000,000	0.58%
Ms C A Brown	1,000,000	0.58%
Mr E D Ross	974,049	0.57%
Health Super Pty Ltd	943,370	0.55%
TOTAL	91,573,970	53.29%

Australian Stock Exchange Additional Information

FOR THE YEAR ENDED 30 JUNE 2005

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
Commonwealth Bank of Australia

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.

Van Nguyen, 16 yrs.
Royce Hepponstall, 18 yrs.
Shaun Sewell, 17 yrs.

Stewart Waterman, 11 yrs.
Robert Jolly, 13 yrs.
Bob Hind, 19 yrs.

Long Serving Employees

Charlie Smith, 30 yrs.

Gary Dixon, 9 yrs.

Roger Hill, 25 yrs.

Chris Liston, 12 yrs.
Ivan Tarrant, 39 yrs.

Anthony Long, 17 yrs.

Bob Macpherson, 17 yrs.

Hamelex White long serving employees.

Long Serving Employees

David Davies, 26 yrs.
Rose Davies, 29 yrs.

Di Moylan, 20 yrs.

George Gatt, 25 yrs.
Andrew Dalton, 15 yrs.
Ji I, 23 yrs.

MaxiTRANS

FREIGHTER

Maxi-CUBE

HamelexWhite

LUSTY EMS

PANEL Masta

COLRAIN

MAXUS