cmi LIMITED

2014 ANNUAL REPORT

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ANNUAL GENERAL MEETING

The Annual General Meeting of CMI Limited will be held at Radisson Blu Hotel Sydney, 27 O'Connell Street, Sydney NSW on Wednesday, 22 October 2014 at 10.00am (Sydney time).

The business of the meeting is outlined in the formal Notice and Proxy Form.

FINANCIAL CALENDAR

Financial year end	30 June 2014
ASX announcement of results and dividend	21 August 2014
Annual General Meeting	22 October 2014

Chairman's Review

The 2014 financial year was a challenging year for CMI Limited. The cyclical downturn in the mining industry, coupled with a lack of significant infrastructure projects, significantly impacted the performance of the Electrical division. At the same time, unfavourable currency movements and the reduction in Original Equipment Manufacturer (OEM) product sales caused the TJM Products division to suffer increased losses. Nevertheless there are several positive opportunities in both businesses which give us confidence that we can perform better in 2015 FY.

Results

The company achieved revenues of $92.4 million in the 2014 financial year, with a pre-tax profit of $4.8 million. Although revenues have held up well in a difficult trading environment, earnings have been impacted by a number of factors including the mining downturn (in the Electrical division) and currency impact in TJM. This is discussed in more detail below. The Board declared an interim fully franked dividend of 3 cents in February and a final and fully franked dividend of 3 cents per share in August, giving a total of 6 cents fully franked for the year and in line with last year.

Electrical Division

The Electrical division produced a pre-tax profit of $11.1 million, a decrease of $7.4 million on the 2013 year. Revenue decreased to $50.9 million, 28% (or $20.0 million) down on the prior year.

Lower coal prices have continued causing a further reduction of activity in the coal mining industry. This has resulted in a significant reduction in revenues from the division's mining product range. This has been compounded by a reduction in activity in infrastructure projects which has impacted revenue from the building and construction product range compared to the prior year. Overall revenues are 28% down, with decreased sales of both higher margin mining products and lower margin building and construction products resulting in significantly lower overall margin and lower Electrical division earnings.

Continued deferral and cancellation of coal sector capital expenditure which started in the second half of the previous financial year has gathered pace through 2014 FY.

However, the outlook for the business in the medium term is positive. The strength of the business is its focus on its client relationships across the product lines and the quality of its mining products. Also, the division is working towards the introduction of new products resulting from the acquisition of Flameproof earlier in the financial year. The Board continues to look for more synergistic acquisition and organic opportunities to grow this division with a focus on diversification away from the current reliance on the mining sector.

TJM Division

The TJM Products division produced a pre-tax loss of $3.8 million, which was $1.6 million greater than for the 2013 year. Revenue (excluding intercompany sales) showed an increase of 1% at $41.4 million compared to last year.

The period of continued review and reform that was begun last year in TJM has continued through 2014 FY. Unfortunately this extensive restructuring and reform has yet to deliver a sustainable improvement in profitability. However there are positive signs with a number of initiatives being implemented which should result in a move back to profitability during the 2015 FY.

Revenue from the TJM domestic stores network continues to be strong and TJM domestic revenue growth is around 23%, excluding Original Equipment (OE) domestic sales. Revenue from OE dramatically reduced through the course of the 2014 financial year. On a positive note, the margins from aftermarket domestic revenue are higher than OE and as a result the domestic revenue growth replacing OE reduction should help contribute to more positive performance. This is a further bright spot for future performance improvement with more substantial revenue growth from export markets also predicted.

The Coming Year

The impact of subdued economic conditions in the resources sector was more pronounced in the 2014 FY than expected and continued to deteriorate in the second half. This resulted in a reduction in EBIT from $3.2 million in the first half of the 2014 FY to $1.8 million in the second half. We expect these economic conditions to persist through at least the first half of the 2015 FY. We do however anticipate some improvement flowing from the performance of TJM.

Board and management

In April, Danny Herceg and Ross Rolfe resigned as directors of CMI and I replaced Mr Herceg in his role as Chairman. In addition I have taken on executive responsibilities as Executive Chairman. At the same time, the Board appointed Jeff Forbes as an independent non-executive director and Sharyn Williams stepped down as finance director although she retains the role of CFO & Company Secretary.

In line with its corporate governance plan, the Board regularly assesses the composition of the Board and the overall management structure. While CMI has strong managers in both its Electrical and TJM divisions, there is still scope to improve performance and I intend to contribute by overseeing both businesses and having primary responsibility for implementing the strategic direction set by the Board.

A long term performance rights incentive plan has been implemented to encourage retention and stability and reward performance of our senior executives. Appropriate performance hurdles have been applied on an executive by executive basis, including operational revenue growth, profitability, share price growth, earnings per share growth and tenure.

Acknowledgements

I acknowledge the contribution of the Board members both past and present, and particularly the general managers of each of the Electrical and TJM divisions and their teams to the Company during the year. The Board also acknowledges and thanks Mr Herceg for his significant contribution to CMI over the last 7 years.

On behalf of the Board I express our appreciation to the management and staff of the Company during what was a busy year.

Andrew Buckley
Executive Chairman

Finance Review

The Group reported a Net Profit after Tax of $3.5m for the financial year ended 2014, a decrease of 64% on the prior year. This result was driven largely by the:

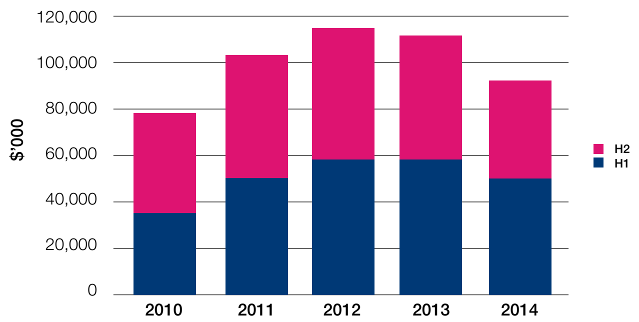
- decreased Electrical Division earnings as a result of lower overall revenues from the mining, industrial and building and construction sectors; and
- TJM earnings being challenged, despite revenues for TJM outperforming the prior comparative period, by margin pressure from the significant decline in the Australian dollar in the current financial year and its impact on the landed cost of imported goods.

The company balance sheet remains conservatively geared with negligible borrowings. The net cash of the Group at 30 June 2014 was $6.6m.

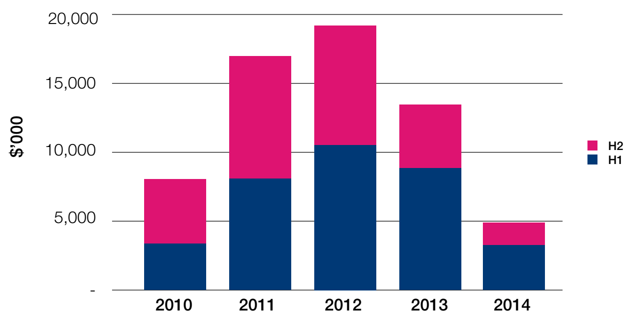
The Group generated positive operating cashflows of $6.0m, paid $3.1m in dividends, acquired the Flameproof Engineering business and continued to invest into the development of products in both the Electrical and TJM divisions. During the year the working capital requirements of the group decreased.

The Directors are pleased declare a final dividend of $0.03 per share in respect of Ordinary shares for the year ended 30 June 2014. The dividend is payable on 15 September 2014 to shareholders registered on the Record Date of 1 September 2014.

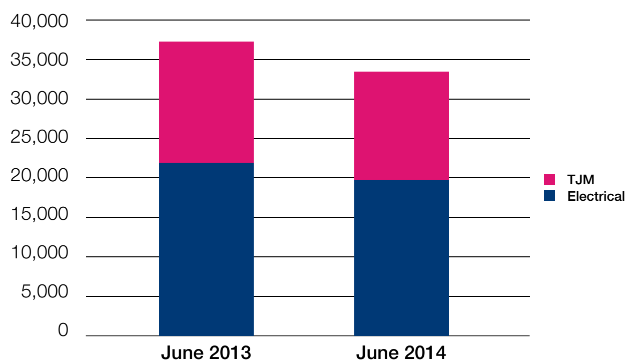
Group Revenue (including Interest Received)



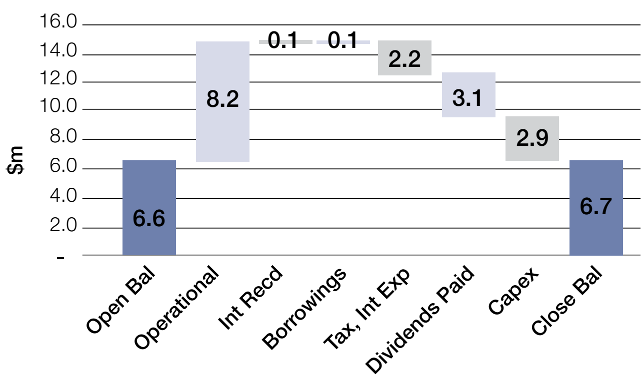
Group EBIT



Divisional Working Capital



Cash Generation



Electrical Operational Review

This division specialises in the design and manufacture of flameproof plugs and couplers for underground coal mining plus specialty electrical cables, sourcing and supply of niche electrical cables, high voltage cables and flexible cables.

Market penetration is achieved through 7 distribution outlets, 5 that are run by the company in Sydney, Brisbane, Rockhampton, Melbourne and Perth and 2 distributors located in New Zealand and Adelaide.

CMI Electrical comprises a number of well known product brands which include the following:

- Hartland Cables;
- Minto Industrial Products;
- XLPE Cables;
- Aflex Cables; and
- Flameproof Eng.

Each of the five Electrical Components business units focuses on one or two industry sectors and the cumulative reach of the division's product range extends across mining, industrial and construction.

The Electrical Division produced a pre-tax profit of \$11.1m, a decrease of \$7.4m on the 2013 year. Revenue decreased to \$50.9m, 28% (or \$20.0m) down on prior year.

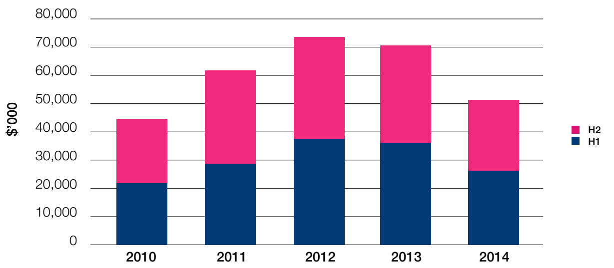
Revenue for the Electrical Division is predominately from the Mining, Industrial and Building and Construction sectors. Revenue from these three sectors decreased on the prior year. The decreased sales revenue from these three sectors resulted in lower Electrical Division earnings.

Lower coal prices have continued on from the prior year which has resulted in further rationalisation of the Coal Mining industry. Continued deferral and cancellation of capital expenditure was evident throughout the year. Mines continued to reduce operational costs in both expenditure and labour, which consequently impacted the Electrical Division revenue from the sale of its products into the coal mining sector. This rationalisation has also caused a flow on effect into the Engineering Construction sector already hit by a reduction in infrastructure spending.

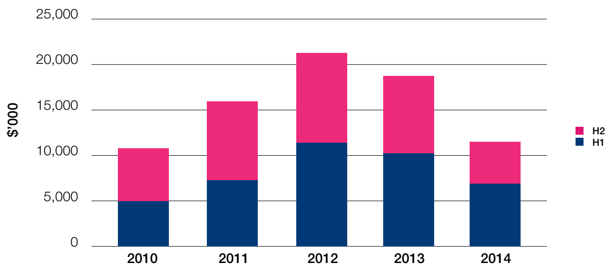
In the 2015 year CMI Electrical proposes to focus on the following:

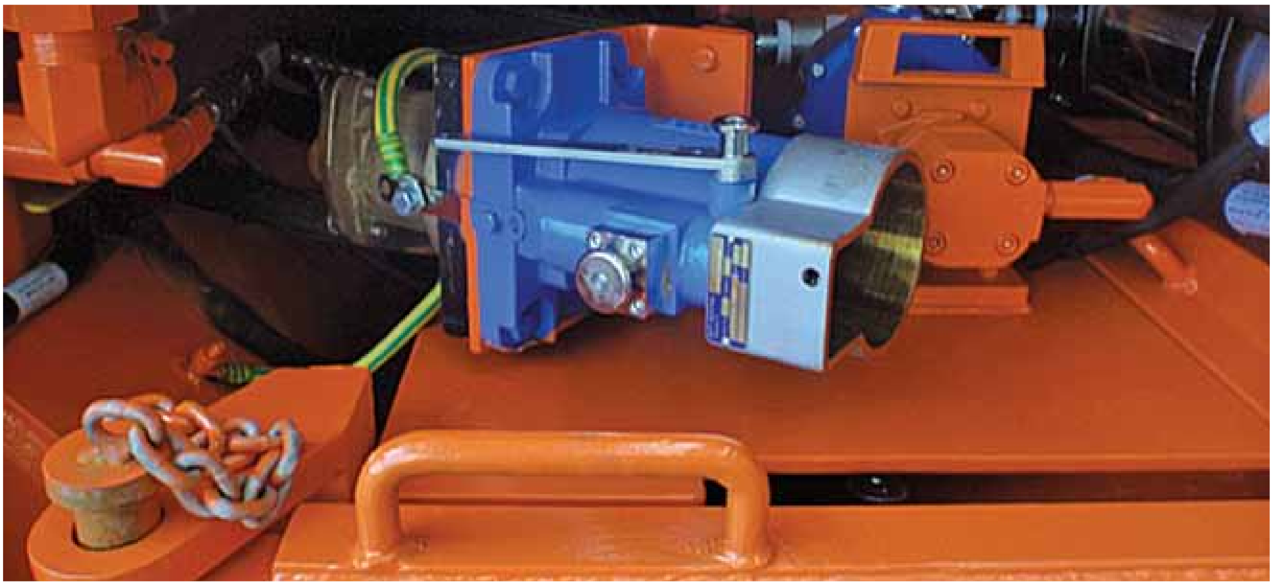
- Increasing revenue and margins through improved sales performance;
- Continuation of the introduction of new products to the market along with improvements to its Mining Product range;
- Reintroduction of the Flameproof Eng product range; and
- Reviewing growth opportunities through acquisition.

Electrical Revenue



Electrical EBIT





TJM Operational Review

This division specialises in designing, manufacturing, wholesaling and retailing of vehicle accessories for the 4WD, SUV & Trade markets.

Primary products include bull bars, winches, recovery gear, snorkels & suspension.

Market penetration is achieved through approximately 58 TJM branded aftermarket retail distribution stores throughout Australia, product supply to major original equipment manufacturers and direct export to a distribution network covering most continents.

The TJM Products Division produced a pre-tax loss of $3.8 million, which was $1.6 million greater than the prior year. Revenue (excluding intercompany sales) increased to $41.4 million, 1% (or $0.5 million) up on prior year.

Revenue from the TJM domestic stores network, excluding Original Equipment domestic sales, is up by 23% on the prior year. This is a result of improved time to market on new product development, a more diversified product offering and more effective marketing programs.

Original Equipment (OEM) revenues decreased, as expected, by 37%. As outlined previously this is due to aggressive pricing in this sector and softening demand impacting the renewal of a contract completed during the year.

Export revenues from the TJM group are in line with prior year. A process of repositioning the TJM brand within its international markets had a negative impact on revenue growth yet will provide further opportunity and strength for future growth.

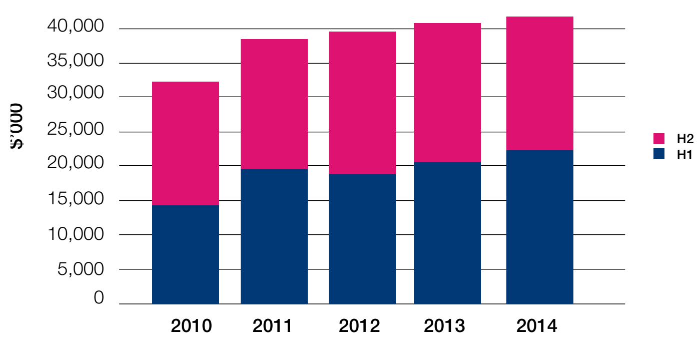
Earnings were impacted by margin pressure from the significant decline in the Australian dollar in the current financial year and its impact on the landed cost of imported goods along with reductions in OEM revenues.

TJM Products continued its transformation program to realign itself to new and existing markets.

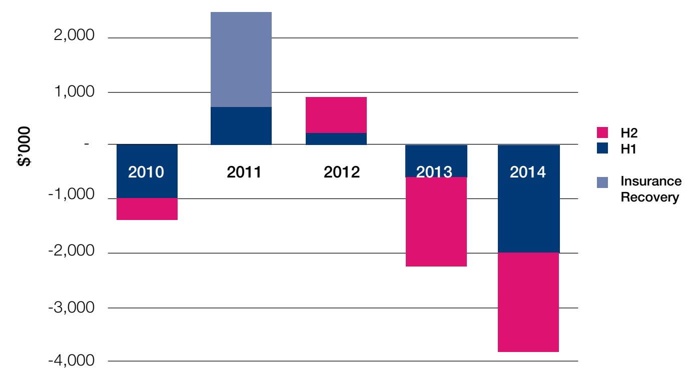
The major focus for the next 12 months is to have the business adding positively to the company's overall performance through:

- Further improvements to the efficiency and cost effectiveness of the supply chain;
- An increase in market penetration through growth of branded and reseller stores in all states;
- Improvement in brand exposure through various initiative across all modes of media;
- Alignment with professional suppliers through improved sourcing arrangements; and
- Reduction in cost of doing business (CODB) through a leaner workforce managed by measurable KPI's which are aligned to the values and goals of the business.

