# Appendix 4D for the Half Year Ended 31 December 2011

## This Half Yearly Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

## This Half-Year Report is to be read in conjunction with the 2011 Annual Financial Report.

### Revenue and Net Profit/(Loss) from continuing and discontinued operations

| | | Percentage Change % | Amount $'000 |
|---|---|---|---|
| Revenue | up | 16 | to 57,613 |
| Net profit/(loss) after tax attributable to members of the parent entity | down | 110 | to (588) |

### Dividends (Distributions)

| | Amount per security | Franked amount per security |
|---|---|---|
| Interim dividend – Ordinary | - ¢ | - ¢ |
| Interim dividend – Class A | - ¢ | - ¢ |

Record date for determining entitlements to the dividend:

- interim dividend - Ordinary — Not Applicable
- interim dividend – Class A — Not Applicable

### Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

The directors of CMI Limited announced today a loss of $0.6 million after tax. This includes an impairment expense of $9.3m related to a loan receivable. A summary of segment results can be found under Note 9 Segment Reporting and the review of operations in the Directors Report of the Half Yearly Report for 31 December 2011.

The Electrical Division produced a pre-tax profit of $11.4m, an increase of $4.0m on the 2011 year. Revenue increased to $37.6m, 30% (or $8.7m) up on prior comparative period. The Electrical Division has produced record levels of sales and profits for the half year. Mining Product Sales are up by 69% compared to the same period last year. The Mining sector remains buoyant and is expected to do so in the coming years. Construction and Industrial markets continue to be weak and very competitive.

The TJM Products Division, comprising the Australian, Chinese and USA operations, produced a pre-tax profit of $0.3m, a decrease of $0.4m on the 2011 year. Revenue (excluding intercompany sales) decreased to $18.8m, 4% (or $0.8m) down on prior comparative period. The Company has recently restructured the senior management of this division and an operational review is currently being undertaken. The division continues to face challenges however recent investment to increase manufacturing capabilities, design capabilities and working capital requirements will result in improved performance for the business.

The Directors have resolved not to pay an interim dividend to Ordinary or Class A shareholders.

## Net Tangible Assets Per Ordinary Security

| | 31/12/11<br>$ | 31/12/10<br>$ |
|---|---|---|
| Net tangible assets per ordinary security | $1.66 | $1.48 |

## Other Significant Information

Not Applicable

## Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

| | | | |
|---|---|---|---|
| ☐ | The accounts have been audited. | ✓ | The accounts have been subject to review. |
| ☐ | The accounts are in the process of being audited or subject to review. | ☐ | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not Applicable

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not Applicable

**Results for Announcement to the Market**
**For the Half Year Ended 31 December 2011**

# Half Yearly Report of CMI Limited for the Half Year Ended 31 December 2011

(ABN 98 050 542 553)

| | |
|---|---|
| Current Reporting Period: | Half Year ending 31 December 2011 |
| Previous Corresponding Period: | Half Year ending 31 December 2010 |

