cmi

CMI Limited Annual Report 2011

CONTENTS

ANNUAL GENERAL MEETING

The Annual General Meeting of CMI Limited will be held at the Brisbane Riverview Hotel, cnr Kingsford-Smith Drive and Hunt Street, Hamilton on Tuesday, 29 November 2011 at 11.00 am.

The business of the meeting is outlined in the formal Notice and Proxy Form that is enclosed with this report.

FINANCIAL CALENDAR

Financial year end	30 June 2011
ASX announcement of results and dividend	31 August 2011
Annual General Meeting	29 November 2011

CMI

CMI Limited's continuing operations comprise the CMI Electrical Products division and the TJM Products division

- **CMI Electrical Products**
  - This division specialises in the manufacture of specialty electrical cables, sourcing and supply of niche electrical cables, high voltage cables, flexible cables and plugs and couplers.
  - Business units include: Aflex Cables, Hartland Cables, XLPE Cables, Minto Industrial Products and a cable assembly unit.
  - 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 now extends across mining, industrial and construction.
  - Market penetration is achieved through seven distribution outlets, five that are run by the company in Sydney, Brisbane, Rockhampton, Melbourne and Perth and two distributors located in New Zealand and Adelaide.
- **TJM Products**
  - 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, canopies & suspension.
  - Market penetration is achieved through approximately forty TJM branded aftermarket retail distribution stores throughout Australia, product supply to major original equipment manufacturers such as Nissan and direct export to a distribution network covering most continents.

Chairman's Review

This last year has been a positive earnings year for CMI. Operating profit after tax increased from a loss of $0.4 million in 2010 to a profit of $13.3 million in 2011. To an extent, this result has been inflated by the receipt by TJM of final insurance proceeds of $2.0 million from the Geebung fire which under current accounting standards could only be recorded once confirmed and received.

The growth in sales and earnings for the Electrical division has been encouraging and we acknowledge the focus and expertise of the management of that division. The Electrical division sales were $61.8million, an increase of 36% on the prior year. Operational profit increased from $10.9 million to $16.0 million, an increase of 46%. The division has increased its presence in Western Australia with good results and while business in the resource related areas has been strong, business in the other non-resource sectors has been impacted by the general uncertain economic conditions.

The TJM division sales were $38.5 million, an increase of 20% on the prior year. Operating profit has also increased from a loss of $1.4 million to a profit of $2.8 million. The timing of the fire insurance recovery of $2.0 million has inflated these earnings as noted earlier; however, the sales increases are encouraging and division management is committed to the continuation of the recent sales and earnings improvements.

The Board acknowledges the contribution to the management of the Company by the Managing Director of the last 4 years, the late Mr Ray Catelan and expresses sympathy to his family for their loss. As a result of this, as previously advised, I have accepted appointment as Executive Chairman.

There has been two further changes to the composition of the Board. Mr Richard Catelan has resigned from the Board but continues as General Manager of TJM. Ms Leanne Catelan, a director of RP Prospects Pty Ltd the Company's major shareholder, has joined the Board. Both of these changes occurred at the end of August.

The Board expresses its appreciation to the Company staff for their work and dedication over the past year.

Colin G. Ryan

Colin G. Ryan AM
Chairman

CMI Operational Review

CMI Electrical Products 2011

The Electrical Division produced a pre-tax profit of $16.0m, an increase of $5.0m on the 2010 year. Revenue increased to $61.8m, 36% (or $16.2m) up on last year.

After the slow first quarter, the mining, industrial and construction sectors gained some steady momentum. Whilst the floods did have an impact, the mining sector quickly recovered. The last quarter has seen a downturn in the construction sector while the mining sector remains buoyant.

Increase in revenue was also attributed to new product ranges introduced in recent years.