TJM Revenue



TJM EBIT



Directors and Senior Management

Andrew Buckley

Executive Chairman
Chairman Remuneration Committee

Andrew Buckley joined the board in April 2014 as Executive Chairman. Mr Buckley was CEO and Managing Director of Cardno Limited, an ASX200 listed company, for 17 years. In addition to managing the company, he spent a considerable amount of time interacting with the investment community, including giving presentations and roadshows, and hosting discussions with industry analysts and shareholders.

Mr Buckley has experience in engineering and environmental services to many different industries including oil and gas, mining, private sector development, and international development assistance. Mr Buckley also has international experience in North and South America, Africa, and UK and Europe.

Mr Buckley holds a Bachelor of Engineering (Hons), is a Fellow of the Australian Institute of Company Directors and the Institution of Engineers Australia.

Jeff Heslington

General Manager –
Electrical Components Division

Jeff Heslington joined CMI's Hartland Cables business in 1999. Since then he has focused on strengthening the Electrical Components Division's product range, including new design development.

Jeff, who is based in Sydney, was appointed General Manager of the Electrical Components Division in 2002.

He has over 30 years' experience in the electrical industry having worked for a range of companies including MM Cables where he was heavily involved in exports and government contracts.

Jeffrey Forbes

Non-Executive Director
Chairman Audit Committee
Member Remuneration Committee

Jeff Forbes joined the board in April 2014 as an independent non-executive director. Mr Forbes was an Executive Director, CFO and Company Secretary of Cardno Limited, an ASX200 listed company until he retired in March 2013. Prior to joining Cardno, he worked in the mining and resources sector for over 30 years and has extensive listed company experience as an executive director, non-executive director and company secretary as well as strong global financial management and merger and acquisition experience.

Mr Forbes is also the non-executive Chairman of Talon Petroleum Limited and Exoma Energy Limited, and a non-executive director of Affinity Education Limited.

Mr Forbes has a Bachelor of Commerce, is a Graduate Member of the Australian Institute of Company Directors and a Member of the AusIMM.

Sharyn Williams

Chief Financial Officer
Company Secretary

Sharyn Williams joined CMI Limited in July 2007. Ms Williams was appointed Company Secretary and Chief Financial Officer in April 2008.

Ms Williams holds a Masters of Business Administration, Bachelor degrees in Business and Education, is a member of CPA Australia, a Chartered Secretary and a Graduate Member of the Australian Institute of Company Directors.

Leanne Catelan

Non-Executive Director
Member Audit Committee
Member Remuneration Committee

Leanne Catelan joined the board in August 2011 as non-executive director.

Ms Catelan has commercial and management experience within both private and public company structures, including more than 8 years in the Information Technology Industry. Ms Catelan also has experience in the Sports Management Industry, including contract and endorsement negotiations both domestically and internationally. Ms Catelan is a member of the Australian Institute of Company Directors.

Stephen O'Brien

General Manager –
TJM Products

Stephen O'Brien joined CMI's TJM business in February 2012 as General Manager.

Mr O'Brien has had 20 years senior executive experience in blue chip companies across various industry sectors within Australia and internationally. He has held directorship roles in publicly listed companies. Additionally, he has used his experience for the benefit of community organisations

Mr O'Brien holds a Bachelor Degree in Business and Diploma in Company Directorship.

Financial Report

Corporate Governance Statement

The Board of Directors ("Board") is responsible for the corporate governance practices of the Company. Following the release of the Principles of Good Corporate Governance and Best Practice Recommendations by the ASX Corporate Governance Council, the Board formalised a Corporate Governance Charter in 2004. The summary of the Corporate Governance Charter is available on the Company's website (www.cmilimited.com.au). The ASX Corporate Governance Council updated the Principles and Recommendations in 2010 and 2014.

The following table and statement sets out the main corporate governance practices adopted by the Board for the year ended 30 June 2014 based on the Corporate Governance Principles and Recommendations (Second Edition August 2007 with 2010 Amendments) and discloses any instances of non-compliance with, and reasons for not adopting, the best practice recommendations of the ASX Corporate Governance Council.

Summary Table of Compliance

The table below summarises the Company's compliance with the ASX Principles and Recommendations.

Recommendation	Comply Yes/No	Reference explanation
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 10 and website
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 10
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Page 10
Principle 2 – Structure the Board to add value		
2.1 The majority of the Board should be independent directors.	No	Page 10
2.2 The Chair should be an independent director.	No	Page 10
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	No	Page 10
2.4 The Board should establish a Nomination Committee.	No	Page 10
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual directors.	Yes	Page 10
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 10
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 10 and website
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Yes	Page 10 and website
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	Page 11
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Page 11
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 11

Principle 4 – Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	Yes	Page 11 and website
4.2 The audit committee should be structured so that it:		
• consists only of non-executive directors;	Yes	Page 11
• consists of a majority of independent directors;	No	Page 11
• is chaired by an independent chair, who is not the chair of the board; and	Yes	Page 11
• has at least three members.	No	Page 11
4.3 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Page 11
Principle 5 – Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies of a summary of those policies.	Yes	Page 11 and website
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 11
Principle 6 – Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 11 and website
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Page 11
Principle 7 – Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 12 and website
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 12
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 12
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 12
Principle 8 – Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee.	Yes	Page 12 and website
8.2 The remuneration committee should be structured so that it:		
• consists of a majority of independent directors	No	Page 12
• is chaired by an independent chair; and	No	Page 12
• has at least three members.	Yes	Page 12
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration form that of executive directors and senior executives.	Yes	Page 12
8.4 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	Page 12

Principle 1 - Lay Solid Foundations for Management and Oversight

The Board is responsible for, and has the authority to determine, all matters relating to the running of the Company including the policies, practices, management, operations and objectives of the Company. It is the role of management to manage the Company in accordance with the directions of the Board. The functions reserved to the Board, and those delegated to management, are disclosed in the Corporate Governance Charter.

Each year the Board, with the assistance of the Executive Chairman, and the Remuneration Committee, undertakes a review of the performance of senior executives. The measures generally relate to the performance of CMI Limited, the performance of the executive's divisions, and the performance of the executive individually. Further details of the assessment criteria for senior executive remuneration (including equity-based share plans) are disclosed in the Remuneration Report.

Principle 2 - Structure the Board to Add Value

During the year ended 30 June 2014, the Board comprised six directors – two executives and four non-executives. As at the date of this statement, the Board comprises three directors - one executive and two non-executives. Details of the directors, including their skills, expertise, length of service and independence, are set out in the Directors' Report.

An independent director is one who is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the company. The Board does not consider that independence can be assessed with reference to an arbitrary and set period of time.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of CMI Limited are considered to be independent at 30 June 2014:

Name	Position
Jeffrey Forbes	Non-executive director

The Board acknowledges the ASX Corporate Governance Council recommendation that the Board should consist of a majority of independent directors, however, the Board is of a view that the current composition of the Board is appropriate at this time.

The Executive Chairman Mr Andrew Buckley was appointed in April 2014.The Board acknowledges the recommendation of the ASX Corporate Governance Council that the Chairman and Managing Director roles should not be exercised by the same individual, but considers in the medium-term, that CMI has strong managers in both its Electrical and TJM divisions and the long-standing experience of Mr Buckley in relation to a Managing Director role and acquisitions make it appropriate for him to carry out the functions of both roles. There is still scope to appoint a chief executive overseeing both businesses in the future.

With the prior approval of the Board, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities.

The Board established an Audit Committee in 1994 and a Remuneration Committee in 1998. Each has had a formal charter since that time. A summary of the charters are available on the Company's website.

The Board performs the duties of the Nomination Committee. There is no established formal Nomination Committee. Due to the small number of directors it is unlikely that the company would obtain additional benefits from a formal committee structure.

The Group has an informal process to educate new Directors about the nature of the business, current issues, the Group strategy and the expectations of the performance of Directors. Executive management presents to the Board on a regular basis to enable the Directors to gain a better understanding of the business operations. The performance of all other Directors and of Committees is reviewed and assessed each year by the Chairman. The performance of the Chairman is reviewed and assessed each year by the other Directors.

Principle 3 - Promote Ethical and Responsible Decision Making

It is part of the philosophy of the Company that it will at all times comply with the law and behave ethically.

The Company has a Code of Ethics to guide directors, the Executive Chairman, and other executives as to the practices necessary to maintain confidence in the Company's integrity, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The directors and employees must be aware of, and comply with the provisions of, the Corporations Act 2001 in relation to insider trading. The Company has Security Transaction Rules that set out the policy of the Company on dealing in shares and securities by directors and employees. These are formally acknowledged by all directors and relevant employees of the Company.

The Code of Ethics and the Security Transaction Rules form part of the Corporate Governance Charter available on the Company's website. The Company's website also makes available the Workplace Gender Equality Act Public Report for the 2014 year.

The Group is committed to fostering a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management.

CMI is committed to:

- promoting diversity among employees, consultants and senior management throughout the CMI Group;
- keeping shareholders informed of CMI's progress towards implementing and achieving its diversity objectives; and
- complying with the diversity recommendations published by the ASX by establishing measurable objectives for achieving gender diversity.

To this end, the Group supports and complies with the recommendations contained in the ASX *Corporate Governance Principles and Recommendations.* The Group has established a diversity policy outlining the board's measurable objectives for achieving diversity. This is assessed annually to measure the progress towards achieving those objectives. The diversity policy is available in the corporate governance section on the Group's website.

Outlined below are the diversity objectives established by the board, the steps taken during the year to achieve these objectives, and the outcomes.

Maintain the number of women in the workforce, including senior management positions and at board level.

As at 30 June 2014, women represented 25% of the Group's workforce (2013: 26%), 33% in senior executive positions (2013: 33%) and 33% at board level (2013: 50%).

During the prior year CMI Limited implemented a Paid Parental Leave scheme.

For the upcoming financial year, the Group target is to maintain female representation in the Group's workforce at 25%, 33% in senior executive positions and 33% at board level.

Review gender pay gaps on an annual basis and implement actions to address any variances.

During the year, as part of the annual remuneration review, management identifies gender bias in performance assessment and remuneration and aligns identified pay disparity.

Promote an inclusive culture that treats the workforce with fairness and respect.

CMI has set a zero tolerance policy against discrimination of employees at all levels. The company also provides avenues for employees to voice their concerns or report any discrimination.

- Nil cases of discrimination were reported during the year (2013: Nil).

Provide development opportunities for every employee, irrespective of any cultural, gender and other differences.

Whilst CMI places special focus on gender diversity, development opportunities are equal for all employees.

During the year, as part of the performance review process, training needs are established or reviewed.

The Group will continue to review and update the measurable objectives to promote diversity for the upcoming year.

Principle 4 - Safeguard Integrity in Financial Reporting

The Executive Chairman and Chief Financial Officer verify in writing to the Board and to the Auditors that the financial reports of the Company present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are drawn up in accordance with relevant Accounting Standards.

During the year ended 30 June 2014, the Audit Committee consisted of three independent directors and one non-executive director. The Audit Committee at the date of this report consists of one independent director and one non-executive director. The Chairman of the Audit Committee is an independent director. The Board acknowledges the ASX Corporate Governance Council recommendation that the Audit Committee should consist of at least three members, all of whom are non-executive directors. Due to the size of the company, and the recent restructuring of the Board, it has been determined that the committee will remain with two non-executive members but the Board's intent is to increase the size of the Board by adding an independent non-executive director in the future who will also become a member of the Audit Committee.

The Committee's responsibility is to independently verify and safeguard the integrity of the Company's financial reporting and oversee the independence of the external auditors. Details of the names and qualifications of the members of the Audit Committee, and their attendance at meetings, are disclosed in the Directors' Report.

A formal charter which outlines the Audit Committee's role, responsibilities, composition, structure and membership requirements and a summary of its main provisions has been published on the Company's website.

Prior to 30 June 2014, a resolution was lodged with ASIC under s324DAC to grant approval for Mr. B Tozer's tenure as the Lead Audit partner for the CMI Limited group, to be extended by a further period of one financial year commencing 1 July 2014, subject to Ernst & Young continuing to act as the auditor of CMI Limited.

Principle 5 - Make Timely and Balanced Disclosures

The Board complies with the continuous disclosure obligations of the Australian Securities Exchange ("ASX") and, in so doing, immediately notifies the market by disclosing any information in relation to the business of the Company that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of the Company's shares.

The Company Secretary is responsible for communications with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information released to the ASX and shareholders.

The Board has adopted the CMI Market Disclosure Policy, which sets out the key obligations of the Board and senior management to ensure that CMI complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act 2001 (Cth). A copy of the CMI Market Disclosure Policy is available on the Company's website.

Principle 6 - Respect the Rights of Shareholders

In addition to market disclosure, the Company has a policy to ensure shareholders are able to gain access to information about the Company.

The principal communication with shareholders is through the provision of the Annual Report and Financial Statements, through the interim reports and at the Annual General Meeting. Shareholders are encouraged to participate at general meetings. There is also the Company's website, which includes major briefings and announcements, the Corporate Governance Charter, other policies and committee charters and terms of reference.

The Board of Directors requests that the Company's external auditor attends all Annual General Meetings and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company has developed a Code of Conduct to guide compliance with legal and other obligations of shareholders. This Code of Conduct is available on the Company's website.

Principle 7 - Recognise and Manage Risk

The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Group's activities are aligned with the risks and opportunities identified by the Board. The Board is supported by Executive Officers who are tasked with managing the risk management system and its ongoing maintenance and managing WH&S processes.

The Board is responsible for approving and reviewing the CMI group risk management strategy and policy. The CMI Risk Management Policy outlines the policies relating to the oversight and management of material business risk and is available on the Company's website.

The Board recognises that the management of risk is an integral part of the management process and adheres to the general principles of Standards Australia Risk Management Standard 4360:1999. Management is required to design, implement and review the Company's risk management and internal control system. As part of reporting requirements to the Board, each business division is required to report as to the effectiveness of the company's management of its material business risks. The Board proactively determines strategy and actions required to address unacceptable risks to the Company.

The Board has received written assurance from the Executive Chairman and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board also has a number of other mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These mechanisms include formal risk assessments, facilitated by external risk management professionals with the Board and management teams, and strategic plans and budgets which are monitored by the Board.

Principle 8 - Remunerate Fairly and Responsibly

In accordance with its charter, the Remuneration Committee supports and advises the Board on appropriate remuneration policies, designed to meet the needs of the Company and enhance corporate and individual performance, as well as to attract and retain competent new talent.

At the date of this report, the remuneration committee comprises three members – one executive director, one independent director and one non-executive director. The chairman of the committee is an executive director. The Board acknowledges the ASX Corporate Governance Council recommendation that the Remuneration Committee should consist of a majority of independent directors and be chaired by an independent director. Due to the size of the company, and the recent restructuring of the Board, it has been determined that the Executive Chairman will fill this role currently but the Board's intent is to increase the size of the Board by adding an independent non-executive director in the future who will also become a member of the Remuneration Committee.

The Remuneration Committee is responsible for reviewing and recommending salary package arrangements for the Executive Chairman, senior executives and directors, having regard to the performance of the Company and the individuals. Details of the names and qualifications of the members of the Remuneration Committee, and their attendance at meetings during the financial year, are disclosed in the Directors' Report.

In recommending remuneration levels for the Executive Chairman, senior executives and directors, the committee considers several factors. The Company believes that it is imperative that these levels are commensurate with current market trends in relevant businesses, so as to ensure that high calibre employees and directors are attracted to and retained by the Company.

Remuneration packages usually include bonus and share-based elements, thus providing maximum benefits to both the Company and its shareholders. Details of directors' and senior executives' remuneration are disclosed in the Directors' Report.

In accordance with the Company's Constitution, the total remuneration payable to non-executive directors is not to exceed $390,000 per annum as approved by the shareholders at a general meeting. Current executive directors do not receive director fees in addition to executive salary arrangements.

The policy on bonuses for the Executive Chairman and senior executives takes into account both quantitative and qualitative measures and, while profit performance is a key factor, revenue, market share, production hours, customer satisfaction and achievement of strategic objectives are considered, as well as the individual's performance. Payment is always at the discretion of the Board, which takes into account the Company's overall financial and strategic performance.

The Company operates the CMI Performance Rights Plan, grants under which have been approved by the shareholders in accordance with the requirements of the ASX. This policy is available on the Company's website and sets out all restrictions and benefits applicable to the issue of equity securities to employees. There is no Company policy associated with employee transactions in unvested options. The intention of the Scheme is to assist in the attraction and retention of employees and executives. The Board will determine in its absolute discretion the eligibility and the number of performance rights to be offered, having regard to length of service, contribution, and potential contribution to the Company. Further detail is contained in the Directors' Report and the Financial Statements.