# Consolidated Statement of Comprehensive Income
## For the Half Year Ended 31 December 2011

| | Note | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2(a) | 57,613 | 49,457 |
| Other income | 2(b) | 724 | 871 |
| Changes in inventories | | 2,575 | 1,504 |
| Raw materials expense | | (32,791) | (29,475) |
| Sub-contractors expense | | (389) | (535) |
| Employee benefits expense | | (6,843) | (6,280) |
| Repairs, maintenance and consumables expense | | (892) | (392) |
| ASX and share register expense | | (78) | (47) |
| Occupancy expense | | (1,910) | (1,606) |
| Travel and communication expense | | (993) | (1,030) |
| Freight and cartage expense | | (2,857) | (1,969) |
| Depreciation and amortisation expense | 2(c) | (675) | (498) |
| Finance costs | | (72) | (87) |
| Fire damage expense | | - | (499) |
| Impairment expense | 10 | (9,270) | - |
| Other expenses | | (1,769) | (1,142) |
| Profit from continuing operations before income tax expense | | 2,373 | 8,272 |
| Income tax | | (2,961) | (2,162) |
| Profit/(loss) for the period from continuing operations after income tax expense | | (588) | 6,110 |
| **Discontinued operations** | | | |
| Profit/(Loss) for the period from discontinued operations | | - | - |
| **Net Profit/(loss) for the period** | | (588) | 6,110 |
| **Other comprehensive income** | | | |
| Foreign currency translation | | 89 | (134) |
| **Other comprehensive income/(loss) for the period, net of tax** | | 89 | (134) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD** | | (499) | 5,976 |
| **Profit/(loss) for the period is attributable to the owners of the parent** | | (588) | 6,110 |
| **Total comprehensive income/(loss) for the period is attributable to the owners of the parent** | | (499) | 5,976 |
| *Earnings/(loss) Per Share:* | | | |
| From continuing and discontinued operations: | | | |
| Basic (cents per share) | 7 | (1.74) | 18.10 |
| Diluted (cents per share) | 7 | (1.74) | 18.10 |
| From continuing operations: | | | |
| Basic (cents per share) | 7 | (1.74) | 18.10 |
| Diluted (cents per share) | 7 | (1.74) | 18.10 |

Notes to the financial statements are included on pages 6 to 19

# Consolidated Statement of Financial Position
## As at 31 December 2011

| | Note | 31/12/11 $'000 | 30/6/11 $'000 |
|---|---|---|---|
| ***Current Assets*** | | | |
| Cash and cash equivalents | | 17,129 | 16,099 |
| Trade and other receivables | | 20,600 | 18,276 |
| Inventories | | 27,551 | 24,976 |
| ***Total Current Assets*** | | 65,280 | 59,351 |
| ***Non-Current Assets*** | | | |
| Other financial assets | 10 | - | 8,500 |
| Property, plant and equipment | | 5,057 | 4,809 |
| Goodwill | | 6,850 | 6,850 |
| Other intangible assets | | 2,497 | 2,292 |
| Deferred tax assets | | 146 | 455 |
| ***Total Non-Current Assets*** | | 14,550 | 22,906 |
| ***Total Assets*** | | 79,830 | 82,257 |
| ***Current Liabilities*** | | | |
| Trade and other payables | | 10,784 | 9,939 |
| Borrowings | | 216 | 271 |
| Current tax payables | | 1,885 | 4,455 |
| Provisions | | 1,312 | 1,316 |
| ***Total Current Liabilities*** | | 14,197 | 15,981 |
| ***Non-Current Liabilities*** | | | |
| Borrowings | | - | 113 |
| Provisions | | 97 | 128 |
| ***Total Non-Current Liabilities*** | | 97 | 241 |
| ***Total Liabilities*** | | 14,294 | 16,222 |
| ***Net Assets*** | | 65,536 | 66,035 |
| ***Equity*** | | | |
| Issued Capital | | 70,103 | 70,103 |
| Reserves | | 165 | 76 |
| Accumulated Profit/(Losses) | | (4,732) | (4,144) |
| ***Total Equity*** | | 65,536 | 66,035 |

Notes to the financial statements are included on pages 6 to 19

# Consolidated Statement of Changes in Equity
# For the Half Year Ended 31 December 2011

| | Issued Capital $'000 | Foreign Currency Translation Reserve $'000 | Employee Share Benefits Reserve $'000 | Accumulated Profit/ (Losses) $'000 | Total Equity $'000 |
|---|---|---|---|---|---|
| **At 1 July 2011** | 70,103 | (86) | 162 | (4,144) | 66,035 |
| Loss for the period | - | - | - | (588) | (588) |
| Net foreign exchange differences | - | 89 | - | - | 89 |
| **Total comprehensive income for the half-year** | - | 89 | - | (588) | (499) |
| **Transactions with owners in their capacity as owners** | - | - | - | - | - |
| **Balance at 31 December 2011** | 70,103 | 3 | 162 | (4,732) | 65,536 |
| **At 1 July 2010** | 70,103 | 80 | 162 | (17,464) | 52,881 |
| Profit for the period | - | - | - | 6,110 | 6,110 |
| Net foreign exchange differences | - | (134) | - | - | (134) |
| **Total comprehensive income for the half-year** | - | (134) | - | 6,110 | 5,976 |
| **Transactions with owners in their capacity as owners** | - | - | - | - | - |
| **Balance at 31 December 2010** | 70,103 | (54) | 162 | (11,354) | 58,857 |