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

In the 2012 year CMI Electrical proposes to focus on the following:

- Increasing the revenue and margins
- Continuation of the introduction of new products to the market along with improvements to its Mining Product range
- Reviewing growth opportunities through acquisition

TJM Products 2011

The TJM Products Division produced a pre-tax profit of $2.8m, an increase of $4.2m on the 2010 year. Revenue (excluding intercompany eliminations) increased to $38.5m, 20% (or $6.3m) up on last year. The pre-tax profit includes $2.0m relating to insurance recoveries less expenses relating to the fire.

The performance of the division indicates a turnaround from previous periods to profitability which can be attributed to the ongoing investment in product designs, brand identity, supply chain and distribution relationships.

Market distribution is achieved through approximately 40 TJM branded and 6 non-branded aftermarket retail distribution stores throughout Australia, product supply to original equipment manufacturers such as Nissan and direct export to a distribution network covering most continents.

In the 2012 year TJM Products proposes to focus on the following:

- Increasing the revenue and margins
- Continuation of the introduction of new products to the market

Directors and Senior Management

Colin Ryan AM

Executive Chairman

Colin Ryan joined the board in February 2007 as the non-executive chairman and independent director. Mr Ryan was appointed Executive Chairman in August 2011.

Mr Ryan is former chairman or director of several public and listed companies and community and charitable organisations. He is the former Queensland managing partner of a major international accounting firm.

Mr Ryan holds bachelor degrees in Commerce and Law, is a past Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. He was awarded the Order of Australia in 2004 for his services to children's health.

Raymond Catelan

Former Managing Director

Ray Catelan joined the board as a director on 18 May 2007 and as Managing Director on 3 July 2007.

Mr Catelan ceased to be Managing Director due to his passing in July 2011.

Mr Catelan led the Company through the difficult period of the Global Financial Crisis and the subsequent restructuring. The financial strength and profitability of the Company today owes much to his foresight and management.

Danny Herceg

Non-Executive Director

Danny Herceg joined the board in March 2007 as an independent director. Danny is a senior corporate and commercial lawyer with a specialisation in capital raisings, mergers and acquisitions, privatisations, restructurings and venture capital.

Danny commenced practise in 1990 after completing degrees in science and law. He was a capital raisings partner of Gilbert + Tobin before establishing Herceg Lawyers in 2002.

In addition to Danny's capital raisings expertise, Danny advises on various commercial and corporate law issues, including prospectus issues, corporate governance and employee share and option plans, as well as joint ventures and non-equity funding.

Leanne Catelan

Non-Executive Director

Ms Catelan joined the board in August 2011.

Ms Catelan has commercial and management experience in the information technology industry and sports management industry both domestically and overseas.

Richard Catelan

General Manager – TJM Products Division

Richard Catelan has extensive experience with implementation of corporate management systems, sales management, marketing, customer service and information technology.

Mr Catelan joined the CMI group in 2008 at TJM in the sales division and was appointed a Director of CMI Limited in June 2008, ceasing in this Board role in August 2011.

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.

Mr Heslington, who is based in Sydney, was appointed General Manager of the Electrical Components Division in 2002. He has over 20 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.

Sharyn Williams

Chief Financial Officer/ Company Secretary – CMI Limited

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

Ms Williams holds 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.

CMI Locations

CMI Limited – Head Office

150 Robinson Road
Geebung QLD 4034
T: 07 3865 9969
F: 07 3865 3677
E: corporate@cmilimited.com.au

TJM Products Pty Ltd – Head Office

150 Robinson Road
Geebung QLD 4034
T: 07 3865 9999
F: 07 3865 9922
Email: info@tjmproducts.com.au

TJM Off-Road Products Inc

4115 Indus Way
Riverside, California 92503
USA
T: 425 280 90 90
Email: info@tjmusa.com

TJM Shenzhen Ltd

XinHe Village #118
LiuHe Community
PingShan, LongGang
ShenZhen City
Guan Dong Province
PEOPLE'S REPUBLIC OF CHINA 518118
T: 86 755 2527 3131
F: 86 755 2527 3121
Email: sales@tjmshenzhen.com