The Executive Chairman is a key member of the Board and the key employee of the Company. An Operating Report is provided monthly to each of the directors. The report keeps them informed of the Company's activities and performance.

The Remuneration Committee has the responsibility of undertaking a detailed evaluation of the Executive Chairman's performance on an annual basis. This evaluation utilises both quantitative and qualitative measures, and is judged against approved plans.

In addition, the Remuneration Committee, in conjunction with the Executive Chairman, reviews in a similar manner the performance of the senior executives of the Company who report directly to the Executive Chairman.

The results of these evaluations are tabled to the Board as part of the Remuneration Committee's report. At this meeting, the Board and Executive Chairman discuss and agree goals (both quantitative and qualitative) for the coming year.

Directors' Report

The directors of CMI Limited submit herewith the annual financial report for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The name and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Andrew Buckley	Executive Chairman; Chairman Remuneration Committee – Appointed 10 April 2014 Mr Buckley was CEO and Managing Director of Cardno Limited, an ASX200 listed company for 17 years. In addition to managing the company, he spent a considerable amount of time interacting with the investment community, including giving presentations and roadshows, and hosting discussions with industry analysts and shareholders. Mr Buckley has experience in engineering and environmental services to many different industries including oil and gas, mining, private sector development, and international development assistance. Mr Buckley also has international experience in North and South America, Africa, and UK and Europe. He holds a Bachelor of Engineering (Hons), is a Fellow of the AICD and the Institution Of Engineers Australia. During the past three years he has also served as a director of the following listed companies: Cardno Limited (appointed: 24 February 2004, ceased: 1 March 2014). During the financial year he attended 4 of the 4 directors' meetings he was eligible to attend and 1 of 1 remuneration committee meetings held.
Jeffrey Forbes (Independent)	Non-Executive Director; Chairman Audit Committee – Appointed 10 April 2014 Mr Forbes was an Executive Director, CFO and Company Secretary of Cardno Limited, an ASX200 listed company. Prior to joining Cardno, he worked in the mining and resources sector for over 30 years and has extensive listed company experience as an executive director, non-executive director and company secretary as well as strong global financial management and merger and acquisition experience. Jeff has a Bachelor of Commerce, is a Graduate Member of the Australian Institute of Company Directors and a Member of the AusIMM. During the past three years he has also served as a director of the following listed companies: Talon Petroleum Limited (appointed: 4 April 2013); Affinity Education Group Limited (appointed 6 November 2013); Exoma Energy Limited (appointed 1 July 2014); and Cardno Limited (appointed 10 July 2006, ceased 6 March 2013). During the financial year he attended 4 of the 4 directors' meetings he was eligible to attend, 2 of the 2 audit committee meetings he was eligible to attend and 1 of 1 remuneration committee meetings held.
Leanne Catelan	Non-Executive Director – Appointed 30 August 2011 Ms Catelan has commercial and management experience within both private and public company structures, including more than 8 years in the Information Technology Industry. Ms Catelan also has experience in the Sports Management Industry, including contract and endorsement negotiations both domestically and internationally. Leanne is a Member of the Australian Institute of Company Directors. During the financial year she attended 13 of the 13 directors' meetings held, 5 of the 5 audit committee meetings held and 1 of 1 remuneration committee meetings held.
Danny Herceg (Independent)	Chairman – Appointed 15 March 2013; ceased 10 April 2014; Non-Executive Director – Appointed 9 March 2007; ceased 10 April 2014; Chairman Audit Committee and Remuneration Committee – Appointed 30 August 2011; ceased 10 April 2014. Mr Herceg, LLB BSc, is a senior corporate and commercial lawyer with a particular specialisation in capital raisings, mergers and acquisitions, privatisations, restructurings and venture capital. During the financial year he attended 9 of the 9 directors' meetings he was eligible to attend and 3 of the 3 audit committee meetings he was eligible to attend.
Ross Rolfe (Independent)	Non-Executive Director – Appointed 13 May 2013; ceased 10 April 2014 Mr Rolfe has broad experience as both a Chief Executive and an independent director of Australian companies operating in the energy, infrastructure and contracting sectors. Ross is currently the Chair of WDS Limited, an ASX listed company that supplies contracting services to the coal and gas industries. He is also the Chair of CS Energy, a government owned generation company based in Queensland and a Non- Executive Director of Infigen Energy, an ASX listed company with a renewable energy portfolio in Australia and the USA. In addition, he holds a senior executive role in Lend Lease and has previously held positions as Chief Executive Officer of Alinta Energy and Stanwell Corporation as well as Director-General of the Departments of Premier and Cabinet, Trade, State Development and Coordinator-General in Queensland. During the financial year he attended 8 of the 9 directors' meetings he was eligible to attend and 3 of the 3 audit committee meetings he was eligible to attend. During the past three years he has also served as a director of the following listed companies: WDS Limited (appointed 14 July 2008); Infigen Energy Limited (appointed 9 September 2011); Alinta Energy Limited (appointed 8 December 2008; ceased 6 April 2011).

Sharyn Williams	Executive Finance Director – Appointed 15 March 2013; ceased 10 April 2014 Ms Williams joined CMI Limited in July 2007. Ms Williams was appointed Company Secretary and Chief Financial Officer in April 2008 and Finance Director in March 2013. She holds a Masters of Business Administration, Bachelor degrees in Business and Education, is a member of CPA Australia, a Chartered Company Secretary and a Graduate Member of the Australian Institute of Company Directors. During the financial year she attended 9 of the 9 directors' meetings she was eligible to attend.

Details of directors' shareholdings as at the date of this report:

Name	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	Employee Performance Share Rights	Director Share Options
Leanne J. Catelan as:				
Le Rae Pty Ltd as trustee for the Catcorp Trust (formerly The M&L Trust)	12,420,484	-	-	-
LJ Catelan Superannuation Fund Pty Ltd as trustee for the Leanne Catelan Superannuation Fund	730,217	-	-	-
Andrew D. Buckley as:				
Buckland (Qld) Pty Ltd ATF the Buckley Family Trust	50,000	-	-	-
Jeffrey I. Forbes as:				
JI Forbes & JJ Forbes ATF the Forbes Superannuation Fund	5,000	-	-	-

Details of Key Management Personnel's shareholdings as at the date of this report:

Name	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	Employee Performance Share Rights
Jeff L. Heslington	-	-	-
Stephen D. O'Brien	-	-	250,000
Sharyn R. Williams	3,622	-	200,000

COMPANY SECRETARY

Sharyn R. Williams

Ms Williams joined CMI Limited in July 2007, was appointed Chief Financial Officer and Company Secretary in April 2008 and was Finance Director for the period March 2013 to April 2014. She holds a Masters of Business Administration, Bachelor degrees in Business and Education, is a member of CPA Australia, a Chartered Company Secretary and a Graduate Member of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES

The consolidated entity's principal activities in the course of the financial year were the manufacture and marketing of specialist cabling and electrical products for a range of industry sectors and the manufacture and marketing of components and parts for 4WD, light commercial and heavy transport vehicles.

REVIEW OF OPERATIONS

Group Revenue and Profit

Consolidated revenue for the year from continuing operations was $92.391 million (2013: $111.755 million). Interest revenue for the year was $105 thousand (2013: $59 thousand).

The consolidated entity's profit before tax was $4.841 million (2013: $13.323 million) and the profit after tax was $3.547 million (2013 profit: $9.812 million).

Electrical Division

The Electrical Division produced a pre-tax profit of $11.052 million, a decrease of $7.465 million on the prior year.
Revenue decreased to $50.853 million, 28% (or $19.921 million) down on prior year.

Revenue for the Electrical Division is predominately from the Mining, Industrial and Building and Construction sectors.

Revenue from these three sectors decreased on the prior year. The decreased sales revenue from these three sectors resulted in lower Electrical Division earnings.

Lower coal prices have continued on from the prior year which has resulted in further rationalisation of the Coal Mining industry. Continued deferral and cancellation of capital expenditure was evident throughout the year. This rationalisation has brought on a flow on effect into the Engineering Construction sector. Mines continued to reduce operational costs in both expenditure and labour, which consequently impacted the Electrical Division revenue from the sale of its products into the coal mining sector.

The Electrical Division continues to work on the introduction of new products along with improvements to its existing proprietary product range.

TJM Division

The TJM Products Division produced a pre-tax loss of $3.839 million, $1.588 million greater than the prior year. Revenue (excluding intercompany sales) increased to $41.448 million, 1% (or $506 thousand) up on prior year.

Revenue from the TJM domestic stores network, excluding Original Equipment (OE) domestic sales, is up by 23% on the prior year. This is a result of improved time to market on new product development, a more diversified product offering and more effective marketing programs.

Original Equipment revenues decreased as expected by 37%. As outlined previously this is due to aggressive pricing in this sector and softening demand impacting the renewal of a contract completed during the year.

Export revenues from the TJM group are in line with prior year. A process of repositioning the TJM brand within its international markets had a negative impact on revenue growth yet will provide further opportunity and strength for future growth.

Earnings were impacted by margin pressure from the significant decline in the Australian dollar in the current financial year and its impact on the landed cost of imported goods.

TJM Products continued its transformation program to realign itself to new and existing markets.

The major focus for the next 12 months is to have the business adding positively to the company's overall performance through:

- Further improvements to the efficiency and cost effectiveness of the supply chain;
- An increase in market penetration through growth of branded and reseller stores in all states;
- Improvement in brand exposure through various initiative across all modes of media;
- Alignment with professional suppliers through improved sourcing arrangements; and
- Reduction in cost of doing business (CODB) through a leaner workforce managed by measurable KPI's which are aligned to the values and goals of the business.

Financial Position

The group's working capital position at 30 June 2014 totalled $40.187 million (2013: $41.732 million) consisting of cash of $6.681 million (2013: $6.600 million), receivables of $17.284 million (2013: $19.536 million), inventories of $26.014 million (2013: $29.430 million) and trade payables of $9.801 million (2013: $13.834 million). The group decreased its borrowings by $55 thousand in the period (2013: $7.664 million), leaving $118 thousand in lease finance at 30 June 2014 (2013: $173 thousand).

During the period the group's cash position increased by $0.081 million (2013: $1.090 million) with operating cash flows generated of $5.986 million (2013: $10.738 million), investing activities absorbing $2.823 million (2013:$2.450 million) and financing activities absorbing $3.177 million (2013: $7.198 million).

The group's property, plant and equipment assets at 30 June 2014 totalled $5.157 million (2013: $5.351 million) following additions during the period of $1.051 million (2013: $1.008 million) and depreciation expense of $853 thousand (2013: $786 thousand). The majority of the additions related to the TJM division with particular focus on product development and the expansion of the China based production facility.

The group's intangible assets, excluding goodwill, at 30 June 2014 totalled $4.349 million (2013: $3.387 million) following additions during the period of $1.875 million (2013: $1.614 million) and amortisation expense of $911 thousand (2013: $904 thousand). The majority of the additions related to the development of products in both the Electrical and TJM divisions.

Shares on issue

CMI Limited had 34,552,634 shares on issue at 30 June 2014 (2013: 34,052,634). 500,000 shares were issued during the period (2013: 300,000) raising $Nil (2013: $360 thousand). This share issue related to the exercise of performance share rights granted in December 2012. During the prior year the CMI Limited Performance Right Plan was established. Under this plan 950,000 share performance rights were issued in the prior period with nil vested at 30 June 2014 (2013: 500,000). There are nil director options remaining at 30 June 2014 (2013: Nil) and 450,000 performance rights remaining at 30 June 2014 (2013: 950,000). At the date of this report there are 34,552,634 shares on issue.

Employees

The group employed approximately 186 people at 30 June 2014, a decrease of 9% from the number employed at 30 June 2013. During the year CMI Limited reviewed its staffing and locations to ensure it has the right resources in the right locations to fulfil customer needs. During the prior year, the group implemented a Performance Rights Plan to incentivise and retain executives and a Paid Parental Leave Scheme as part of the group's diversity program. Investment continues in the training and development of the group's human resources.

Health and Safety

The health and safety of CMI's team members is a priority of the business. The Board and Management are committed to continuous improvement in the implementation, monitoring and correction of the safety system across all workplaces.

Strategy, prospects and risks

The group's business strategy remains focused on the organic growth of core businesses both domestically and internationally and the expansion of the current business operations by actively seeking acquisitions and growth opportunities that are compatible with the core businesses of the group. The group's strong financial position at 30 June 2014, as detailed above, provides opportunity to support its growth and acquisition strategy. In parallel with operational reforms which will improve the performance of the TJM business, the Board are considering strategic options to realise value from this division.

Revenue growth will be driven in both divisions through increased product ranges, more efficient supply chain and procurement processes and increased distribution channels both domestically and internationally.

In the prior year the Board resumed dividend distributions to all shareholders and intends to maintain a prudent dividend payout ratio in the future, payable twice per annum.

The risks identified for the group include:

- Exposure to the domestic resource industry impacting revenues and margin, particularly in the electrical division.
- Exposure to international export markets for TJM can result in revenue and margin impacts due to local economic factors in those export markets.
- TJM operates in the foreign jurisdictions of China and United States. Operating in foreign jurisdictions can pose a risk to the group due to differing legal, economic and regulatory frameworks.
- The group is a net importer of product and the reducing strength of the Australian dollar poses a risk to the profitability of the group, particularly in the TJM division.
- The TJM division has a large customer and this poses a financial risk to this division. This risk was realised in the current year with revenues decreasing from this customer due to the completion of a contract and renewal being impacted by aggressive pricing in this sector and softening demand. 2015 financial year revenues from this customer are expected to be less than 2014 financial year.
- The group has a number of key third party suppliers and interruption to the supply from these suppliers could pose a risk to the business.

The company manages risk by identifying risks and mitigating them through a combination of internal controls and external insurance. In particular to the group's foreign operations, the risk of operating in a foreign jurisdiction is mitigated in a number of ways including (a) close management over sight from Head Office including site visits throughout the year, (b) review of operations by the external auditor every six months as part of the audit process and (c) use of local experts in complex areas such as tax and business law.

The Chairman's Review, Finance Review and Divisional Operational Reviews on pages 2 to 5 provide further details.

CHANGES IN STATE OF AFFAIRS

On 30 August 2013, 500,000 Fully Paid Ordinary Shares were issued resulting in the Issued Capital of CMI Limited being 34,552,634 Fully Paid Ordinary Shares at 30 June 2014.

FUTURE DEVELOPMENTS

Information on the strategy, prospects and risks of the group is included in the review of operations on pages 14 to 16 and the Chairman's Review, Finance Review and Divisional Operational Reviews on pages 2 to 5 of this annual report.

SUBSEQUENT EVENTS

In respect of the financial year ended 30 June 2014, the directors recommend the payment of a final dividend to the holders of fully paid ordinary shares of $0.03 per share. The dividend is payable on 15 September 2014 to shareholders registered on the Record Date of 1 September 2014.

Subsequent to year end the Group took out a number of forward exchange contracts. The forward exchange contracts exchange USD$2,400,000 to AUD$2,579,813 over a period to 30 June 2015 at a fixed rate of $0.9303. The Group expects to hedge account these instruments.

In July 2014, the CMI Board announced the details of the Executive Chairman incentive package and will be seeking shareholder approval for the equity components of the package at the AGM in October 2014. The equity components proposed consist of 3 tranches of 300,000 performance rights to be issued under the Company's Performance Rights Plan to potentially vest after periods of 1, 2 and 3 years. The exercise price of the rights is nil. Vesting conditions will include the following metrics which, if achieved, could result in Mr Buckley receiving the maximum amount of rights at each test date:

- Mr Buckley will have to remain employed at CMI in the capacity of Executive Chairman or Director for the rights to vest.
- CMI will have to achieve strong Earnings per Share growth rates of in excess of 15 % per annum compounded for the full quantity of rights to vest and pro rata vesting from 10% growth.

There has not been any other matter or circumstance, in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are subject to various environmental regulations governed by State, Federal and Local legislation. The impact on the business is regularly reviewed to ensure it complies with and exhibits best practice within the following areas of environmental regulation: air, water, noise, hazardous chemicals and contaminated land waste.

Appropriate licenses have been obtained where necessary and procedures implemented to ensure that the consolidated entity operates under the conditions imposed by the license or regulation. During the year, no areas of non-compliance were identified.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its Directors against a liability incurred as such a director to the extent permitted by the Corporations Act 2001. No payment has been made in relation to that indemnity during or since the financial year.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made in relation to that indemnity during or since the financial year.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against an incurred liability as such an officer or auditor.

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Service agreements

C Details of remuneration

D Share-based compensation

E Key management personnel equity holdings

F Performance history

G Dividends

H Share Price

I Shares Issued

A Principles Used to Determine the Nature and Amount of Remuneration

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

For the purposes of this report, the term "executive" includes the Executive Chairman, executive directors, senior executives, general managers and company secretaries of the Group and the term "director" refers to non-executive directors only.