Notes to the financial statements are included on pages 6 to 19

# Consolidated Statement of Cash Flows
# For the Half Year Ended 31 December 2011

| | Note | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|---|
| ***Cash Flows From Operating Activities*** | | | |
| Receipts from customers (inclusive of GST) | | 56,082 | 49,491 |
| Payments to suppliers and employees (inclusive of GST) | | (49,521) | (46,408) |
| Interest and other costs of finance paid | | (59) | (59) |
| Income tax (paid)/refunded | | (5,221) | (2,663) |
| Net cash provided by operating activities | 4(d) | 1,281 | 361 |
| ***Cash Flows From Investing Activities*** | | | |
| Interest received | | 1,019 | 775 |
| Payment for property, plant and equipment | | (608) | (809) |
| Proceeds from sale of property, plant and equipment | | 15 | 23 |
| Payment for deferred expenditure | | (505) | (462) |
| Net cash (used in) investing activities | | (79) | (473) |
| ***Cash Flows From Financing Activities*** | | | |
| Proceeds from borrowings | | - | 528 |
| Repayment of borrowings | | (179) | (334) |
| Dividends paid | | - | - |
| Net cash provided by/(used in) financing activities | | (179) | 194 |
| ***Net Increase/(Decrease) In Cash and Cash Equivalents*** | | 1,023 | 82 |
| ***Cash and Cash Equivalents At The Beginning Of The Financial Period*** | | 16,099 | 9,052 |
| Net foreign exchange differences | | 7 | (140) |
| ***Cash and Cash Equivalents At The End Of The Financial Period*** | 4(a) | 17,129 | 8,994 |

Notes to the financial statements are included on pages 6 to 19

# Notes to the Financial Statements
# For the Half Year Ended 31 December 2011

| Note | Contents |
|---|---|
| 1 | Summary of Accounting Policies |
| 2 | Profit from Operations |
| 3 | Subsequent Events |
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# Notes to the Financial Statements
# For the Half Year Ended 31 December 2011

## 1. Summary of Accounting Policies

**Basis of Preparation**

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

The half year financial report does not include notes of the type normally included in an annual financial report and it is recommended that the half-year report be read in conjunction with the 2011 annual financial report and considered together with any public announcements made by CMI Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half year 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 half year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This half-year consolidated financial report has been prepared by adopting accounting policies that are consistent with those adopted in the annual financial statements for the year ended 30 June 2011, with the exception of revisions to Australian Accounting Standards that have occurred on or after 1 July 2011.

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the group:

- AASB124 - Related party disclosures
- AASB 1054- Australian Additional Disclosures
- AASB 2009-14 Prepayments of a Minimum Funding Requirement
- AASB 2009-4 Annual Improvements Project (2009) - Further Amendments
- AASB 2009-12 Amendments to Australian Accounting Standards (editorial amendments)
- AASB 2010-5 Amendments to Australian Accounting Standards (editorial amendments)
- AASB 2010-6 Disclosures on Transfers of Financial Assets
- AASB 2011-5 Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

All other revisions have been assessed to require no change in accounting policies nor are they expected to result in any significant impact upon reported results.