CMI Electrical Products – Head Office

18-20 Railway Road
Meadowbank NSW 2114
T: 02 9807 6155
F: 02 9808 2033
Email: nswsales@cmielectrical.com.au

QLD - Brisbane

57 Yarraman Place
Virginia QLD 4014
T: 07 3865 4745
F: 07 3865 7494
Email: southqldsales@cmielectrical.com.au

QLD - Rockhampton

76 Hollingsworth Street
North Rockhampton QLD 4701
T: 07 4921 0978
F: 07 4921 0981
Email: northqldsales@cmielectrical.com.au

VIC - Melbourne

3-5 Dissik Street
Cheltenham VIC 3189
T: 03 9532 1233
F: 03 9553 3502
Email: vicsales@cmielectrical.com.au

WA – Perth

7 Rothschild Place
Midvale WA 6056
T: 08 9250 5933
F: 08 9250 5722
Email: wasales@cmielectrical.com.au

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 2007.

The following statement sets out the main corporate governance practices adopted by the Board for the year ended 30 June 2011 based on the Corporate Governance Principles and Recommendations (Second Edition August 2007) and discloses any instances of non-compliance with, and reasons for not adopting, the best practice recommendations of the ASX Corporate Governance Council.

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 Managing Director, 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.

Structure the Board to Add Value

During the year ended 30 June 2011, the Board comprised four directors – two executives and two 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 as at 30 June 2011:

Name	Position
Colin Ryan, AM	Chairman, Non-Executive director
Danny Herceg	Non-Executive director

On 30 August 2011 Mr Ryan was appointed Executive Chairman and therefore is no longer considered to be independent.

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.

During the year ended 30 June 2011 the Company complied with the ASX Corporate Governance Council recommendation of having different people in the roles of Chairman and Managing Director. The Executive Chairman Mr Ryan has recently begun carrying out the roles of Chairman and Managing Director. The Board acknowledges the recommendation of the ASX Corporate Governance Council that these roles should not be exercised by the same individual, but considers that the long-standing experience of Mr Ryan in relation to the operations and business relationships of the Company make it appropriate for him to carry out the functions of both roles.

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 his 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.

Corporate Governance Statement

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 Managing Director, 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.

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 2011, the Audit Committee consisted of two executive directors and two independent non-executive directors. The Audit Committee at the date of this report consists of one executive director, one non-executive director and one independent 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. The Board will give consideration in due course to how and when this can be achieved.

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 provision has been published on the Company's website.

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.

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 thereon.

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.

Corporate Governance Statement

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. This Board is supported by Executive Officers who are tasked with managing the risk management system and its ongoing maintenance and managing OH&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 the 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 strategic plans and budgets which are monitored by the Board.

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.

It is responsible for reviewing and recommending salary package arrangements for the Managing Director, 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 Managing Director, 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 option 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.

The policy on bonuses for the Managing Director 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 Employee Incentive Scheme, 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 are restrictions on the exercise of options so that no more than 20% of awarded options to an employee can be exercised for each year of employment, up to five years, when the restrictions no longer apply. Options which issue are 'vested'. Hence, 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 options 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 Managing Director 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 undertakes a detailed evaluation of the Managing Director'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 Managing Director, reviews in a similar manner the performance of the senior executives of the Company who report directly to the Managing Director.