The remuneration committee reviews the remuneration packages of all directors and executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the company.

The objective of the company's remuneration reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns reward with achievement of strategic and financial objectives and the creation of wealth for shareholders.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the remuneration committee seeks the advice of external advisers such as accounting, legal and recruitment advisers, in connection with the structure of remuneration packages. Remuneration consultants are not engaged to provide remuneration recommendations.

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years. Over the past five years, the consolidated entity's profit from ordinary activities after income tax (but prior to any impairment loss or reversal) has decreased by 55.3%, and total equity has increased by 7.6%. During the same period, directors and executives remuneration (included in part C below) have increased by 14.2%. The relationship between remuneration and company performance is considered by the Remuneration Committee and is facilitated by remuneration package reviews and short and long term incentive schemes. Refer to the review of Operations in the Directors' Report for more details.

In accordance with the company's constitution, the total remuneration payable to non-executive directors is not to exceed $390,000 per annum as approved by the shareholders at a general meeting.

Remuneration packages contain the following key elements:

a) Short-term employee benefits – salary/fees, bonuses and non-monetary benefits including the provision of motor vehicles and accommodation;

b) Post-employment benefits – including superannuation;

c) Share-based payment – shares issued during the financial year and share performance rights granted following approval by shareholders on 30 November 2012 under the Performance Rights Plan, and

d) Long-term benefits – including long service leave.

Short-term employee benefits – directors and key management personnel listed in part C below are offered a competitive remuneration that comprises the components of base pay and benefits. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. Specific key management personnel are paid cash bonuses based on performance criteria set at the beginning of the financial year. The performance criteria used to determine the amount of compensation consist of a number of key performance indicators covering both financial and non-financial measures of performance. Typically included measures include revenue, net profit before tax, inventory targets, quality assurance and leadership. These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long term value.

Management can earn between 0% and 25% of base salary as a performance-related cash bonus based on achieving budgeted financial and other performance-related targets.

The Executive Chairman can earn between 0% and 67% of base salary as a performance-related cash bonus based on achieving budgeted financial and other performance-related targets. In addition, the remuneration package includes an initial $300,000 bonus related to TJM Products becoming value accretive for the group.

In the 2014 financial year, Stephen O'Brien received a performance-related bonus totalling $25 thousand calculated on achieving performance related targets in the 2013 financial year.

In the 2013 financial year, Jeff Heslington and Sharyn Williams received performance-related bonuses totalling $37 thousand calculated on achieving budgeted financial and performance related targets in the 2012 and 2013 financial year.

Other benefits – executives receive benefits including long service leave and superannuation as required by the laws in the various jurisdictions in which the company operates. In certain circumstances, additional benefits (e.g. travel, car parking and accommodation) may also be provided.

Equity - The company has an ownership-based remuneration scheme for employees. In accordance with the provisions of the scheme, the Board may invite, on terms and conditions the Board determines, employees to apply for share performance rights. Participation in the ownership-based remuneration scheme is determined by the Board. Performance right vesting is linked to performance measures relating to, depending on position, increase in total shareholder return, earnings per share growth, revenue increases, profit maintenance and continuing employment conditions. The exercise price of the share performance rights is determined by the Board.

Further details of the employee incentive scheme are disclosed in Remuneration Report section D Share-based compensation and Note 23 to the financial statements.

B Service Agreements

Directors and executives are employed through contracts for service which contain the following key conditions:

- Reviewed annually on or about 1 July; and
- Require a one to twelve month notice period and have no minimum contract term.

Key Management Personnel	Notice Period
A.D. Buckley (Executive Chairman)	3 months
J.L. Heslington (General Manager – Electrical Components Division)	6 months
S.D. O'Brien (General Manager – TJM Products Division)	6 months from company, 1 month from executive
S.R. Williams (Finance Director/Company Secretary)	12 months

C Details of Remuneration

The directors of the company and the consolidated entity are detailed below as are the three (2013: four) key management personnel for the year ended 30 June 2014:

KEY MANAGEMENT PERSONNEL

Directors

A.D. Buckley (Executive Chairman, appointed 10 April 2014)

J.I. Forbes (appointed 10 April 2014)

L.J. Catelan (appointed 30 August 2011)

D. Herceg (appointed 9 March 2007, ceased 10 April 2014)

R.K. Rolfe (appointed 13 May 2013, ceased 10 April 2014)

S.R. Williams (appointed 15 March 2013, ceased 10 April 2014)

Other:

J.L. Heslington (General Manager – Electrical Components Division)

S.D. O'Brien (General Manager – TJM Products Division)

S.R. Williams (Chief Financial Officer/Company Secretary)

The key management personnel of the group during the prior year were:

J.L. Heslington (General Manager – Electrical Components Division)

S.D. O'Brien (General Manager – TJM Products Division)

S.R. Williams (Finance Director, appointed 15 March 2013, ceased 10 April 2014/Company Secretary)

C.G. Ryan (Executive Chairman/Managing Director, ceased 15 March 2013)

The following tables disclose the remuneration of the directors and three (2013: four) key management personnel of the consolidated entity.

	Short-term Employee Benefits				Post Employment Benefits		Long-term benefits	Share-based payment				
2014	Salary/ Fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Termin-ation benefits $	Long Service Leave $	Shares $	Options/ Perfor-mance Rights $	Total $	Short-term bonuses as % of maximum available	Perfor-mance related
A.D. Buckley	66,154	-	-	-	6,119	-	-	-	-	72,273	-	-
L.J. Catelan	85,000	-	-	-	7,863	-	-	-	-	92,863	-	-
J.I. Forbes	24,256	-	-	-	2,244	-	-	-	-	26,500	-	-
J.L. Heslington	391,207	-	-	-	34,688	-	6,247	-	-	432,142	-	-
S. D. O'Brien	336,101	25,000**	-	-	29,702	-	5,294		-	396,097	25%	6%
S.R. Williams	256,250	-	-	-	21,183	-	7,153	-	84,293	368,879	-	23%
D. Herceg	113,212	-	-	-	10,472	-	-	-	-	123,684	-	-
R.K. Rolfe	63,750	-	-	-	5,897	225,000*	-	-	-	294,647	-	-
Total	1,335,930	25,000	-	-	118,168	225,000	18,694	-	84,293	1,807,085	10%	6%

* Settlement of claim approved at a general meeting of shareholders held on 28 May 2014
** This short-term bonus related to the 2013 year

	Short-term Employee Benefits				Post Employment Benefits		Long-term benefits	Share-based payment				
2013	Salary/ Fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Termin-ation benefits $	Long Service Leave $	Shares $	Options/ Perfor-mance Rights $	Total $	Short-term bonuses as % of maximum available	Perfor-mance related
D. Herceg	161,192	-	-	-	9,544	-	-	-	-	170,736	-	-
L.J. Catelan	85,000	-	-	-	7,650	-	-	-	-	92,650	-	-
R.K. Rolfe	11,987	-	-	-	1,079	-	-	-	-	13,066	-	-
J.L. Heslington	390,300	11,625	-	-	40,027	-	11,594	-	-	453,546	8%	3%
S.D. O'Brien	336,101	-	-	-	33,399	-	7,218		81,707	458,425	-	18%
S.R. Williams	250,000	25,000**	-	-	24,750	-	8,472	-	35,122	343,344	100%**	18%
C.G. Ryan	279,792	-	-	-	30,806	62,500	-	-	934,500*	1,307,598	-	71%
S.E. Lonie	21,250	-	-	-	1,913	-	-	-	-	23,163	-	-
Total	1,535,622	36,625	-	-	149,168	62,500	27,284	-	1,051,329	2,862,528	5%	38%

* Performance rights issued during the year $655,500 and April 2008 Director Options exercised $279,000 settled in cash
** This short-term bonus was a discretionary bonus relating to the 2012 year

D Share Based Compensation

The Remuneration Committee makes recommendations to the Board regarding share based payments in the form of share performance rights to directors and executives as part of their remuneration package based on the company's performance and as an incentive to improve the performance of the company. Share performance rights issued to directors require approval by a general meeting of shareholders. Share performance rights issued to executives are in accordance with the company's Performance Rights Plan.

All share performance rights carry no voting rights, do not entitle the holder to dividends and each share performance right converts into one ordinary share of CMI Limited on exercise. No amounts are paid or payable by the recipient on receipt of the right.

Share Performance rights Granted to Key Management Personnel

There have been Nil (2013: 950,000) share performance rights issued in the current financial year.

2014	Balance at 01/07/13 No.	Granted as compens-ation No.	Exercised No.	Net other change No.	Balance at 30/06/14 No.	Balance vested at 30/06/14 No.	Vested but not exerciseable No.	Vested and exercisable No.	Rights vested during year No.
S. R. Williams	200,000	-	-	-	200,000	-	-	-	-
S.D. O'Brien	250,000	-	-	-	250,000	-	-	-	-
C.G. Ryan*	500,000	-	500,000	-	-	-	-	-	-
TOTAL	950,000	-	500,000	-	450,000	-	-	-	-

2013	Balance at 01/07/12 No.	Granted as compens-ation No.	Exercised No.	Net other change No.	Balance at 30/06/13 No.	Balance vested at 30/06/13 No.	Vested but not exerciseable No.	Vested and exercisable No.	Rights vested during year No.
S. R. Williams	-	200,000	-	-	200,000	-	-	-	-
S.D. O'Brien	-	250,000	-	-	250,000	-	-	-	-
C.G. Ryan*	-	500,000	-	-	500,000	500,000	-	500,000	500,000
TOTAL	-	950,000	-	-	950,000	500,000	-	500,000	500,000

* As at 30 June 2013, Mr C. G. Ryan was no longer an employee of CMI Limited

The following share performance rights were on issue at year end:

Individual	Issuing Entity	Number of Shares Under Option	Class of Share	Exercise Price	Expiry Date of Performance rights	% Remuneration consisting of performance rights during year
Stephen D. O'Brien	CMI Limited	250,000	Ordinary	$0.00	25/02/2018	0%
Sharyn R. Williams	CMI Limited	200,000	Ordinary	$0.00	23/01/2018	23%

The fair value of the performance rights at grant date is outlined in the following table:

	Performance Rights Series S. Williams	Performance Rights Series S. O'Brien
Grant Date	23/01/2013	25/02/2013
Total Value of Rights	$288,000	$670,000

The vesting conditions attached to the performance rights on issue and inputs to the valuation model are below:

Inputs into the model	Performance Rights Series S. Williams	Performance Rights Series S. O'Brien
Grant Date	23/01/2013	25/02/2013
Share Price	$2.20	$2.68
Volatility of Share Price	40.0%	40%
Risk Free Rate	2.67%	2.76%
Dividend yield	0.00%	0.00%
Value per Right	$1.44	$2.68
Rights Outstanding	200,000	250,000
Total Value of Rights	$288,000	$670,000
Time to Expiry	3.3 years	3.3 years
Vesting Conditions	The right issued will vest if the Company achieves a TSR of 25% over the period from issue to 30 June 2016 and Ms S. Williams remains employed with CMI until 30 June 2016.	The rights issues will vest if the TJM Division achieves a cumulative growth in revenues (excluding revenues from acquisitions) of at least 30% over revenues for the year ended 30 June 2013, with no decline in profits, by 30 June 2016 and Mr S. O'Brien remains employed with CMI until 30 June 2016.
Status	Unvested	Unvested

Share Options issued by CMI Limited

There were nil share options on issue at the beginning of the period (2013: 600,000). There were nil share options issued during the year (2013: Nil). There were Nil share options on issue at 30 June 2014.

On 16 April 2008, 600,000 Director share options were issued and were able to be exercised immediately. The options could be exercised at any time in the 5 years after the date of their issue and were to be settled in shares or cash at the company's election. All options carried no voting rights and did not entitle the holder to dividends.

The fair value at exercise date of Mr C. Ryan's options was $0.93 per option, and the fair value of Mr D. Herceg's options was $0.31 per option.

2013	Balance at 01/07/12 No.	Granted as compens-ation No.	Exercised No.	Net other change No.	Balance at 30/06/13 No.	Balance vested at 30/06/13 No.	Vested but not exerciseable No.	Vested and exercisable No.	Rights vested during year No.
C.G. Ryan	300,000	-	300,000	-	-	-	-	-	-
D. Herceg	300,000	-	300,000	-	-	-	-	-	-
TOTAL	600,000	-	600,000	-	-	-	-	-	-

Each share option converts into one ordinary share of CMI Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option.

Share Options Exercised During the Year

Nil share options were exercised during the year (2013: 600,000).

Share Options Lapsed During the Year

Nil share options lapsed during the financial year (2013: Nil).

The Percentage of Remuneration Consisting of Performance Rights and Options During the Year

The percentage of remuneration consisting of share options and performance rights for directors and key management personnel during the year was 5% (2013: 37%).

E Key management personnel equity holdings

Fully Paid Ordinary Shares issued CMI Limited

2014	Balance at 01/07/13 No.	Granted as compens-ation No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/14 No.	Balance held nominally No.
A.D. Buckley	-	-	-	50,000	50,000	-
L.J. Catelan	13,150,701	-	-	-	13,150,701	-
J.I. Forbes	-	-	-	5,000	5,000	-
S.R. Williams	3,622	-	-	-	3,622	-
J.L. Heslington	-	-	-	-	-	-
S.D. O'Brien	-	-	-	-	-	-
D. Herceg	365,702	-	-	-	365,702	-
R.K. Rolfe	-	-	-	-	-	-
TOTAL	13,520,025	-	-	55,000	13,575,025	-

2013	Balance at 01/07/12 No.	Granted as compens-ation No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/13 No.	Balance held nominally No.
L.J. Catelan*	16,263,123	-	-	(3,112,422)	13,150,701	-
S.R. Williams	3,622	-	-	-	3,622	-
J.L. Heslington	-	-	-	-	-	-
S.D. O'Brien	-	-	-	-	-	-
D. Herceg	500,000	-	300,000	(434,298)	365,702	-
R.K. Rolfe	-	-	-	-	-	-
C.G. Ryan	-	-	-	-	-	-
S. E. Lonie	-	-	-	65,000	65,000	-
TOTAL	16,766,745	-	300,000	(3,481,720)	13,585,025	-

F Performance history

Financial Comparative Data in $'000	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Growth FY13 to FY14
Group Revenue***	79,125	102,266	114,897	111,755	92,391	(17%)
Earnings before Depreciation, Interest & Tax**	2,757	20,081	13,187	15,383	6,765	(56%)
Depreciation & Amortisation***	(867)	(1,099)	(1,433)	(1,691)	(1,764)	(4%)
Earnings before Interest & Tax**	1,890	18,982	11,754	13,692	5,001	(63%)
Interest & Finance Charges***	(298)	(175)	(183)	(369)	(160)	57%
Operating Profit (Loss) before Tax***	1,592	18,807	11,571	13,323	4,841	(64%)
Operating Profit (Loss) after Tax***	(449)	13,320	5,325	9,812	3,547	(64%)
Earnings per share						
- Basic (Cents)***	(1.33)	39.46	15.78	29.05	10.29	(65%)
Dividends						
- Ordinary ($'000)	N/a	N/a	N/a	2,073	2,073	0%
Dividends per Share						
- Ordinary (cents)	N/a	N/a	N/a	6.00	6.00	0%
Closing share price**						
- Ordinary ($)	0.62	0.845	1.91	1.425	1.48	4%
- Class A ($)	0.379	0.41	N/a	N/a	N/a	N/a
Shareholder Funds ($'000)***	52,881	66,035	45,240	56,388	56,885	1%
Net Tangible Assets per Ordinary Share (Dollars)**	1.31	1.69	1.06	1.36	1.31	(4%)
Number of employees**	183	202	199	204	186	(9%)

* All Class A shares were cancelled during the 2012 year
** Figures are unaudited
*** Extracts from the audited Financial Statements

G Dividends

All dividends stated below are whole numbers and are not rounded to the nearest thousand dollars.

In respect of the financial year ended 30 June 2014, the directors recommend the payment of a final dividend to the holders of fully paid ordinary shares of $0.03 per share. The dividend is payable on 15 September 2014 to shareholders registered on the Record Date of 1 September 2014.

In respect of the financial year ended 30 June 2013, the directors recommended the payment of a final dividend to the holders of fully paid ordinary shares of $0.06 per share. The dividend payment date was 4 October 2013 to shareholders registered on the Record Date of 3 September 2013.

H Share price

The closing market share price per ordinary share at market close on 30 June 2014 was $1.48 (30 June 2013: $1.425).

I Shares issued

There were 500,000 ordinary shares issued, relating to exercised share performance rights or options, during the year (2013: 300,000).

On 30 August 2013, 500,000 Fully Paid Ordinary Shares were issued resulting in the Issued Capital of CMI Limited being 34,552,634 Fully Paid Ordinary Shares at 30 June 2014. This share issue related to vested performance rights issued in the year ended 30 June 2013.The remaining performance rights on issue are 450,000 unvested performance rights.

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of amounts paid or payable for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements.

INDEPENDENCE DECLARATION BY AUDITORS

The auditor's independence declaration is included on page 25.