# Notes to the Financial Statements
# For the Half Year Ended 31 December 2011

## 2. Profit From Operations – continuing operations

Profit from continuing operations before income tax includes the following items of revenue and expense:

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| ***(a) Revenue*** | | |
| Sales of goods | 56,309 | 48,511 |
| Interest – other persons | 1,304 | 946 |
| | 57,613 | 49,457 |
| ***(b) Other income*** | | |
| Other income | 724 | 371 |
| Insurance recovery relating to fire | - | 500 |
| | 724 | 871 |
| ***(c) Expenses*** | | |
| Depreciation and amortisation of: | | |
| Property, plant and equipment | (349) | (288) |
| Leased assets | (22) | (19) |
| Brandnames | - | - |
| Other intangibles | (304) | (191) |
| | (675) | (498) |

During the half year ended 31 December 2011, Richard Catelan ceased employment and his position as a director of CMI Limited. Associated with this, Richard was paid $241,068 in termination benefits including superannuation and annual leave entitlements.

## 3. Subsequent Events

A breach notice for approximately $152 thousand has been made on CMI Limited relating to guarantees CMI Limited provided in respect of certain land leased by CMI Industrial Pty Ltd which were granted prior to the sale of the Industrial by CMI Limited.

Relating to the legal proceedings in the Supreme Court of Queensland initiated by Trojan Equity Limited ("Trojan"), as a result of an application made to the Court by the respondents to the litigation, Trojan will provide security for costs of $600,000 cash or a bank guarantee to be paid into Court on 1st March and further will provide an undertaking not to dispose of any further assets, being Trojan's CMI A Class shareholding.

There has not been any other matter or circumstance in the financial statements or notes thereto, other than those outlined above, that has arisen since the end of the period, 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.

## Notes to the Financial Statements
## For the Half Year Ended 31 December 2011

### 4. Notes to the Statement of Cash Flows

*(a) Reconciliation of Cash*

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| Cheque Accounts | 5,629 | 3,994 |
| Term Deposit | 11,500 | 5,000 |
| | 17,129 | 8,994 |
| Bank Overdraft | - | - |
| | 17,129 | 8,994 |

## 4. Notes to the Statement of Cash Flows (continued)

### *(b) Non-Cash Financing and Investing Activities*

During the financial period, the economic entity acquired plant and equipment with an aggregate fair value of $nil (2010: $nil) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

### *(c) Financing Facilities*

A multi-option and bill acceptance/discount facility with the National Australia Bank, reviewed annually:

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| Amount used | - | - |
| Amount unused | 9,000 | 9,000 |
| | 9,000 | 9,000 |

A finance lease facility with the National Australia Bank, reviewed annually:

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| Amount used | 216 | 433 |
| Amount unused | 3,634 | 3,417 |
| | 3,850 | 3,850 |

### *(d) Reconciliation of Profit/(Loss) for the Period to Net Cash Flows From Operating Activities*

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| Profit/(loss) for the period | (588) | 6,110 |
| (Gain)/loss on disposal of non-current assets | 1 | (3) |
| Depreciation and amortisation of non-current assets | 675 | 498 |
| Interest income classified as investing cash flow | (1,304) | (775) |
| Finance lease interest | 11 | 21 |
| Impairment expense | 9,270 | - |
| Unrealised Foreign Exchange (Gain)/Loss | 1 | - |
| Increase/(decrease) in current tax liability | (2,569) | (587) |
| (Increase)/ decrease in deferred tax balances | 310 | 85 |
| Changes in net assets and liabilities, net of effects from acquisition of businesses: | | |
| (Increase)/decrease in assets: | | |
| Current receivables | (2,832) | (4,004) |
| Current inventories | (2,452) | (1,482) |
| Increase/(decrease) in liabilities: | | |
| Current payables | 726 | 473 |
| Current provisions | 36 | 12 |
| Non-current provisions | (4) | 13 |
| Net cash from operating activities | 1,281 | 361 |

## Notes to the Financial Statements
## For the Half Year Ended 31 December 2011

## 5. Business Combination

**Control gained over entities**

| Year | Name of entity (or group of entities) | Date control gained | % Acquired |
|---|---|---|---|
| 2011 | Not Applicable | Not Applicable | Not Applicable |
| 2010 | TJM Off-Road Products Inc. | 08/04/11 | 100% |