The results of these evaluations are tabled to the Board as part of the Remuneration Committee's report. At this meeting, the Board and Managing Director 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 2011. 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
Colin G. Ryan	Chairman and Non-Executive Director – Appointed 28 February 2007; Executive Chairman – appointed 30 August 2011 Mr Ryan, AM, BCom, LLB, FCA, FAICD, is former chairman or director of several public and listed companies and community and charitable organisations. He is the former Queensland managing partner of a major international accounting firm. He holds bachelor degrees in Commerce and Law, is a past Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. Mr Ryan was awarded the Order of Australia in 2004 for his services to children's health. During the financial year he attended 13 of the 14 directors' meetings held, 2 of the 2 audit committee meetings held and 1 of 1 remuneration committee meetings held.
Danny Herceg	Non-Executive Director – Appointed 9 March 2007; Chairman Audit Committee – appointed 30 August 2011 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. In the prior 3 years Danny was a former director of Superwoman Group Limited (17 May 2010 to 9 August 2010), Bigair Group Limited (27 July 2007 to 18 July 2008) and Bluefreeway Limited (29 January 2008 to 30 May 2008). During the financial year he attended 13 of the 14 directors' meetings held, 2 of the 2 audit committee meetings held and 1 of 1 remuneration committee meetings held.
Raymond D. Catelan	Managing Director – Appointed 3 July 2007, ceased 24 July 2011; Director - Appointed 18 May 2007, ceased 24 July 2011 Mr Catelan had extensive commercial and management experience both in the public and private company environments, particularly in the provision of property and equipment related information services. In the prior 3 years Raymond was a former director of Bigair Group Limited (27 July 2007 to 9 January 2008). During the financial year he attended 14 of the 14 directors' meetings held and 2 of the 2 audit committee meetings held.
Richard D. Catelan	Executive Director – Appointed 11 June 2008; ceased 30 August 2011 Mr Catelan has extensive commercial and management experience both in the public and private company environments, particularly in the provision of property and equipment related information services. During the financial year he attended 14 of the 14 directors' meetings held and 2 of the 2 audit committee meetings held.
Leanne J. Catelan	Non-Executive Director – Appointed 30 August 2011 Ms Catelan has commercial and management experience in the information technology industry and sports management industry both domestically and overseas.

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

The directors do not currently hold any other listed company directorships.

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

Name	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	Fully Paid Class A Shares	Executive Share Options
Leanne J. Catelan as:				
RP Prospects Pty Ltd as trustee for the M & L Trust	12,420,484	-	-	-
RD Catelan Investments Pty Ltd as trustee for the RDC Trust	-	-	2,271,647	-
Tinkerbell Enterprises Pty Ltd as trustee for the Leanne Catelan Trust	3,112,422	-	-	-
LJ Catelan Superannuation Fund Pty Ltd as trustee for the Leanne Catelan Superannuation Fund	730,217	-	-	-
Colin G. Ryan	-	-	-	300,000
Danny Herceg	500,000	-	-	300,000

Directors' Report

COMPANY SECRETARY

Sharyn R. Williams

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

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

Consolidated revenue for the year from continuing operations was $102,266 thousand and discontinuing operations was $nil thousand (2010: continuing $79,125 thousand, discontinued $423 thousand). The consolidated entity's profit before tax was $18,807 thousand (2010: $1,592 thousand) and the profit after tax was $13,320 thousand (2010 loss: $449 thousand).

The Electrical Division produced a pre-tax profit of $15,975 thousand, an increase of $5,034 thousand on the prior year. Revenue increased to $61,830 thousand, 36% (or $16,247 thousand) up on prior year. After the slow first quarter, the mining, industrial and construction sectors gained some steady momentum. Whilst the floods did have an impact, the mining sector quickly recovered. The last quarter has seen a downturn in the construction sector while the mining sector remains buoyant.

The TJM Products Division produced a pre-tax profit of $2,766 thousand, an increase of $4,180 thousand on the prior year. Revenue (excluding intercompany sales) increased to $38,534 thousand, 20% (or $6,329 thousand) up on prior year. The pre-tax profit includes $1,983 thousand relating to insurance recoveries less expenses relating to the fire. The performance of the division indicates a turnaround from previous periods to profitability which can be attributed to the ongoing investment in product designs, brand identity, supply chain and distribution relationships.