ROUNDING OFF OF AMOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

A. Buckley

Chairman

BRISBANE

Dated: 21 August 2014

Independence Declaration By Auditors

TO THE DIRECTORS OF CMI LIMITED

Building a better
working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of CMI Limited

In relation to our audit of the financial report of CMI Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
21 August 2014

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Independent Audit Report

TO THE MEMBERS OF CMI LIMITED

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent auditor's report to the members of CMI Limited

Report on the financial report

We have audited the accompanying financial report of CMI Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

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Opinion

In our opinion:

a. the financial report of CMI Limited is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs A to I of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of CMI Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
Brisbane
21 August 2014

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Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

In accordance with a resolution of the directors of CMI Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 28 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.

On behalf of the Board

A. Buckley

Chairman

BRISBANE

21 August 2014

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	NOTE	2014 $'000	2013 $'000
Continuing Operations			
Revenue	2(a)	92,391	111,755
Other income	2(a)	428	421
Changes in inventories		(3,416)	1,795
Raw materials expense		(52,275)	(66,799)
Sub-contractors expense		(690)	(1,131)
Employee benefits expense		(14,289)	(16,805)
Repairs, maintenance and consumables expense		(1,267)	(1,068)
ASX and share register expense		(130)	(89)
Occupancy expense		(4,410)	(4,194)
Travel and communication expense		(1,422)	(1,988)
Freight and cartage expense		(4,555)	(3,850)
Depreciation and amortisation expense		(1,764)	(1,691)
Finance costs		(160)	(369)
Reversal of impairment expense		113	-
Other expenses		(3,713)	(2,664)
Profit from continuing operations before income tax expense	3(a)	4,841	13,323
Income tax	3	(1,294)	(3,511)
Profit/(Loss) from continuing operations after income tax expense		3,547	9,812
Profit/(Loss) for the year		3,547	9,812
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(24)	249
Other comprehensive income for the year, net of tax		(24)	249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,523	10,061
Profit/(Loss) for the year is attributable to the owners of the parent		3,547	9,812
Total comprehensive income for the year is attributable to the owners of the parent		3,523	10,061
Earnings Per Share:			
From continuing operations:			
Basic (cents per share)	21	10.29	29.05
Diluted (cents per share)	21	10.16	28.67

Notes to the financial statements are included on pages 33 to 74.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

	NOTE	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	29(a)	6,681	6,600
Trade and other receivables	4	17,284	19,536
Inventories	5	26,014	29,430
Current tax assets	3	1,680	438
TOTAL CURRENT ASSETS		51,659	56,004
NON-CURRENT ASSETS			
Other financial assets	7	-	-
Property, plant and equipment	8	5,157	5,351
Goodwill	9	7,192	6,850
Other intangible assets	10	4,349	3,387
Deferred tax assets	3	74	384
TOTAL NON-CURRENT ASSETS		16,772	15,972
TOTAL ASSETS		68,431	71,976
CURRENT LIABILITIES			
Trade and other payables	11	9,801	13,834
Borrowings	12	118	55
Current tax payables	3	-	-
Other financial liabilities	33	13	-
Provisions	13	1,425	1,453
TOTAL CURRENT LIABILITIES		11,357	15,342
NON-CURRENT LIABILITIES			
Borrowings	14	-	118
Provisions	15	189	128
Deferred tax liabilities	3	-	-
TOTAL NON-CURRENT LIABILITIES		189	246
TOTAL LIABILITIES		11,546	15,588
NET ASSETS		56,885	56,388
EQUITY			
Issued capital	18	38,555	37,680
Reserves	19	6,900	7,715
Retained earnings	20	11,430	10,993
TOTAL EQUITY		56,885	56,388

Notes to the financial statements are included on pages 33 to 74.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2012	37,227	6,832	1,181	45,240
Profit/(Loss) for the period	-	-	9,812	9,812
Net foreign exchange differences	-	249	-	249
Total comprehensive income for the year	-	249	9,812	10,061
Transactions with owners in their capacity as owners	-	-	-	-
Class A share cancellation	-	(2)	-	(2)
Exercise of options	453	(93)	-	360
Exercise of options tax benefit	-	28	-	28
Exercise of options – Cashing out options	-	(279)	-	(279)
Exercise of options tax benefit	-	83	-	83
Share-based payments	-	772	-	772
Equity adjustment on loan repayments	-	125	-	125
Balance at 1 July 2013	37,680	7,715	10,993	56,388
Profit/(Loss) for the period	-	-	3,547	3,547
Net foreign exchange differences	-	(24)	-	(24)
Total comprehensive income for the year	-	(24)	3,547	3,523
Transactions with owners in their capacity as owners				
Cash Dividends	-	-	(3,110)	(3,110)
Exercise of performance rights	875	(875)	-	-
Share-based payments	-	84	-	84
At 30 June 2014	38,555	6,900	11,430	56,885

Notes to the financial statements are included on pages 33 to 74.

Consolidated Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	NOTE	2014 $'000 Inflow (Outflow)	2013 $'000 Inflow (Outflow)
Cash flows from operating activities:			
Receipts from customers (inclusive of GST)		108,163	128,556
Payments to suppliers (inclusive of GST) and employees		(100,016)	(110,384)
Interest paid		(148)	(352)
Income tax (paid)/refunded		(2,013)	(7,082)
Net cash provided by/(used in) operating activities	29(b)	5,986	10,738
Cash flows from investing activities:			
Interest received		105	59
Payments for other intangible assets		(1,874)	(1,526)
Payments for plant and equipment		(862)	(989)
Proceeds from sale of plant and equipment		381	6
Acquisition of business	32	(573)	-
Net cash (used in)/provided by investing activities		(2,823)	(2,450)
Cash flows from financing activities:			
Dividends paid		(3,110)	-
Proceeds from share issue		-	360
Proceeds from share loan repayments		-	125
Payment of finance liabilities		(67)	(181)
Payment for share buyback		-	(2)
Repayment of borrowings		-	(7,500)
Proceeds from borrowings		-	-
Net cash provided by/(used in) financing activities		(3,177)	(7,198)
Net increase/(decrease) in cash and cash equivalents held		(14)	1,090
Cash and cash equivalents at the beginning of the financial year		6,600	5,622
Effect of exchange rate changes on the balance of cash held in foreign currencies		95	(112)
Cash and cash equivalents at the end of the financial year	29(a)	6,681	6,600

Notes to the financial statements are included on pages 33 to 74.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the consolidated financial statements of the Group. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the financial report also complies with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 21 August 2014.

Basis of Preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

In the application of CMI Limited ("Group") accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of the Group's accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

Prior period comparatives have been adjusted where required to meet current year presentation format. The research and development tax offset has been reclassified from Income Tax Expense to Other Income in 2013 year for consistency.

The financial report has been prepared on a going concern basis.

Significant Accounting Policies

a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

b) Borrowing Costs

Borrowing costs directly attributable to qualifying assets are capitalised and amortised over the life of the asset. All other borrowing costs are expensed when incurred.

c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

d) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

e) Financial Assets and Liabilities

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, investments in subsidiaries and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

The fair values of financial assets that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For financial assets with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative instrument that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied.

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost using the effective interest rate method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

f) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound Instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

g) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in net profit or loss in the period in which they arise.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit and loss and is not subsequently reversed. Refer to Note 1(j).

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

j) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment losses recognised for goodwill are not subsequently reversed.

k) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability give rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax Consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. CMI Limited is the head entity in the tax consolidated group.

Entities within the tax consolidated group have entered into a tax funding agreement with the head entity. Under the terms of the tax funding agreement, CMI Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The current and deferred tax assets and liabilities of the parent entity are not reduced by the amounts owing from or to subsidiary entities in accordance with the tax funding agreement as these amounts are recognised as inter-company receivables and payables.

Entities within the tax consolidated group have adopted the stand alone approach to measuring current and deferred tax amounts.

l) Intangible Assets (excluding goodwill)

Brand names

Brand names are recorded at cost and amortised on a straight-line basis over a period of 40 years. Other intangible assets are amortised over a period not exceeding 20 years.

Research and Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are stated at cost less accumulated amortised and impairment, and are amortised on a straight-line basis over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product.

The unamortised balance of development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable, they are written-off as an expense in profit or loss.

m) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis (and the remainder at standard cost). Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

n) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to Note 1(b).

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

p) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

q) Property, Plant and Equipment

Land and buildings, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset during its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

• Buildings	25 – 50 years
• Plant and equipment	3 – 20 years
• Equipment under finance leases	3 – 20 years

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

r) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before reporting date and not paid.

s) Revenue Recognition

Sale of goods and disposal of assets

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest received

Interest received is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividends received

Dividend income is recorded in the Statement of Comprehensive Income on an accruals basis when the Group's right to receive the dividend is established.

t) Tooling

Material items of expenditure, relating to tooling, are capitalised into plant and equipment to the extent that there will be future economic benefits.

The capitalised costs are amortised over the expected period (not exceeding 15 years) in which the corresponding benefits are expected to arise. The amortised balance of costs capitalised is reviewed regularly and at each reporting date, to ensure the criterion for capitalisation continues to be met. Where such costs are no longer considered recoverable, they are recognised in profit or loss.

u) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 2).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

at the date of modification. When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 21).

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date.

v) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013.

- AASB 10 Consolidated Financial Statements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- AASB 2011-4 Amendments to Australian Accounting Standards – Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2012-9 Amendments to Australian Accounting Standard 1048 arising from the withdrawal of Australian Interpretation 1039
- AASB CF 2013-1 Amendments to the Australian Conceptual Framework

The adoptions of the new and amended standards are not deemed to have an impact on the financial statements or performance of the Group.

(ii) Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2014.

The following standards have been considered and the company does not expect any material financial impact:

- AASB 1053 Application of Tiers of Australian Accounting Standards
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

- AASB 9 Financial Instruments
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle
- AASB 1031 Materiality
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

w) Financial guarantee contracts – refer Note 30

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

x) Business Combinations

Business Combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

y) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the product and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

z) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits over the next two years together with future tax planning strategies.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

Impairment of receivable assets

The Group assesses impairment of all assets at each reporting date by evaluating objective evidence specific to the Group and to the particular receivable asset that may lead to impairment. These include the financial condition of the debtor; contract breaches by the debtor; concessions granted to the debtor; or decreases in national or economic conditions that correlate with defaults. If an impairment trigger exists the recoverable amount of the asset is determined. This expense is recognised in the Statement of Comprehensive Income in the line item "Impairment expense" and reversals of this expense are recognised in the line item "Reversal of impairmment expense".

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period with a terminal value, and a pre-tax discount rate of 20.619% p.a. (2013: 20.965% p.a.). The basis for these estimates is past experience of Management.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 23.

aa) Fair Value Measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible to by the Group.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

2. PROFIT FROM OPERATIONS

	2014 $'000	2013 $'000
(a) Revenue and Other Income from continuing operations		
Revenue from operations consisted of the following items:		
Revenue from the sales of goods	92,286	111,696
Interest – other persons	105	59
	92,391	111,755
Other Income from operations consisted of the following items:		
Research and development government grant	213	215
Other Items	215	206
	428	421
(b) Profit before income tax – continuing operations		
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations:		
Gain/(loss) on disposal of property, plant and equipment	4	(220)
Net foreign exchange gains/(losses)	97	(53)
	101	(273)
Gains attributable to continuing operations	192	33
Losses attributable to continuing operations	(91)	(306)
	101	(273)
Cost of sales	59,492	68,778
Legal expenses	572	216
Finance Costs:		
Interest – other entities	148	352
Finance lease finance charges	12	17
Depreciation or amortisation of:		
Property, plant & equipment	791	775
Leased assets	62	11
Brand names	-	-
Other intangibles	911	905
	1,764	1,691
Net bad and doubtful debts	260	268
Operating lease expense	3,567	3,225
Research and development costs charged directly to the net income:		
Employee benefits expense	448	720
Materials	42	106
Amortisation expense	707	721
Reversal of prior period impairment expense:		
Loan receivable – Note 7	(113)	-
Interest Receivable	-	-
	(113)	-
Employee benefit expense:		
Post-employment benefits:		
Defined contribution plans	928	963
Share-based payments:		
Equity settled share-based payments	84	772
Termination benefits	444	136
Other employee benefits	12,833	14,934
	14,289	16,805

3. INCOME TAXES

	2014 $'000	2013 $'000
(a) Income tax recognised in profit or loss		
Tax expense/(benefit) comprises:		
Current tax expense	1,040	3,735
(Over)/Underprovision of income tax in previous year	(56)	(383)
Deferred tax expense relating to the origination and reversal of temporary differences	310	159
Total tax expense/(benefit) attributable to continuing operations	1,294	3,511
The prima facie income tax on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Total Profit/(loss) before income tax	4,841	13,323
Income tax calculated at 30%	1,452	3,997
Add/(Deduct)		
Reversal of impairment losses on receivable	(34)	-
Foreign exchange adjustment	1	(4)
Other items	(69)	(99)
(Over)/Under provision of income tax in previous year-continuing operations	(56)	(383)
	(158)	(486)
Aggregate income tax expense	1,294	3,511

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	2014 $'000	2013 $'000
(b) Current tax assets and liabilities		
Current tax assets:		
Tax refund receivable	1,680	438
Current tax payables:		
Income tax payable attributable to:		
Parent entity	-	-
Entities in the tax consolidated group	-	-
	-	-

3. INCOME TAXES (continued)

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2014	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Impairment $'000	Closing balance $'000
Gross deferred tax liabilities:					
Property, plant and equipment	(289)	56	-	-	(233)
Intangible assets	(745)	(328)	-	-	(1,073)
	(1,034)	(272)	-	-	(1,306)
Gross deferred tax assets:					
Receivables	81	57	-	-	138
Inventories	155	(186)	-	-	341
Provisions	474	13	-	-	487
Accruals/Borrowings	257	18	-	-	275
Other	451	(312)	-	-	139
	1,418	(232)	-	-	1,380
Net deferred tax balances	384	(310)	-	-	74
Disclosed in the accounts pursuant to the set-off provisions as:					
Deferred tax assets – continuing operations					1,380
Deferred tax liabilities – continuing operations					(1,306)
					74

2013	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Impairment $'000	Closing balance $'000
Gross deferred tax liabilities:					
Property, plant and equipment	(112)	(177)	-	-	(289)
Intangible assets	(636)	(109)	-	-	(745)
	(748)	(286)	-	-	(1,034)
Gross deferred tax assets:					
Receivables	10	71	-	-	81
Inventories	191	(36)	-	-	155
Provisions	446	28	-	-	474
Accruals/Borrowings	315	(58)	-	-	257
Other	329	122	-	-	451
	1,291	127	-	-	1,418
Net deferred tax balances	543	(159)	-	-	384
Disclosed in the accounts pursuant to the set-off provisions as:					
Deferred tax assets – continuing operations					1,418
Deferred tax liabilities – continuing operations					(1,034)
					384

3. INCOME TAXES (continued)

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2002. The head entity within the tax consolidated group for the purposes of the tax consolidated system is CMI Limited.

Entities within the tax consolidated group have entered into a tax funding agreement with the head entity. Under the terms of this agreement, CMI Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

Entities within the tax consolidated group have adopted the stand alone approach to measuring current and deferred tax amounts.

4. CURRENT TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Trade receivables	16,315	19,167
Allowance for doubtful debts	(465)	(284)
	15,850	18,883
Other	1,434	653
	17,284	19,536

(a) Allowance for doubtful debts

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. An allowance for doubtful debts of $465 thousand (2013: $284 thousand) has been recognised by the consolidated entity.

Movements in the allowance for doubtful debts were as follows:

	2014 $'000	2013 $'000
At 1 July	284	33
Charge for the year	260	268
Disposed of with business	-	-
Amounts written off	(79)	(17)
	465	284

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30 days within credit terms	31-60 days within credit terms	31-60 days PDNI*	61-90 days within credit terms	61-90 days PDNI*	+91 days within credit terms	+91 days PDNI*	+91 Days CI**
2014									
Consolidated	16,315	7,512	4,697	1,239	1,244	162	30	966	465
2013									
Consolidated	19,167	11,186	5,165	865	1,002	268	(8)	405	284

* Past due not impaired ('PDNI')

** Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated $2,367 (2013: $1,539). Payment terms on these amounts have not been re-negotiated however in most cases credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

4. CURRENT TRADE AND OTHER RECEIVABLES (Continued)

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the consolidated entity's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 31.

5. CURRENT INVENTORIES

	2014 $'000	2013 $'000
At Cost		
Raw materials and stores	3,300	5,031
Work in progress	2,131	2,689
Finished goods	20,583	21,710
	26,014	29,430

Raw materials with a cost of $556 thousand (2013: $198 thousand), work in progress with a cost of $nil (2013: $nil thousand) and finished goods with a cost of $871 thousand (2013: $925 thousand) have been provided for obsolescence and the inventories have been carried at a net realisable value of $nil.