## 6. Details Relating to Dividends (Distributions)

| | | Amount per security ¢ | Franked Amount per security ¢ |
|---|---|---|---|
| Interim dividend – Ordinary | 2011 | - | - |
| Final dividend – Ordinary | 2010 | - | - |
| Interim dividend – Class A | 2011 | - | - |
| Final dividend – Class A | 2010 | - | - |

**Interim dividend (distribution) on all securities**

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| Ordinary securities (each class separately) | - | - |
| Class A (each class separately) | - | - |
| **Total** | - | - |

Any other disclosures in relation to dividends (distributions):

The Directors have proposed to not pay an interim dividend in respect of ordinary shares and Class A shares for the half year ended 31 December 2011.

# Notes to the Financial Statements
# For the Half Year Ended 31 December 2011

## 7. Earnings/(Loss) Per Share

| | 31/12/11 ¢ per share | 31/12/10 ¢ per share |
|---|---|---|
| Basic EPS | | |
| From continuing operations | (1.74) | 18.10 |
| From discontinued operations | - | - |
| Total basic earnings/(loss) per share | (1.74) | 18.10 |
| | | |
| Diluted EPS | | |
| From continuing operations | (1.74) | 18.10 |
| From discontinued operations | - | - |
| Total basic earnings/(loss) per share | (1.74) | 18.10 |

### *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:

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| Net profit/(loss) | (588) | 6,110 |
| Class A share dividends provided for or paid | - | - |
| Earnings used in the calculation of basic EPS from continuing and discontinued operations | (588) | 6,110 |
| Adjustments to exclude (profit)/loss for the period from discontinued operations | - | - |
| Earnings used in the calculation of basic EPS from continuing operations | (588) | 6,110 |

| | 31/12/11 No. '000 | 31/12/10 No. '000 |
|---|---|---|
| Weighted average number of ordinary shares (a) | 33,753 | 33,753 |

(a) Options 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).

## 7. Earnings/(Loss) Per Share (continued)

### *Diluted Earnings/(Loss) 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:

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| Net profit/(loss) | (588) | 6,110 |
| Class A share dividends provided for or paid | - | - |
| Earnings used in the calculation of diluted EPS from continuing and discontinued operations | (588) | 6,110 |
| Adjustments to exclude (profit)/loss for the period from discontinued operations | - | - |
| Earnings used in the calculation of diluted EPS from continuing operations | (588) | 6,110 |

| | 31/12/11 No. '000 | 31/12/10 No. '000 |
|---|---|---|
| Weighted average number of ordinary shares and potential ordinary shares (a), (b) | 33,753 | 33,753 |

(a) 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:

| | 31/12/11 No. '000 | 31/12/10 No. '000 |
|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic EPS | 33,753 | 33,753 |
| Shares deemed to be issued for no consideration in respect of: | | |
| Partly paid ordinary shares | - | - |
| Class A shares | - | - |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS | 33,753 | 33,753 |

(b) Class A shares are excluded on the basis that they are not convertible to ordinary shares. Share options are excluded on the basis that they are not dilutive. The calculation of the dilutive potential of outstanding options references to the average share price during the period preceding. While the share price at balance date exceeded the strike price, the trailing average did not. If current share prices persist it is expected that the options will become dilutive in future periods.

## 8. Contingent Liabilities, Contingent Assets and Commitments

| | 31/12/11 $'000 | 31/12/10 $'000 |
|---|---|---|
| *Contingent liabilities* | | |
| Guarantees issued to bank in respect of overseas purchases and lease of premises | 721 | 1,254 |

**Australian Taxation Office Audit**

The group is currently responding to a number of inquiries made by the Australian Taxation Office. Based on the evidence the Directors believe there will be no liability and will strenuously defend any claim.