Refer to the Chairman's Review and the Operational Review for more details.

CHANGES IN STATE OF AFFAIRS

During the year ended 30 June 2011 the group incorporated TJM Off-road Products Inc. with an investment of USD $100 thousand.

FUTURE DEVELOPMENTS

The company has a strategic intention of expanding the company's current business operations by actively seeking acquisitions and growth opportunities that are compatible with the core businesses of the company while continuing its focus on the organic growth of those core businesses both domestically and internationally.

To carry out this intent, the Company has decided to continue to strengthen its balance sheet and to maximise its cash position at least until after its review of the 2013 financial year results. Therefore the Board has adopted a Dividend Policy that will consolidate that cash position. The Board is not expected to declare dividends to the Class A or the Ordinary shareholders until after 30 June 2013. After then, the Board will review this Policy to determine whether the Policy should continue for a further period.

The Board's decision is intended to enable the CMI businesses to grow in size and profitability to a level that will allow the Board, in the future, to resume appropriate dividend distributions to all shareholders while maintaining a prudent dividend payout ratio.

In accordance with its review obligations, the Board will continue, on a quarterly basis, to assess the appropriateness of declaring and paying a dividend for Class A shares. However, in doing so, the Board will take into account its announced Dividend Policy.

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been included in this report.

SUBSEQUENT EVENTS

On 24 July 2011, CMI's Managing Director Raymond Catelan passed away and ceased to be a director of the company.

On 30 August 2011 Ms Leanne Catelan was appointed a director, Mr Richard Catelan resigned as a director and Mr Colin Ryan was appointed Executive Chairman (formerly Non-executive Chairman).

Trojan Equity Limited has initiated legal proceedings in the Supreme Court of Queensland against CMI Limited, the personal representatives of CMI's former managing director Raymond Catelan (deceased), CMI's current directors Colin Ryan and Danny Herceg, former director Richard Catelan 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.

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.

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 a liability incurred 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 Performance history

F Dividends

G Share Price

A Principles Used to Determine the Nature and Amount of Remuneration

This remuneration report for the year ended 30 June 2011 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 parent company, and includes the four executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" includes the Managing Director, executive directors, senior executives, general managers and secretaries of the Parent and 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 in connection with the structure of remuneration packages.

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) has reduced by 9.8%, and total equity has reduced by 17.0%. During the same period, directors and executives remuneration (included in part C below) have reduced by 50.8%. 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 options granted under the director and employee share option plans approved by shareholders on 23 August 1999; 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 60% of base salary as a performance-related bonus based on achieving budgeted financial and other performance-related targets. In the 2011 financial year, Raymond Catelan, Jeff Heslington, Richard Catelan and Sharyn Williams received performance-related bonuses totalling $349 thousand calculated on achieving budgeted financial and performance related targets in the 2011 financial year.

In the 2010 financial year, Raymond Catelan, Jeff Heslington, Richard Catelan and Sharyn Williams received performance-related bonuses totalling $208 thousand calculated on achieving budgeted financial and performance related targets in the 2010 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, as approved by shareholders at a general meeting, the Board may invite, on terms and conditions the Board determines, employees to apply for options.

The exercise price of the options will be generally at the weighted average price of shares in the company traded on the ASX in the 20 trading days prior to the issue of the options. However, the scheme provided for an initial option issue to a number of existing employees.

20% of the options issued to any employee pursuant to the scheme will be able to be exercised by the employee for each year of employment by the company of the employee, to a maximum of 5 years employment. The options can be exercised at any time in the 5 years after the date of their issue, although any employee who leaves the employ of the company will need to exercise their options within 90 days of termination of their employment. All options carry no voting rights and do not entitle the holder to dividends.

On 16 April 2008 Director options were issued and are able to be exercised immediately. The options can be exercised at any time in the 5 years after the date of their issue. All options carry no voting rights and do not entitle the holder to dividends. There have been no share-based payments issued in the current or prior financial year.