6. PARENT ENTITY INFORMATION

	2014 $'000	2013 $'000
Information relating to CMI Limited:		
Current assets	6,041	4,373
Total assets	32,883	28,668
Current liabilities	343	977
Total liabilities	10,738	7,845
Issued capital	38,555	37,680
Retained earnings	(23,097)	(24,333)
Employee Equity-settled Benefits Reserve	(117)	674
Class A Share Reserve	6,802	6,802
Total shareholders' equity	22,144	20,823
Profit/(Loss) of the parent entity	4,346	4,190
Total comprehensive income of the parent entity	4,346	4,190
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
*Guarantees arising from the deed of cross-guarantee with other entities in the wholly-owned group (i)	808	7,743
Details of any contingent liabilities of the parent entity		
*Guarantees issued to bank in respect of overseas purchases, supply contract performance and lease of premises (ii)	1,172	1,917
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	N/A	N/A

6. PARENT ENTITY INFORMATION (continued)

(i) The company has entered into a deed of cross-guarantee with certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the group of companies' party to that class order less the liabilities of the parent entity. Pursuant to Class Order 98/1418, CMI Limited, CMI Operations Pty Ltd and TJM Products Pty Ltd have entered into a deed of cross guarantee. The effect of the deed is that CMI Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that CMI Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The deed of cross guarantee will continue to operate indefinitely. The fair value of these guarantees has not been recognised, since the parent entity has not incurred any obligation under the deed of cross guarantee.

(ii) A number of contingent liabilities arise as a result of guarantees made directly to financing organisations in respect of overseas purchases, lease of premises and payment of business. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the satisfaction of the obligations under the terms of the overseas purchases, leases and loans subject to the guarantees. The fair value of these guarantees has not been recognised as they are not considered material. The contingent liabilities are not recognised in the accounts as it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

7. OTHER NON-CURRENT FINANCIAL ASSETS

	2014 $'000	2013 $'000
Loan Receivable	17,000	17,000
Provision for Impairment	(17,000)	(17,000)
	-	-

Associated with the sale of the engineering business was a loan provided by CMI Limited to the purchaser to purchase the business with a $17 million face value. The loan bears interest on normal terms. The loan is secured by a second ranking fixed and floating charge over CMI Industrial Pty Ltd behind the National Australia Bank and a personal guarantee from M.J. Hofmeister of $2.5 million. On 26 February 2013, a bankruptcy trustee was appointed in relation to M. J. Hofmeister.

The loan was due to be repaid on 16 April 2011. Following an approach by CMI Industrial Pty Ltd it was agreed to extend the repayment date by 6 months. The loan was extended on the same terms and conditions.

The loan was not repaid on 16 October 2011. Interest had been paid on the loan in accordance with the security documents up until 16 October 2011 but interest payments due since have not been received.

On a regular basis the Board of CMI has assessed the recoverable value of the loan by assessing if there is any objective evidence of impairment as a result of one or more events that have occurred. On 24 June 2010 the Board determined that objective evidence of impairment in the loan balance existed (based on information provided by the borrower and other external sources) and again re-assessed the estimated future cash flows from this asset. As a result of this, the loan's carrying value exceeded its recoverable value by $8 million and an impairment expense and provision for this amount was recorded.

The final discount repayment period expired on 15 April 2011. The carrying value increased to $17 million and the provision for impairment increased by $0.5 million.

On 28 February 2012 the Board determined that objective evidence of impairment in the loan balance existed (based on information provided by the borrower and other external sources) and again re-assessed the estimated future cash flows from this asset. As a result of this, the loan's carrying value exceeded its recoverable value by $8.5 million and an impairment expense and provision for this amount was recorded at 31 December 2011. A further impairment of $0.8m had been recognised relating to the interest arrears and earlier adjustments due under the original sale agreements. No tax benefit was recorded on the principal (capital) impairment of $8.5 million as sufficient forecasted capital profits are not envisaged to utilise these losses.

Administrators and Receivers were appointed to CMI Industrial Pty Ltd on 26 April 2012. An amount of $18 thousand was received during the year (2013: $186 thousand) from the administrator. These amounts are provisional payments and have been recognised as income. The amount is recorded as a reversal of impairment expense at 30 June 2014.

At 30 June 2014, principal and interest arrears, including default interest and charges, and earlier adjustments due under the original sale agreements total $24.1 million.

In forming the accounts at 30 June 2014, and subsequent to this date, the Board's assessment of the loan's recoverable value has not changed with respect to this loan. The loan is carried at a nil value and classified as a non-current asset as the Board does not expect the loan to be repaid in the following 12 month period.

8. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment $'000	Equipment under finance lease $'000	TOTAL $'000
Gross Carrying Amount			
Balance at 1 July 2012 (at cost)	9,999	960	10,959
Additions	1,008	-	1,008
Disposals	(1,602)	(27)	(1,629)
Net foreign currency exchange differences	97	-	97
Balance at 1 July 2013 (at cost)	9,502	933	10,435
Additions	1,051	-	1,051
Disposals	(399)	-	(399)
Transfers	703	(703)	-
Net foreign currency exchange differences	(26)	-	(26)
Balance at 30 June 2014 (at cost)	10,831	230	11,061
Accumulated Depreciation / Amortisation / Impairment			
Balance at 1 July 2012	(5,539)	(138)	(5,677)
Disposals	1,376	27	1,403
Transfers	-	-	-
Depreciation expense (i)	(775)	(11)	(786)
Net foreign currency exchange differences	(24)	-	(24)
Balance at 1 July 2013	(4,962)	(122)	(5,084)
Disposals	23	-	23
Transfers	(159)	159	-
Depreciation expense (i)	(791)	(62)	(853)
Net foreign currency exchange differences	10	-	10
Balance at 30 June 2014	(5,879)	(25)	(5,904)
Net Book Value			
As at 30 June 2013	4,540	811	5,351
As at 30 June 2014	4,952	205	5,157

(i) Aggregate depreciation allocated during the year is recognised as an expense and depreciation from continuing operations is disclosed in Note 2 to the financial statements.

There are no restrictions to title for the property, plant and equipment.

9a. GOODWILL

	2014 $'000	2013 $'000
Gross Carrying Amount		
Balance at beginning of the financial year	8,318	8,318
Acquisitions (Note 32)	342	-
Disposals	-	-
Balance at end of the financial year	8,660	8,318
Accumulated Impairment Losses		
Balance at beginning of the financial year	(1,468)	(1,468)
Disposals	-	-
Balance at end of the financial year	(1,468)	(1,468)
Net Book Value		
At the beginning of the financial year	6,850	6,850
At the end of the financial year	7,192	6,850

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the Electrical Components Division cash-generating units.

The carrying amount of goodwill allocated to cash-generating units that are significant in aggregate is as follows:

Electrical Components	7,192	6,850
	7,192	6,850

9b. IMPAIRMENT TESTING

Electrical Components

The electrical components cash generating unit represent the operations of CMI electrical. The cash generating unit has no indefinite life intangible assets. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period with a terminal value, and a pre-tax discount rate of 20.6% p.a. (2013: 21.0% p.a.). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The key assumptions used in the value in use calculations for the cash-generating unit is as follows:

Key assumption	Electrical Components
Budgeted EBITDA	Budgeted EBITDA, which is consistent with past experience. Management expects EBITDA growth rates of 3% per year (2013: 3%) to be reasonably achievable and terminal growth rates of 3% per year (2013: 3%) to be reasonably achievable.
Budgeted CAPEX	Management expects increases of 3% (2013: 3%) per year to be reasonable allowance for increase in CAPEX costs.
Budgeted Working Capital	Management expects to sustain the working capital ratio currently held over the forecast period, however the working capital is expected to grow in line with business growth.

TJM Products

The TJM Products cash generating unit represents the TJM operations in Australia, USA and China. The cash generating unit has no indefinite life intangible assets or goodwill. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period with a terminal value, and a pre-tax discount rate of 20.6% p.a. (2013: 21.0% p.a.).

The key assumptions used in the value in use calculations for the cash-generating unit is as follows:

Key assumption	TJM Products
Budgeted EBITDA	Management expects EBITDA growth rates of in excess of 100% for FY2015 and FY2016 to return the CGU to a cash surplus and 15% for FY2017-FY2019 (2013: 3%) as management continues to re-build the business. Terminal growth rates of 4% per year (2013: 3%) have been forecast.
Budgeted CAPEX	Management expects increases of 3% (2013: 3%) per year to be reasonable allowance for increase in CAPEX costs on its 2015 budget capex values.
Budgeted Working Capital	Management expects to sustain the working capital ratio currently held over the forecast period, however the working capital is expected to grow in line with business growth.

9b. IMPAIRMENT TESTING (continued)

Sensitivity to changes in TJM cash-generating unit assumptions

The sensitivity of the key assumptions for the recoverable amount are discussed below:

The Company has considered the possibility of individually or a combination of a lower than forecast increase in EBITDA and profits, a decline in the forward growth rate, a decline in the long term growth rate and an increase in the discount rate. If an impairment was identified through the reasonable possible change in assumptions the Company expects in the first instance that this would be applied to the value of software and capitalised research and development costs since the other assets of the CGU, namely PP&E and working capital, are considered to be at their recoverable amount and fairly stated.

The Company believes that returning the EBITDA of the CGU to positive returns is achievable based on (a) the historical performance of the CGU (b) additional revenue and margin opportunities and, (c) cost savings that have recently been implemented and are controllable by the Company. Holding all other assumptions constant, if the Company is not successful in returning the business to surplus cash flows in 2015 and 2016 an impairment would result in the absence of other information. This would involve impairing the value of software and capitalised research and development costs to the value of $2.65m. The fair value less costs of disposal of PP&E would also need to be reviewed.

Holding all other assumptions constant, if the forward growth rate through FY17 to FY19 declined to below 11% this would result in impairment where the recoverable amount would equal the carrying value of the CGU.

Holding all other assumptions constant, if the long term growth rate declined to below 3% this would result in impairment where the recoverable amount would equal the carrying value of the CGU.

Holding all other assumptions constant, if the discount rate increased to above 23% (pre-tax), this would result in impairment where the recoverable amount would equal the carrying value of the CGU.

10. OTHER INTANGIBLE ASSETS

	Capitalised Development $'000	Brand names $'000	Other $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2012	11,311	5,692	963	17,966
Additions through internal developments	1,235	-	-	1,235
Disposals	(84)	-	-	(84)
Acquisitions	-	-	379	379
Net foreign currency exchange differences	-	-	9	9
Balance at 1 July 2013	12,462	5,692	1,351	19,505
Additions through internal developments	1,696	-	-	1,696
Disposals	-	-	-	-
Acquisitions	-	-	179	179
Net foreign currency exchange differences	(1)	-	(2)	(3)
Balance at 30 June 2014	14,157	5,692	1,528	21,377
Accumulated amortisation and impairment				
Balance at 1 July 2012	(9,056)	(5,692)	(462)	(15,210)
Amortisation expense (i)	(721)	-	(183)	(904)
Net foreign currency exchange differences	-	-	(4)	(4)
Balance at 1 July 2013	(9,777)	(5,692)	(649)	(16,118)
Amortisation expense (i)	(707)	-	(204)	(911)
Net foreign currency exchange differences	-	-	1	1
Balance at 30 June 2014	(10,484)	(5,692)	(852)	(17,028)
Net Book Value				
As at 30 June 2013	2,685	-	702	3,387
As at 30 June 2014	3,673	-	676	4,349

10. OTHER INTANGIBLE ASSETS (continued)

(i) Amortisation expense is included in the line item 'Depreciation and amortisation expense' in the Statement of Comprehensive Income.

Significant intangible assets

The consolidated entity includes the brand name TJM (2013: TJM). The carrying amount of the TJM brand name was fully impaired in the 2009 year to $Nil.

11. CURRENT TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Trade payables	6,872	8,711
Other creditors & accruals	2,929	5,123
	9,801	13,834

(a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Financial guarantees

The consolidated entity has provided guarantees as outlined in Note 30. The fair value of these guarantees has not been recognised as they are not considered material.

(c) Terms of payables

Trade payables are non-interest bearing and are generally on 30-60 day terms.

12. CURRENT BORROWINGS

	2014 $'000	2013 $'000
Unsecured		
At amortised cost:		
Other loans from other entities	-	-
	-	-
Secured		
At amortised cost:		
Bank Overdraft (i)	-	-
Bill Facility (i)	-	-
Finance Lease Liabilities (ii) (Note 17 & 29(c))	118	55
	118	55
	118	55

(i) Secured by a fixed and floating charge over the assets and undertaking of the consolidated entity.

(ii) Secured over the assets leased; part of a $2.00 million lease facility (2013: $2.00 million) – refer Note 29.

(a) Fair values

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 31.

12. CURRENT BORROWINGS (continued)

(c) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	2014 $'000	2013 $'000
Bills of exchange – Fixed and Floating	68,201	71,164
Leased asset charges	230	812
Total assets pledged as security	68,431	71,976

The specific terms and conditions related to the above pledges include repayment requirements, security undertakings and quarterly reporting on bank covenants relating to financial charges cover, capital adequacy, operating leverage and dividend payout ratio. The interest terms of the facility are based on a margin above the bank's buying rate for bills at the time of drawing and a facility fee calculated on the facility limit.

(d) Set-off assets and liabilities

The Consolidated entity has no set off rights apart from cash as detailed in Note 29(a).

(e) Defaults and breaches

The terms and conditions of the groups banking facilities include the facility provider having the right to trigger a review of the banking facilities based on the EBITDA result of the group. During the current year the consolidated entity exceeded the facility providers allowable variance to EBITDA due to decreased expected earnings. The facility provider did not action this right of review and no amounts were outstanding at period end on the Multi-Option and Bill Acceptance/Discount Facility.

13. CURRENT PROVISIONS

	2014 $'000	2013 $'000
Employee benefits (Note 16)	1,425	1,453
	1,425	1,453

14. NON-CURRENT BORROWINGS

Secured		
At amortised cost:		
Bills of Exchange (i)	-	-
Finance Lease Liabilities (ii) (Note 17 & 29(c))	-	118
	-	118

(i) Secured by a fixed and floating charge over the assets and undertaking of the consolidated entity.

ii) Secured over the assets leased; part of a $2.00 million lease facility (2013: $2.00 million) – refer Note 29.

(a) Fair values

Due to the variable interest rate of these payables, their carrying value is assumed to approximate fair value.

15. NON-CURRENT PROVISIONS

Employee benefits (Note 16)	189	128
	189	128

16. PROVISIONS

	Employee Benefits (i) $'000
Balance at 30 June 2012	1,486
Movements during period	95
Balance at 30 June 2013	1,581
Movements during period	33
Balance at 30 June 2014	1,614
Current (Note 13)	1,425
Non-current (Note 15)	189
	1,614

(i) The provision for employee benefits represents the aggregate amount of annual leave and long service leave entitlements.

17. LEASES

Finance Leases

Leasing arrangements

Finance leases relate to plant and equipment with lease terms of between 3 to 5 years. The consolidated entity has options to purchase the plant and equipment for a nominal amount at the conclusion of the lease agreements.

	Minimum Future Lease Payments		Present Value of Minimum Future Lease Payments	
	Consolidated		Consolidated	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
No later than 1 year	124	67	118	55
Later than 1 year and not later than 5 years	-	124	-	118
Later than 5 years	-	-	-	-
Minimum finance lease payments	124		118	173
Less future finance charges	(6)	(18)	-	-
Present value of minimum lease payments	118	173	118	173
Included in the financial statements as:				
Current (Note 12)	118	55	118	55
Non-current (Note 14)	-	118	-	118
	118	173	118	173

17. LEASES (continued)

Operating Leases

Leasing arrangements

Operating leases relate to property, plant and equipment with lease terms of between 1 to 13 years. All leases are non-cancellable, operate under normal commercial terms and conditions, and are payable on a monthly or quarterly basis. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	2014 $'000	2013 $'000
Non-cancellable operating leases		
Not later than 1 year	2,757	3,196
Later than 1 year but not later than 5 years	7,252	3,209
Later than 5 years	189	-
	10,198	6,405

18. ISSUED CAPITAL

	2014 $'000	2013 $'000
34,552,634 (2013: 34,052,634) fully paid ordinary shares	38,555	37,680
	38,555	37,680

	2014		2013	
	No. '000	$'000	No. '000	$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	34,053	37,680	33,753	37,227
Movement for the year	500	875	300	453
Balance at end of financial year	34,553	38,555	34,053	37,680

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

On 30 August 2013, 500,000 Fully Paid Ordinary Shares were issued resulting in the Issued Capital of CMI Limited being 34,552,634 Fully Paid Ordinary Shares at 30 June 2013. This share issue related to vested performance rights issued under the Performance Rights Plan during the year ended 30 June 2013.The remaining performance rights on issue are 450,000 unvested performance rights.

19. RESERVES

	2014 $'000	2013 $'000
a) Reserves Comprise:		
Class A share reserve	6,802	6,802
Employee Equity-settled Benefits Reserve	(117)	674
Foreign Currency Translation Reserve	215	239
	6,900	7,715
b) Movements in Reserves		
Foreign Currency Translation Reserve		
Balance at beginning of financial year	239	(10)
Translation of foreign operations	(24)	249
Balance at end of financial year	215	239

Exchange differences relating to the translation from China RMB and USD, being the functional currency of the consolidated entity's foreign controlled entity in the People's Republic of China and United States of America, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

19. RESERVES (continued)

	2014 $'000	2013 $'000
Employee Equity-settled Benefits Reserve		
Balance at beginning of financial year	674	162
Share-based payment	84	772
Exercise of options	(875)	(260)
Balance at end of financial year	(117)	674

The employee equity-settled benefits reserve arises on the issue of options to directors. Further information about share-based payments to employees is included in Note 23 to the financial statements.