**Litigation**

Trojan Equity Limited ("Trojan") has initiated legal proceedings in the Supreme Court of Queensland against CMI Limited, the personal representatives of CMI's former managing directors Raymond Catelan (deceased) and Richard Catelan, CMI's current directors Colin Ryan, Leanne Catelan and Danny Herceg and various shareholders of CMI Limited. Trojan has applied to the Court for a range of relief including an order that CMI be wound up, damages and an account of profits. These items cannot be quantified at this time. As a result of an application made to the Court by the respondents to the litigation, Trojan will provide security for costs of $600,000 cash or a bank guarantee to be paid into Court on 1st March and further will provide an undertaking not to dispose of any further assets, being Trojan's CMI A Class shareholding. Trojan has been awarded costs from an application made to the court estimated to be $25,000 to $40,000.

**Guarantees over CMI Industrial Premises Leases**

CMI Limited has provided guarantees in respect of certain land and buildings leased by CMI Industrial Pty Ltd which were granted prior to the sale of the Industrial by CMI Limited. The lessors under those leases may look to CMI for any unpaid amounts due by Industrial under those leases. A breach notice for approximately $152 thousand has been made on CMI Limited relating to these guarantees. At this stage, no additional claims which would result in net cash outflows by CMI Limited are expected.

### *Contingent assets*

**Option to purchase**

Associated with the sale of the Engineering business and a vendor loan provided by CMI Limited was 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. The option was due to expire on 16 April 2011. Following an approach by CMI Industrial Pty Ltd it was agreed to extend the repayment date of the loan, and therefore the option expiry, on the same terms and conditions by 6 months. Exercise of the option by CMI would require the surrender of the vendor loan. The directors have assessed the fair value of this option as $nil at 31 December 2010 and 31 December 2011.

## Notes to the Financial Statements
## For the Half Year Ended 31 December 2011

### 9. Operating Segments

Information on reportable operating segments from continuing operations:

| | CONTINUING OPERATIONS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **BUSINESS** | **TJM Products – Domestic** | | **TJM Product – China** | | **TJM Product – USA** | | **Electrical Components** | | **Consolidated** | |
| | **31/12/11 $'000** | **31/12/10 $'000** | **31/12/11 $'000** | **31/12/10 $'000** | **31/12/11 $'000** | **31/12/10 $'000** | **31/12/11 $'000** | **31/12/10 $'000** | **31/12/11 $'000** | **31/12/10 $'000** |
| **REVENUE** | | | | | | | | | | |
| External sales | 18,526 | 19,138 | 33 | 449 | 208 | - | 37,615 | 28,924 | 56,382 | 48,511 |
| Intersegment sales (ii) | - | - | 1,888 | 1,405 | - | - | - | - | 1,888 | 1,405 |
| **Total Segment Revenue** | 18,526 | 19,138 | 1,921 | 1,854 | 208 | - | 37,615 | 28,924 | 58,270 | 49,916 |
| Interest income | | | | | | | | | 1,231 | 946 |
| Inter-segment eliminations | | | | | | | | | (1,888) | (1,405) |
| **Total revenue per the statement of comprehensive income** | | | | | | | | | 57,613 | 49,457 |
| **RESULT** | | | | | | | | | | |
| Segment result | 676 | 613 | (132) | 129 | (225) | - | 11,437 | 7,483 | 11,756 | 8,225 |
| **Reconciliation of segment net profit before tax to net profit/(loss) after tax per the statement of comprehensive income** | | | | | | | | | | |
| Interest income | | | | | | | | | 1,231 | 946 |
| Employee benefits | | | | | | | | | (414) | (511) |
| ASX and share register expense | | | | | | | | | (78) | (47) |
| Borrowing costs | | | | | | | | | (61) | (66) |
| Other expenses from ordinary activities | | | | | | | | | (791) | (275) |
| Impairment expense | | | | | | | | | (9,270) | - |
| Income tax expense | | | | | | | | | (2,961) | (2,162) |
| **Profit/(loss) after tax per the statement of comprehensive income** | | | | | | | | | (588) | 6,110 |

i) Prior period comparatives have been adjusted where required to meet current year presentation format.
ii) Inter-entity sales are recognised based on an internally set transfer price of goods at cost plus a margin.
iii) Corporate charges and income tax expense are not allocated to each business segment