Further details of the employee incentive scheme are disclosed in 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 September;
- Require a one to six month notice period and have no minimum contract term; and
- If employment is terminated by the company before the term of the contract expires, the specified director or executive is entitled to a termination payment based on the remaining contract period.

C Details of Remuneration

The directors of the company and the consolidated entity are detailed below as are the four key management personnel who received the highest remuneration for the year ended 30 June 2011:

Directors

C.G. Ryan (appointed 28 February 2007)

D. Herceg (appointed 9 March 2007)

Raymond D. Catelan (appointed 18 May 2007, ceased 24 July 2011)

Richard D. Catelan (appointed 11 June 2008, ceased 30 August 2011)

The key management personnel of the Group during the year were:

Raymond D. Catelan (Managing Director, ceased 24 July 2011)

Richard D. Catelan (General Manager – TJM Products Division)

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

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

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

Raymond D. Catelan (Managing Director)

Richard D. Catelan (General Manager – TJM Products Division)

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

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

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

	CONSOLIDATED		COMPANY	
	2011 $	2010 $	2011 $	2010 $
Short-term employee benefits	1,520,114	1,454,016	1,092,110	1,081,358
Post-employment benefits	135,540	128,325	97,629	92,912
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
	1,655,654	1,582,341	1,189,739	1,174,270

The following tables disclose the remuneration of the directors and four (2010: four) highest remunerated executives of the consolidated entity.

	Short-term Employee Benefits				Post Employment Benefits		Long-term benefits	Share-based payment				
2011	Salary/ Fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Other $	Long Service Leave $	Shares $	Options $	Total $	Short-term bonuses as % of maximum available	Perfor-mance related
C.G. Ryan	109,000	-	-	-	-	-	-	-	-	109,000	-	-
D. Herceg	60,000	-	-	-	5,400	-	-	-	-	65,400	-	-
Raymond D. Catelan	300,000	80,000	-	-	33,109	-	5,000	-	-	418,109	67%	19%
Richard D. Catelan	250,000	100,000	-	-	30,136	-	4,167	-	-	384,303	67%	26%
J.L. Heslington	300,000	113,004	15,000	-	32,918	-	4,993	-	-	465,915	94%	24%
S.R. Williams	137,110	56,000	-	-	17,213	-	2,604	-	-	212,927	100%	26%
Total	1,156,110	349,004	15,000	-	118,776	-	16,764	-	-	1,655,654	78%	21%

	Short-term Employee Benefits				Post Employment Benefits		Long-term benefits	Share-based payment				
2010	Salary/ Fees $	Bonus* $	Non-monetary $	Other $	Super-annuation $	Other $	Long Service Leave $	Shares $	Options $	Total $	Short-term bonuses as % of maximum available	Perfor-mance related
C.G. Ryan	109,000	-	-	-	-	-	-	-	-	109,000	-	-
D. Herceg	60,000	-	-	-	5,400	-	-	-	-	65,400	-	-
Raymond D. Catelan	300,000	99,996	-	-	34,200	-	4,996	-	-	439,192	42%	11%
Richard D. Catelan	250,000	62,497	-	-	25,875	-	4,163	-	-	342,535	42%	18%
J.L. Heslington	300,000	57,658	15,000	-	30,418	-	4,996	-	-	408,072	37%	11%
S.R. Williams	128,440	71,425	-	-	16,138	-	2,139	-	-	218,142	100%	24%
Total	1,147,440	291,576	15,000	-	112,031	-	16,294	-	-	1,582,341	47%	13%

* Bonus amount includes $83,306 relating to 2009 year bonuses paid during 2010 year

D Share Based Compensation

The Remuneration Committee makes recommendations to the Board regarding the granting of options 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. Options issued to directors require approval by a general meeting of shareholders. Options issued to executives are in accordance with the company's employee incentive scheme.