Class A Share Reserve		
Balance at beginning of financial year	6,802	6,680
Transfer from Class A share capital	-	-
Share loan repayments	-	125
Share buyback expenses	-	(3)
Balance at end of financial year	6,802	6,802

The Class A share reserve arises on the cancellation of all 28,005,311 Class A shares on issue on 12 June 2012.

20. RETAINED EARNINGS

Balance at beginning of financial year	10,993	1,181
Net profit/(loss) attributable to members of the parent entity	3,547	9,812
Dividends provided for or paid	(3,110)	-
Balance at end of financial year	11,430	10,993

21. EARNINGS PER SHARE – Continuing Operations

	2014 Cents per Share	2013 Cents per Share
Basic earnings per share	10.29	29.05
Diluted earnings per share	10.16	28.67

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2014 $'000	2013 $'000
Earnings (i)	3,547	9,812

	No. '000	No. '000
Weighted average number of ordinary shares (ii)	34,470	33,774

21. EARNINGS PER SHARE – Continuing Operations (Continued)

(i) Earnings used in the calculation of basic earnings per share reconciles to net profit/(loss) in the Statement of Comprehensive Income as follows:

	2014 $'000	2013 $'000
Net profit/(loss)	3,547	9,812
Earnings used in the calculation of basic EPS	3,547	9,812

(ii) Options and performance rights are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

Diluted Earnings per Share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2014 $'000	2013 $'000
Earnings (i)	3,547	9,812

	No. '000	No. '000
Weighted average number of ordinary and potential ordinary shares (ii)	34,920	34,220

(i) Earnings used in the calculation of diluted earnings per share reconciles to net profit/(loss) in the Statement of Comprehensive Income as follows:

	2014 $'000	2013 $'000
Net profit/(loss)	3,547	9,812
Earnings used in the calculation of diluted EPS	3,547	9,812

(ii) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	No. '000	No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS (ii)	34,470	33,774
Performance Rights (iii)	450	446
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	34,920	34,220

(iii) Performance rights are included on the basis that they are dilutive.

22. DIVIDENDS

	2014 Cents per Share	2014 Total $'000	2013 Cents per Share	2013 Total $'000
Recognised Amounts				
Fully Paid Ordinary Shares:				
Interim dividend 2014 – franked to 30% tax rate	3.00	1,037	-	-
Final dividend 2013 – franked to 30% tax rate	6.00	2,073	-	-
		3,110		-
Unrecognised Amounts				
Fully Paid Ordinary Shares:				
Final dividend – franked to 30% tax rate	3.00	1,037	6.00	2,043
		1,037		2,043

On the basis that directors will continue to publicly recommend dividends in respect of ordinary shares subsequent to reporting date, in future financial reports the amount disclosed as "recognised" will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

The consolidated entity's adjusted franking account balance on a tax paid basis is $23,712 thousand (2013: $23,033 thousand). The impact on the consolidated entity's franking account balance of dividends not recognised is $444 thousand (2013: $876 thousand).

23. EMPLOYEE INCENTIVE SCHEME

The company has an ownership-based remuneration scheme for employees. In accordance with the provisions of the scheme, as approved by shareholders at a general meeting, the Board may invite, on terms and conditions the Board determines, employees to apply for performance rights. The exercise price of the share performance rights is determined by the Board. All share performance rights carry no voting rights and do not entitle the holder to dividends.

	2014		2013	
Employee incentive scheme	**Number of Rights**	**Weighted Average Exercise Price**	**Number of Options/Rights**	**Weighted Average Exercise Price**
Balance at beginning of financial year (i)	950,000	-	600,000	1.20
Granted during the financial year (ii)	-	-	950,000	-
Exercised during the financial year (iii)	(500,000)	-	(600,000)	1.20
Expired during the financial year	-	-	-	-
Balance at end of the financial year (iv)	450,000	-	950,000	-

(i) Balance at beginning of the financial year

2014 Option / Rights – Series	No.	Grant date	Expiry/ Exercise date	Exercise Price $
Performance Rights	500,000	12/12/12	12/12/17	Nil
Performance Rights	200,000	23/01/13	23/01/18	Nil
Performance Rights	250,000	25/02/13	25/02/18	Nil
2013 Option – Series	**No.**	**Grant date**	**Expiry/Exercise date**	**Exercise Price $**
Issued 16 April 2008	600,000	16/04/08	15/04/13	1.20
Performance Rights	500,000	12/12/12	12/12/17	Nil
Performance Rights	200,000	23/01/13	23/01/18	Nil
Performance Rights	250,000	25/02/13	25/02/18	Nil

23. EMPLOYEE INCENTIVE SCHEME (Continued)

(ii) Granted during financial year

There were nil performance share rights issued during the period (2013: 950,000).

2014 Option – Series	No.	Grant date	Expiry/ Exercise date	Exercise Price $
Performance Rights	-	-	-	-
2013 Option – Series	**No.**	**Grant date**	**Expiry/ Exercise date**	**Exercise Price $**
Performance Rights	500,000	12/12/12	12/12/17	Nil
Performance Rights	200,000	23/01/13	23/01/18	Nil
Performance Rights	250,000	25/02/13	25/02/18	Nil

On the basis of the assessments, for the 12 months ended 30 June 2014, the Group has recognised a total share-based payment transactions expense of $84,293 in the statement of comprehensive income (2013: $772,329).

Inputs into the model	Performance Rights Series S.Williams	Performance Rights Series S.Obrien
Grant Date	23/01/2013	25/02/2013
Share Price	$2.20	$2.68
Volatility of Share Price	40.0%	40%
Risk Free Rate	2.67%	2.76%
Dividend yield	0.00%	0.00%
Value per Right	$1.44	$2.68
Rights Outstanding	200,000	250,000
Total Value of Rights	$288,000	$670,000
Time to Expiry	3.3 years	3.3 years
Vesting Conditions	The right issued will vest if the Company achieves a TSR of 25% over the period from issue to 30 June 2016 and Ms S. Williams remains employed with CMI until 30 June 2016.	The rights issues will vest if the TJM Division achieves a cumulative growth in revenues (excluding revenues from acquisitions) of at least 30% over revenues for the year ended 30 June 2013 by 30 June 2016 and Mr S. O'Brien remains employed with CMI until 30 June 2016.
Status	Unvested	Unvested

(iii) Exercised during the financial year

On 30 August 2013, 500,000 Fully Paid Ordinary Shares were issued resulting in the Issued Capital of CMI Limited being 34,552,634 Fully Paid Ordinary Shares at 30 June 2014. This share issue related to vested performance rights issued in the year ended 30 June 2013.The remaining performance rights on issue are 450,000 unvested performance rights.

2014 Option / Rights – Series	No. of options exercised	Grant date	Exercise date	Expiry date	Exercise Price $	No. of shares issued	Fair value received $	Fair value of shares at date of issue $
Issued 12 December 2012	500,000	12/12/12	23/08/13	14/12/17	-	500,000	-	875,000
2013 Option – Series	**No. of options exercised**	**Grant date**	**Exercise date**	**Expiry date**	**Exercise Price $**	**No. of shares issued**	**Fair value received $**	**Fair value of shares at date of issue $**
Issued 16 April 2008	300,000	16/04/08	12/04/13	15/04/13	1.20	300,000	93,000	453,000
Issued 16 April 2008	300,000	16/04/08	15/04/13	15/04/13	1.20	Nil	279,000*	Nil

* Cash settled

The fair value of the shares at the date of issue was based on the market value at that date.

23. EMPLOYEE INCENTIVE SCHEME (Continued)

(iv) Balance at end of the financial year

2014 Option / Rights – Series	No.	Vested No.	Unvested No.	Grant date	Expiry Date	Exercise Price $
Performance Rights	200,000	-	200,000	23/01/13	23/01/18	Nil
Performance Rights	250,000	-	250,000	25/02/13	25/02/18	Nil
2013 Option – Series	**No.**	**Vested No.**	**Unvested No.**	**Grant date**	**Expiry Date**	**Exercise Price $**
Performance Rights	500,000	500,000	-	12/12/12	12/12/17	Nil
Performance Rights	200,000	-	200,000	23/01/13	23/01/18	Nil
Performance Rights	250,000	-	250,000	25/02/13	25/02/18	Nil

24. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation of the key management personnel of the consolidated entity is set out below:

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Short-term employee benefits	1,360,930	1,572,247
Post-employment benefits	118,168	149,168
Other long-term benefits	18,694	27,284
Termination benefits	225,000	62,500
Share-based payment	84,293	1,051,329
	1,807,085	2,862,528

25. REMUNERATION OF AUDITORS

(a) Auditor of the Parent Entity

	2014 $	2013 $
Auditing the financial report of CMI Limited (including half year review)	261,859	293,501
Other services in relation to the entity and any other entity in the consolidated group		
• Tax compliance	119,522	114,327
• Other non-audit services	33,480	105,158
	414,861	512,986

The auditor of CMI Limited is Ernst & Young (2013: Ernst & Young).

26. OPERATING SEGMENT

	CONTINUING OPERATIONS					
	TJM Products		Electrical Components		Consolidated	
BUSINESS	**30/06/14 $'000**	**30/06/13 $'000**	**30/06/14 $'000**	**30/06/13 $'000**	**30/06/14 $'000**	**30/06/13 $'000**
REVENUE						
External sales – Domestic	36,056	29,959	50,853	70,774	86,909	100,733
External sales – Export	5,392	10,983	-	-	5,392	10,983
Intersegment sales (i)	-	-	-	-	-	-
Total Segment Revenue	41,448	40,942	50,853	70,774	92,301	111,716
Interest income					90	39
Total revenue per the Statement of Comprehensive Income					92,391	111,755
RESULT						
Segment result	(3,839)	(2,251)	11,052	18,517	7,213	16,266

Reconciliation of segment net profit before tax to net profit/(loss) after tax per the Statement of Comprehensive Income

Interest income	90	39
Research and development investment incentive	213	215
Employee benefits	(1,019)	(1,964)
ASX and share register expense	(130)	(89)
Borrowing costs	(148)	(352)
Reversal of prior year impairment expense	113	-
Legal expense	(383)	(179)
Other expenses from ordinary activities	(1,108)	(613)
Income tax expense	(1,294)	(3,511)
Profit/(loss) after tax per the Statement of Comprehensive Income	3,547	9,812

(i) Inter-entity sales are recognised based on an internally set transfer price of goods at cost plus a margin. Sales are between TJM China and Australia/USA and hence eliminate in the consolidated TJM Total.

(ii) Corporate charges and income tax expense are not allocated to each business segment

26. Operating Segment (continued)

	TJM Products		Electrical Components		Consolidated	
BUSINESS	**30/06/14 $'000**	**30/06/13 $'000**	**30/06/14 $'000**	**30/06/13 $'000**	**30/06/14 $'000**	**30/06/13 $'000**
SEGMENT ASSETS						
Segment assets	28,713	28,920	33,477	38,141	62,190	67,061
Reconciliation of segment assets to the statement of financial position						
Cash and cash equivalents					4,192	3,903
Other financial assets					-	-
Future income tax benefits					295	535
Property, Plant & Equipment					22	6
Other assets					52	33
Current tax assets					1,680	438
Total assets from continuing operations per the statement of financial position					68,431	71,976

	TJM Products		Electrical Components		Consolidated	
BUSINESS	**30/06/14 $'000**	**30/06/13 $'000**	**30/06/14 $'000**	**30/06/13 $'000**	**30/06/14 $'000**	**30/06/13 $'000**
SEGMENT LIABILITIES						
Segment liabilities	6,406	6,891	4,797	7,720	11,203	14,611
Reconciliation of segment liabilities to the statement of financial position						
Other Liabilities					343	977
Total liabilities from continuing operations per the statement of financial position					11,546	15,588

26. Operating Segment (continued)

	TJM Products		Electrical Components		Reconciliation to Statement of Cash flows		Consolidated	
BUSINESS	**30/06 2014 $'000**	**30/06 2013 $'000**	**30/06 2014 $'000**	**30/06 2013 $'000**	**30/06 2014 $'000**	**30/06 2013 $'000**	**30/06 2014 $'000**	**30/06 2013 $'000**
CASHFLOW INFORMATION								
Net cash flow from operating activities	(2,633)	(340)	13,870	20,082	(5,251)	(9,004)	5,986	10,738
Net cash flow from investing activities	(1,864)	(2,129)	(1,030)	(358)	71	37	(2,823)	(2,450)
Net cash flow from financing activities	(67)	(160)	-	(21)	(3,110)	(7,017)	(3,177)	(7,198)

BUSINESS	**TJM Products**		**Electrical Components**		**Corporate**		**Consolidated**	
CAPITAL EXPENDITURE	2,106	2,172	800	448	20	2	2,926	2,622

Products and Services within each Business Segment

For management purposes, the consolidated entity is organised into two major operating divisions – electrical components and 4WD components Australia, USA and China. These divisions are the basis on which the consolidated entity reports its primary segment information. The above business segments derive revenue from the following products and services:

Continuing operations:

TJM – the design, distribution and marketing of components and parts for 4WD, light commercial and heavy transport vehicles.

Electrical Components – the manufacture of specialist cabling and electrical products for a range of industry sectors.

Geographical Operations:

The group operates in Australia, China and the United States of America. The KMP of the group do not monitor or internally report results by geographical region. For completeness however, it is noted as follows:

- TJM Products – Australia/USA – No individually material components of this segment are outside of Australia.
- TJM Products – China – this business operates exclusively in China.
- Electrical Components – This business operates exclusively in Australia.

27. RELATED PARTY DISCLOSURES

a) Parent entities

The parent entity in the consolidated entity is CMI Limited.

b) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 28 to the financial statements.

c) Transactions with other related parties

During the 2014 year there were transactions relating to consulting fees for $162,500 (2013: $nil) with Director Ross Rolfe on normal commercial terms and conditions.

A termination payment of $225,000 was paid to Ross Rolfe in relation to the settlement of a claim approved at a general meeting of shareholders held on 28 May 2014.

28. SUBSIDIARIES AND ASSOCIATES

Name of Entity	Country of Incorporation	Ownership Interest 2014 %	Ownership Interest 2013 %
Parent Entity:			
CMI Limited	Australia		
Subsidiaries and associates			
CMI Operations Pty Ltd	Australia (i)	100	100
TJM Products Pty Ltd	Australia (i)	100	100
TJM Shenzhen	China	100	100
TJM Off-Road Products Inc.	USA	100	100

(i) This wholly-owned subsidiary has entered into a deed of cross-guarantee with CMI Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirement to prepare an audited financial report.