## 9. Operating Segments (continued)

| BUSINESS | TJM Products – Domestic | | TJM Product – China | | TJM Product – USA | | Electrical Components | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 |
| **SEGMENT ASSETS** | | | | | | | | | | |
| Segment assets | 22,520 | 20,471 | 1,136 | 2,151 | 605 | 495 | 40,756 | 37,637 | 64,017 | 60,754 |
| **Reconciliation of segment assets to the statement of financial position** | | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | 14,448 | 11,625 |
| Other financial assets | | | | | | | | | - | 8,500 |
| Future income tax benefits | | | | | | | | | 98 | 325 |
| Property, Plant & Equipment | | | | | | | | | 7 | 6 |
| Other assets | | | | | | | | | 260 | 674 |
| Intersegment Eliminations | | | | | | | | | - | 373 |
| **Total assets from continuing operations per the statement of financial position** | | | | | | | | | 79,830 | 82,257 |

## 9. Operating Segments (continued)

| BUSINESS | TJM Products – Domestic | | TJM Product – China | | TJM Product – USA | | Electrical Components | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 | 31/12/11 $'000 | 30/06/11 $'000 |
| **SEGMENT LIABILITIES** | | | | | | | | | | |
| Segment liabilities | 5,226 | 4,504 | 251 | 714 | 7 | 1 | 6,606 | 6,079 | 12,090 | 11,298 |
| **Reconciliation of segment assets to the statement of financial position** | | | | | | | | | | |
| Tax Payables | | | | | | | | | 1,947 | 4,410 |
| Other Liabilities | | | | | | | | | 257 | 514 |
| **Total liabilities from continuing operations per the statement of financial position** | | | | | | | | | 14,294 | 16,222 |

| BUSINESS | TJM Products – Domestic | | TJM Product – China | | TJM Product – USA | | Electrical Components | | Reconciliation to statement of cashflows | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31/12/11 $'000 | 31/12/10 $'000 | 31/12/11 $'000 | 31/12/10 $'000 | 31/12/11 $'000 | 31/12/10 $'000 | 31/12/11 $'000 | 31/12/10 $'000 | 31/12/11 $'000 | 31/12/10 $'000 | 31/12/11 $'000 | 31/12/10 $'000 |
| **CASHFLOW INFORMATION** | | | | | | | | | | | | |
| Net cash flow from operating activities | (903) | 172 | (55) | 75 | (272) | - | 9,349 | 3,754 | (6,838) | (3,640) | 1,281 | 361 |
| Net cash flow from investing activities | (1,078) | (1,165) | (29) | 52 | 203 | - | (116) | (109) | 941 | 749 | (79) | (473) |
| Net cash flow from financing activities | (172) | (141) | - | 44 | 85 | - | (39) | (32) | (53) | 323 | (179) | 194 |

# Notes to the Financial Statements
# For the Half Year Ended 31 December 2011

## 9. Operating Segments (continued)

**Products and Services within each Business Segment**

For management purposes, the consolidated entity is organised into three major operating divisions – electrical components, 4WD components domestic and 4WD components overseas. 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.

# Notes to the Financial Statements
# For the Half Year Ended 31 December 2011

## 10. Other Non-Current Financial Assets

| | 31/12/11 $'000 | 30/06/11 $'000 |
|---|---|---|
| **Other receivables** | | |
| Loan receivable | 17,000 | 17,000 |
| Provision for Impairment | (17,000) | (8,500) |
| | - | 8,500 |

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 instrument had embedded early repayment discount features that allowed for discounts of up to $3 million. This discount decreased in proportion to the amount of early repayments until the expiry of the three year term of the loan. The $17 million loan had been recorded by CMI at its fair value of $14 million at 30 June 2008 and classed as a current financial asset as it was expected to be repaid in the following 12 month period. 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 recognition the directors assessed the fair value of this loan to be $14 million and not its face value of $17 million. Any premium received above $14 million was to be recorded as interest income.