Share Options Granted to Key Management Personnel

No share options were granted during the year. On 16 April 2008, 600,000 Director share options were issued and are able to be exercised immediately. The options can be exercised at any time in the 5 years after the date of their issue. All options carry no voting rights and do not entitle the holder to dividends. The fair value of the options at grant date was $0.27 per option.

Share Options Exercised During the Year

No share options were exercised during the year.

Share Options Lapsed During the Year

Nil share options lapsed during the financial year and nil share options lapsed during the prior financial year.

The Percentage of Remuneration Consisting of Options During the Year

The percentage of remuneration consisting of options for directors and for the four highest remunerated executives during the year was 0% (2010: 0%).

Share Options on Issue to Directors and the Highest Remunerated Executives

The following options were on issue at year end:

Individual	Issuing Entity	Number of Shares Under Option	Class of Share	Exercise Price	Expiry Date of Options	% Remuneration consisting of options during year
Colin G. Ryan	CMI Limited	300,000	Ordinary	$1.20	15/04/2013	-
Danny Herceg	CMI Limited	300,000	Ordinary	$1.20	15/04/2013	-

Incentive Scheme

In accordance with the provisions of the incentive scheme, as at the date of this report, directors are entitled to purchase an aggregate of 600,000 ordinary shares of CMI Limited at an issue price of $1.20 per ordinary share during the period of 5 years after 16 April 2008.

E Performance history

Financial Comparative Data in $'000	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Growth FY10 to FY11
Group Revenue	265,403	232,220	95,478	79,125	102,266	29%
Earnings before Depreciation, Interest & Tax	6,540	(15,323)	(1,540)	2,757	20,081	628%
Depreciation & Amortisation	(7,379)	(3,743)	(2,150)	(867)	(1,099)	(27%)
Earnings before Interest & Tax	(839)	(19,066)	(3,690)	1,890	18,982	904%
Interest & Finance Charges	(4,397)	(3,409)	(503)	(298)	(175)	41%
Operating Profit (Loss) before Tax	(5,236)	(21,289)	(4,192)	1,592	18,807	1081%
Operating Profit (Loss) after Tax	(3,840)	(22,897)	(1,479)	(449)	13,320	3067%
Earnings per share						
- Basic (Cents)	(21.61)	(73.65)	(4.38)	(1.33)	39.46	3067%
Dividends						
- Ordinary ($'000)	3,183	N/a	N/a	N/a	N/a	N/a
- Preference ($'000)	N/a	N/a	N/a	N/a	N/a	N/a
- Class A ($'000)	3,786	1,960	N/a	N/a	N/a	N/a
Dividends per Share						
- Ordinary (cents)	9.00	N/a	N/a	N/a	N/a	N/a
- Preference (cents)*	N/a	N/a	N/a	N/a	N/a	N/a
- Class A (cents)*	14.00	7.00	N/a	N/a	N/a	N/a
Closing share price						
- Ordinary ($)	1.40	0.825	0.33	0.62	0.845	36%
- Class A ($)	1.28	0.60	0.32	0.379	0.41	8%
Shareholder Funds ($'000)	79,515	54,729	53,250	52,881	66,035	25%
Net Tangible Assets per Ordinary Share (Dollars)	1.39	1.17	1.34	1.31	1.69	29%
Number of employees	1,058	362	157	183	202	10%

* All issued Preference Shares were converted to Class A shares during the 2006 year

F 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 2011, the directors do not recommend the payment of a final dividend to the holders of fully paid Class A shares.

In respect of the financial year ended 30 June 2011, the directors do not recommend the payment of a final dividend to the holders of fully paid ordinary shares.

In respect of the financial year ended 30 June 2010, the directors did not recommend the payment of a final dividend to the holders of fully paid Class A shares.

In respect of the financial year ended 30 June 2010, the directors did not recommend the payment of a final dividend to the holders of fully paid ordinary shares.