The consolidated Statement of Comprehensive Income and Statement of Financial Position of entities which are party to the deed of cross-guarantee are:

	2014 $'000	2013 $'000
Statement of Comprehensive Income		
Revenue	89,617	110,424
Other income	424	421
Changes in inventories	(3,416)	644
Raw materials expense	(51,011)	(65,252)
Sub-contractors expense	(687)	(1,130)
Employee benefits expense	(13,243)	(15,866)
Repairs, maintenance and consumables expense	(1,153)	(961)
ASX and share register expense	(130)	(89)
Occupancy expense	(3,763)	(3,794)
Travel and communication expense	(1,232)	(1,740)
Freight and cartage expense	(4,441)	(3,668)
Depreciation and amortisation expense	(1,581)	(1,609)
Finance costs	(160)	(369)
Reversal of impairment expense	113	-
Other expenses	(3,689)	(3,314)
Profit/(loss) before income tax expense	5,648	13,697
Income tax (expense)/benefit	(1,294)	(3,497)
Profit/(loss) from continuing and discontinuing operations	4,354	10,200

28. SUBSIDIARIES AND ASSOCIATES (Continued)

	2014 $'000	2013 $'000
Statement of Financial Position		
CURRENT ASSETS		
Cash and cash equivalents	6,304	6,048
Trade and other receivables	16,634	19,416
Inventories	25,031	27,050
Current Tax Asset	1,874	438
TOTAL CURRENT ASSETS	49,843	52,952
NON-CURRENT ASSETS		
Property, plant and equipment	4,139	4,374
Receivables	1,668	2,180
Investment	2,079	1,518
Goodwill	7,192	6,850
Other intangible assets	4,280	3,309
Deferred tax assets	-	385
TOTAL NON-CURRENT ASSETS	19,358	18,616
TOTAL ASSETS	69,201	71,568
CURRENT LIABILITIES		
Trade and other payables	8,773	12,580
Borrowings	118	55
Current tax payables	-	-
Other financial liabilities	13	-
Provisions	1,424	1,452
TOTAL CURRENT LIABILITIES	10,328	14,087
NON-CURRENT LIABILITIES		
Borrowings	-	118
Deferred tax liabilities	120	
Provisions	189	128
TOTAL NON-CURRENT LIABILITIES	309	246
TOTAL LIABILITIES	10,637	14,333
NET ASSETS	58,564	57,235
EQUITY		
Issued capital	38,555	37,680
Reserves	6,686	7,476
Retained earnings	13,323	12,079
TOTAL EQUITY	58,564	57,235

29. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	2014 $'000	2013 $'000
Cash and cash equivalents		
Cheque Accounts	6,681	6,600
Term Deposit	-	-
	6,681	6,600
Bank overdraft	-	-
	6,681	6,600

b) Reconciliation of profit for the period to net cash flows from operating activities

	2014 $'000	2013 $'000
Profit/(loss) for the period	3,547	9,812
(Gain)/Loss on disposal of non-current assets	(4)	220
Depreciation and amortisation of non-current assets	1,764	1,691
Interest income received and receivable	(105)	(59)
Finance lease interest	12	17
Unrealised Foreign Exchange (Gain)/Loss	13	-
Impairment expense	(113)	-
Shared based payment	84	772
Increase/(Decrease) in current tax liability	(1,242)	(4,047)
Increase/(Decrease) in deferred tax	310	159
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/Decrease in:		
Current receivables	2,612	1,254
Current inventories	3,144	(1,519)
Increase/(Decrease) in:		
Current payables	(4,069)	2,242
Current provisions	(13)	198
Non-current provisions	46	(2)
Net cash from Operating Activities	5,986	10,738

c) Financing Facilities

The consolidated entity has the following finance facilities available:

(i) A Multi-Option and Bill Acceptance/Discount Facility with National Australia Bank Limited, reviewed annually

	2014 $'000	2013 $'000
Amount Used	-	-
Amount Unused	11,000	11,000
	11,000	11,000

(ii) A Finance Lease Facility with National Australia Bank Limited, reviewed annually

	2014 $'000	2013 $'000
Amount Used	118	173
Amount Unused	1,882	1,827
	2,000	2,000

30. CONTINGENT LIABILITY/ASSET

	2014 $'000	2013 $'000
Contingent Liabilities (a)		
Guarantees issued to bank in respect of lease of premises and supply contract performance (i)	1,080	1,164
Letters of credit in respect of overseas purchases (i)	92	753
Guarantees arising from the deed of cross-guarantee with other entities in the wholly-owned group (ii)	-	-
	1,172	1,917
Contingent assets (b)	-	-

Contingent Liabilities

(a) Guarantees over CMI Industrial Premises Leases

CMI Limited had provided guarantees in respect of certain land and buildings leased by CMI Industrial Pty Ltd which were granted prior to the sale of the engineering division to CMI Industrial Pty Ltd by CMI Limited. The lessors under those leases may have looked to CMI for any unpaid amounts due by Industrial under those leases. A payment of $ 100 thousand was made during the year relating to these guarantees and resulted in a Deed of Release being finalised for the final property. There are no further properties with a guarantee in place.

(i) A number of contingent liabilities arise as a result of guarantees made directly to financing organisations in respect of overseas purchases, lease of premises and supply contract performance. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the satisfaction of the obligations under the terms of the overseas purchases, leases and loans subject to the guarantees. The fair value of these guarantees has not been recognised as they are not considered material. The contingent liabilities are not recognised in the accounts as it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

(ii) As detailed in Note 28, the company has entered into a deed of cross-guarantee with certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the group of companies' party to that class order less the liabilities of the parent entity. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross-guarantee being more or less favourable than currently expected. The deed of cross-guarantee will continue to operate indefinitely. The fair value of these guarantees has not been recognised as they are not considered material.

Contingent Assets

(b) Option to Purchase

The sale of the Engineering business to CMI Industrial Pty Ltd included a vendor loan provided by CMI Limited to CMI Industrial Pty Ltd (refer Note 7) and an option granted to CMI Limited to purchase a portion of the entity that acquired the Engineering business should certain trigger events such as failure to repay the vendor loan, failure to transfer certain leases or failure to settle creditors occur. As noted in Note 7, entities associated with this option have entered liquidation. Exercise of the option by CMI Limited would require the surrender of the vendor loan and approval of the liquidator.

The directors have assessed the fair value of this option as $nil at 30 June 2013 and 30 June 2014 and do not expect to exercise this option at any point unless circumstances change.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise receivables, sundry receivables, payables, sundry payables, bank loans and overdrafts, bills of exchange, finance leases and cash.

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

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading derivatives, hedging foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk Exposures and Responses

Interest rate risk

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's long-term debt and overdraft obligations. The level of debt is disclosed in Notes 12 and 14.

At balance date, the consolidated entity had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	2014 $'000	2013 $'000
Financial Assets		
Cash and cash equivalents	6,681	6,600
Loans Receivable*	-	-
	6,681	6,600
Financial Liabilities		
Bank overdrafts	-	-
Bills of exchange	-	-
	-	-
Net exposure	6,681	6,600

* The loan receivable principal amount outlined in Note 7 is accruing interest.

The consolidated entity's policy is to manage its finance costs using a mix of fixed and variable rate debt. There is no set ratio for fixed and variable exposures.

The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Post Tax Profit Higher/(Lower)	
Judgements of reasonably possible movements	**2014 $'000**	**2013 $'000**
Consolidated		
+1% (100 basis points)	47	46
-.5% (50 basis points)	(23)	(23)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

There is no effect on equity, apart from retained earnings, for the sensitivity analysis.

Foreign currency risk

As a result of purchases of inventory and payment of expenses denominated in United States Dollars and operations in the United States, the consolidated entity's Statement of Financial Position can be affected by movements in the US$/A$ exchange rates. As a result of purchases of inventory and payments of expenses denominated in RMB and operations in the People's Republic of China, the consolidated entity's Statement of Financial Position can be affected by movements in the RMB/A$ exchange rates. The consolidated entity recognises the foreign exchange risk that these entities and transactions pose and during the year put in place a moderate level of hedging to lessen the impact of any significant fall in the value of the $AUD. At 30 June 2014, the company had in place $150,000 of US dollar forward contracts and options with a fair value of $13,416. Subsequent to year end the Group took out a number of forward exchange contracts for USD$2,400,000 to AUD$2,579,813 over a period to 30 June 2015 at a fixed rate of $0.9303.

The consolidated entity also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Approximately 8% of the consolidated entity's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 74% of costs are denominated in the unit's functional currency.

The consolidated entity does not have a defined policy on foreign currency derivatives; however the Board assesses the risk of individual transactions as they are made for the requirement to use currency derivative instruments.

At 30 June 2014, the consolidated entity had the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	2014 $'000	2013 $'000
Financial Assets		
Cash and cash equivalents	510	725
Trade and other receivables	1,512	1,245
	2,022	1,970
Financial Liabilities		
Trade and other payables	(1,295)	(789)
	(1,295)	(789)
Net Exposure	727	1,181

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 30 June 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Post Tax Profit Higher/(Lower)	
Judgements of reasonably possible movements in the US Dollar	**2014 $'000**	**2013 $'000**
AUD/USD +10%	(51)	(83)
AUD/USD -5%	25	41

There is no effect on equity, apart from retained earnings, for the sensitivity analysis.

At 30 June 2014, the consolidated entity had the following exposure to RMB$ foreign currency that is not designated in cash flow hedges:

	2014 $'000	2013 $'000
Financial Assets		
Cash and cash equivalents	134	27
Trade and other receivables	565	109
	699	136
Financial Liabilities		
Trade and other payables	(1,056)	(1,370)
	(1,056)	(1,370)
Net Exposure	(357)	(1,234)

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 30 June 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	Post Tax Profit Higher/(Lower)	
Judgements of reasonably possible movements in the RMB Dollar	**2014 $'000**	**2013 $'000**
AUD/RMB +10%	25	86
AUD/RMB -5%	(13)	(43)

There is no effect on equity, apart from retained earnings, for the sensitivity analysis.

Price risk

The consolidated entity's exposure to commodity and equity securities price risk is minimal. As a result of this no derivative instruments are used.

Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents and trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

The consolidated entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the consolidated entity's policy to securitise its trade and other receivables.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored. In certain instances credit insurance is purchased to mitigate the risk if the debtor defaults.

In addition, receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is reduced.

To minimise exposure from potential default of the loan provided to CMI Industrial Pty Ltd, security was put in place in the form of a second ranking fixed and floating charge over CMI Industrial Pty Ltd behind the National Australia Bank and a personal guarantee from M.J. Hofmeister of $2.5 million. On 26 February 2013, a bankruptcy trustee was appointed in relation to M. J. Hofmeister.

There are no significant concentrations of credit risk within the consolidated entity apart from the receivable from CMI Industrial Pty Ltd.

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit lines.

The consolidated entity's policy does not state a fixed % of borrowings should mature in any 12 month period.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities, as of 30 June 2014. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

The remaining contractual maturities of the consolidated entity's financial liabilities are:

	2014 $'000	2013 $'000
0-12 months	10,100	13,901
1-5 years	-	124
Over 5 years	-	-
	10,100	14,025

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the market is constantly changing, management may change the capital structure of the company, change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. During 2014, management paid dividends of $3.110 million (2013: $Nil).

At 30 June 2014 the Board has no current plans to issue further shares on the market besides those shares to be issued to satisfy vested performance rights.

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2014 and 2013 were as follows:

	2014 $'000	**2013 $'000**
Total borrowings	118	173
Add trade and other payables	9,801	13,834
Less cash and cash equivalents	6,681	6,600
Net debt	3,238	7,407
Total equity	56,885	56,388
Total capital and net debt	60,123	63,795
Gearing ratio	5%	12%

The group is not subject to any externally imposed capital requirements.

32. BUSINESS COMBINATION

Businesses Acquired

On 3 October 2013, CMI Operations Pty Ltd trading as CMI Electrical acquired the business and assets of Flameproof Engineering ("Flameproof") from Flameproof's administrators. Flameproof was involved in the design, manufacture and assembly of fire and explosive retardant products for control units used in the gas, petroleum and other hazardous industries. The consideration paid was a cash payment of $350 thousand to the administrators and the cash payout of an equipment finance lease of $223 thousand. The Group has recognised the fair values of the identifiable assets and liabilities.

	2014 $'000
Consideration	
Cash and cash equivalents	573
	573
Fair Value of Net Assets Acquired	
Current assets:	
Inventories	29
Non-current assets:	
Property, plant and equipment	202
Net assets acquired	274
Goodwill on acquisition	342
	573
Net Cash Outflow on Acquisition	
Cash and cash equivalents consideration	573
Less cash and cash equivalents balances acquired	-
	573

32. BUSINESS COMBINATION (Continued)

The consolidated statement of comprehensive income includes sales revenue and net profit/(loss) for the year ended 30 June 2014 of $2,051 and ($84,471) respectively, as a result of the acquisition of the assets of Flameproof Engineering.

CMI Limited have determined it impracticable to disclose the sales revenue and profit/(loss) included in the consolidated statement of comprehensive income had the acquisition of the assets of Flameproof Engineering occurred at the beginning of the reporting period. CMI have assessed that an objective determination of the sales revenue and net profit/(loss) since the beginning of the reporting period was not able to be made and as such disclosure has not been made although CMI believe these results would not be material.

Goodwill acquired represents uncontracted customer relationships and synergies expected to be achieved with the integration of Flameproof into the CMI Electrical business.

33. OTHER FINANCIAL LIABILITIES

	2014 $'000	2013 $'000
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts	13	-
	13	-

At 30 June 2014, the company had entered into $150,000 of US dollar forward contracts and options. The contracts had a fair value of $13,416 (liability) at 30 June 2014. The fair value was determined using significant observable inputs (level 2). The company has not applied hedge accounting and all fair value movements are thus recorded in the profit and loss.

34. ADDITIONAL COMPANY INFORMATION

CMI Limited is a listed public company, incorporated and operating in Australia.

CMI Limited's registered office and principal place of business is:

150 Robinson Road
Geebung, Qld, 4034
Tel: (07) 3865 9969

35. SUBSEQUENT EVENTS

In respect of the financial year ended 30 June 2014, the directors recommend the payment of a final dividend to the holders of fully paid ordinary shares of $0.03 per share. The dividend is payable on 15 September 2014 to shareholders registered on the Record Date of 1 September 2014.

Subsequent to year end the Group took out a number of forward exchange contracts. The forward exchange contracts exchange USD$2,400,000 to AUD$2,579,813 over a period to 30 June 2015 at a fixed rate of $0.9303. The Group expects to hedge account these instruments.

In July 2014, the CMI Board announced the details of the Executive Chairman Incentive package and will be seeking shareholder approval for the equity components of the package at the AGM in October 2014. The equity components proposed consist of 3 tranches of 300,000 performance rights to be issued under the Company's Performance Rights Plan (PRP) to potentially vest after periods of 1, 2 and 3 years. The exercise price of the rights is nil. Vesting conditions will include the following metrics which, if achieved, could result in Mr Buckley receiving the maximum amount of rights at each test date:

- Mr Buckley will have to remain employed at CMI in the capacity of Executive Chairman or Director for the rights to vest.
- CMI will have to achieve strong Earnings per Share growth rates of in excess of 15% per annum compounded for the full quantity of rights to vest and pro rata vesting from 10% growth.

There has not been any other matter or circumstance, in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Shareholder Information

AS AT 8 AUGUST 2014

The following additional information is required by the Australian Stock Exchange Limited.

1. ORDINARY SHAREHOLDER INFORMATION

The following information with respect to 34,552,634 fully paid ordinary shares on issue reflects the Share Register at that date.

a) There were 1,080 holders of fully paid ordinary shares. All fully paid ordinary shares of the company carry one vote per share on poll, or one vote per member on a show of hands.

b)

Distribution of shareholders:	**Number**
1 - 1,000 shares	250
1,001 - 5,000 shares	375
5,001 - 10,000 shares	179
10,001 - 50,000 shares	227
50,001 - 100,000 shares	21
100,001 - and over	28
Total	**1,080**

c) The number of shareholdings held in less than a marketable parcel - 108

d) Twenty largest shareholders:

Shareholder	**Fully Paid Ordinary Shares**	**Percentage Fully Paid**
Le Rae Pty Ltd <Catcorp A/C>	12,420,484	35.95%
J P Morgan Nominees Australia Limited	1,897,703	5.49%
National Nominees Limited	1,491,460	4.32%
Moat Investments Pty Ltd <Moat Investment A/C>	962, 204	2.78%
Almargem Pty Ltd <Mellett Family A/C>	859,038	2.49%
HSBC Custody Nominees (Australia) Limited	785,894	2.27%
LJ Catelan Superannuation Fund Pty Ltd	730,217	2.11%
Mr Philip Gordon Greenham	575,000	1.66%
BNP Paribas Noms Pty Ltd <DRP>	558,408	1.62%
Norfolk Enchants Pty Ltd <Trojan Retirement Fund A/C>	500,000	1.45%
Mr Colin Gregory Ryan	429,931	1.24%
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	424,119	1.23%
Mellett Super Pty Ltd <Mellett A Fund A/C>	384,320	1.11%
FW Holst & Co Pty Ltd <FH A/C>	377,113	1.09%
Leropela Pty Ltd <Torrington Super Fund A/C>	370,000	1.07%
Mr Danny Herceg	365,702	1.06%
Australian Executor Trustees Limited <No 1 Account>	344,402	1.00%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	332,442	0.96%
UBS Nominees Pty Ltd	306,293	0.89%
Mr Gerald Francis Pauley	274,083	0.79%
Total	**24,388,813**	**70.58%**

e) The names of substantial shareholders are:

Shareholder	**Number**	**Percentage**
Le Rae Pty Ltd	13,150,701	38.06%
Acorn Capital Limited	3,073,631	8.90%

Shareholder Information

AS AT 8 AUGUST 2014

2. STOCK EXCHANGE LISTING

Quotation has been granted for all fully paid Ordinary shares of the company on all Member Exchanges of the Australia Stock Exchange Limited.

3. THERE IS NO CONTINGENT LIABILITY REQUIRED FOR TERMINATION BENEFITS UNDER SERVICE AGREEMENTS WITH DIRECTORS.

4. AN AUDIT COMMITTEE WAS IN EXISTENCE DURING THE YEAR.

5. OPTIONS / PERFORMANCE RIGHTS

450,000 performance rights are held by 2 right holders. Performance rights do not carry a right to vote.

6. ON MARKET BUY BACK

There is no current on-market buy-back.

Corporate Directory

Registered Office

(Head Office)

150 Robinson Road
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Telephone: 07 3865 9969
Facsimile: 07 3865 3677
Email: corporate@cmilimited.com.au
www.cmilimited.com.au
ACN: 050 542 553

Directors

Andrew Buckley
Leanne Catelan
Jeffrey Forbes

Secretary

Sharyn Williams

Auditor

Ernst & Young

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Brisbane QLD 4000

Bankers

National Australia Bank Limited

Level 20, 100 Creek Street
Brisbane QLD 4000

Share Registry

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Telephone: 02 8280 7454
Facsimile: 02 9287 0309

Lawyers

Allens Linklaters

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123 Eagle Street
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ASX Codes

CMI - Ordinary shares

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