As at 30 June 2009 two discount repayment periods had expired and the directors expected the third, fourth and fifth discount periods to expire in October 2009, April and October 2010. The loan was carried at $16.5 million at 30 June 2009.

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.

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. At 31 December 2011, principal and interest arrears, including default interest and charges, and earlier adjustments due under the original sale agreements total $17.8 million.

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. 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. A further impairment of $0.8m has been recognised relating to the interest arrears and earlier adjustments due under the original sale agreements. The loan is classed as a non-current asset as the Board does not expect the loan to be repaid in the following 12 month period.

No tax benefit has been recorded on the principal (capital) impairment of $8.5 million as sufficient forecasted capital profits are not envisaged to utilise these losses.

# CMI LIMITED
# DIRECTORS' REPORT

The directors of CMI Limited submit herewith the financial report for the half-year ended 31 December 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

**Name**

Colin G. Ryan (Executive Chairman)
Danny Herceg (Director)
Leanne J. Catelan (Director)
Raymond D. Catelan (Executive Director)
Richard D. Catelan (Executive Director)

Raymond Catelan ceased to be a director on 24 July 2011 due to his passing. Richard Catelan ceased to be a director on 30 August 2011. Leanne Catelan held office since 30 August 2011. Colin Ryan and Danny Herceg held office during the entire financial year and since the end of the financial year.

## REVIEW OF OPERATIONS

Revenue for the half-year from continuing and discontinued operations was $57.613 million (2010: $49.457 million). The company's loss after tax from continuing and discontinued operations was $0.588 million (2010: profit $6.110 million). This result includes an impairment expense of $9.270 million related to a loan receivable.

The Electrical Division produced a pre-tax profit of $11.4m, an increase of $4.0m on the 2011 year. Revenue increased to $37.6m, 30% (or $8.7m) up on prior comparative period. The Electrical Division has produced record levels of sales and profits for the half year. Mining Product Sales are up by 69% compared to the same period last year. The Mining sector remains buoyant and is expected to do so in the coming years. Construction and Industrial markets continue to be weak and very competitive.

The TJM Products Division, comprising the Australian, Chinese and USA operations, produced a pre-tax profit of $0.3m, a decrease of $0.4m on the 2011 year. Revenue (excluding intercompany sales) decreased to $18.8m, 4% (or $0.8m) down on prior comparative period. The Company has recently restructured the senior management of this division and an operational review is currently being undertaken. The division continues to face challenges however recent investment to increase manufacturing capabilities, design capabilities and working capital requirements will result in improved performance for the business.

A summary of segment results can be found under Note 9 Segment Reporting and the review of operations in the Directors Report of the Half Yearly Report for 31 December 2011.

The Directors have resolved not to pay an interim dividend to Ordinary or Class A shareholders.

## INDEPENDENCE DECLARATION BY AUDITORS

The auditor’s independence declaration is included on page 24.

## 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 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 s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

Colin G. Ryan
Executive Chairman

Danny Herceg
Director

BRISBANE
Dated: 28 February 2012

**CMI LIMITED**
**DIRECTORS' DECLARATION**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

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 financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity.

 (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

On behalf of the Directors

Colin G. Ryan
Executive Chairman

Danny Herceg
Director

BRISBANE

Dated: 28 February 2012

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## To the members of CMI Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CMI Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of CMI Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, 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.

ERNST & YOUNG

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CMI Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Emphasis of Matter

We draw attention to Note 8 to the half-year financial statements which describes an uncertainty related to the outcome of the lawsuit filed against the Company by Trojan Equity Limited, in which Trojan Equity Limited has applied to the Court for a range of relief including an order that the Company be wound up, damages and an account of profits. Our conclusion is not qualified in respect of this matter.

Ernst & Young

Ernst & Young

Brad Tozer
Partner
Brisbane
28 February 2012

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# Auditor's Independence Declaration to the Directors of CMI Limited

In relation to our review of the financial report of CMI Limited for the half-year ended 31 December 2011, 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
Partner
28 February 2012