G Share price

The closing market share price at the end of the previous financial year was $0.62 per ordinary share and at market close on 30 June 2011 was $0.845. The closing market share price at the end of the previous financial year was $0.379 per Class A share and at market close on 30 June 2011 was $0.41.

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 19.

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

Colin G. Ryan

C.G. Ryan
Chairman

D. Herceg
Director

BRISBANE

Dated: 30 September 2011

Independence Declaration By Auditors

TO THE DIRECTORS OF CMI LIMITED

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.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 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
30 September 2011

Independent Audit Report

TO THE MEMBERS OF CMI LIMITED

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.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 2011, 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.

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.

Independent Audit Report
TO THE MEMBERS OF CMI LIMITED

ERNST & YOUNG

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 2011 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.

Emphasis of Matter

We draw attention to Note 34 to the 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 opinion is not qualified in respect of this matter.

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Brad Tozer
Partner
Brisbane
30 September 2011

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 consolidated entity's financial position as at 30 June 2011 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 2011.

(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

Colin G. Ryan

C. G. Ryan
Chairman

D. Herceg
Director

Brisbane
30 September 2011

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	NOTE	2011 $'000	2010 $'000
Continuing Operations			
Revenue	2(a)	102,266	79,125
Other income		2,733	4,859
Changes in inventories		4,291	(164)
Raw materials expense		(61,707)	(46,407)
Sub-contractors expense		(1,182)	(625)
Employee benefits expense		(12,839)	(12,250)
Repairs, maintenance and consumables expense		(841)	(800)
ASX and share register expense		(87)	(111)
Occupancy expense		(3,249)	(3,613)
Travel and communication expense		(2,208)	(1,753)
Freight and cartage expense		(4,503)	(2,393)
Depreciation and amortisation expense		(1,099)	(867)
Finance costs		(175)	(298)
Impairment expense		-	(8,126)
Write off assets damaged in fire		-	(3,536)
Other expenses		(2,593)	(2,069)
Profit from continuing operations before income tax expense	3(a)	18,807	972
Income tax	3	(5,487)	(2,412)
Profit/(Loss) from continuing operations after income tax expense		13,320	(1,440)
Discontinued Operations			
Profit/(Loss) from discontinued operations net of income tax	35(b)	-	991
Profit/(Loss) for the year		13,320	(449)
Other comprehensive income			
Foreign currency translation		(166)	80
Other comprehensive income for the year, net of tax		(166)	80
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,154	(369)
Profit/(Loss) for the year is attributable to the owners of the parent		13,320	(449)
Total comprehensive income for the year is attributable to the owners of the parent		13,154	(369)
Earnings Per Share:			
From continuing and discontinuing operations:			
Basic (cents per share)	21	39.46	(1.33)
Diluted (cents per share)	21	39.46	(1.33)
From continuing operations:			
Basic (cents per share)	21	39.46	(4.27)
Diluted (cents per share)	21	39.46	(4.27)

Notes to the financial statements are included on pages 27 to 70.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2011

	NOTE	2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	30(a)	16,099	9,052
Trade and other receivables	4	18,276	14,794
Other financial assets	24	-	-
Inventories	5	24,976	20,685
TOTAL CURRENT ASSETS		59,351	44,531
NON-CURRENT ASSETS			
Other financial assets	7	8,500	8,500
Property, plant and equipment	8	4,809	4,297
Goodwill	9	6,850	6,850
Other intangible assets	10	2,292	1,783
Deferred tax assets	3	455	495
TOTAL NON-CURRENT ASSETS		22,906	21,925
TOTAL ASSETS		82,257	66,456
CURRENT LIABILITIES			
Trade and other payables	11	9,939	8,737
Borrowings	12	271	257
Current tax payables	3	4,455	2,501
Provisions	13	1,316	1,449
TOTAL CURRENT LIABILITIES		15,981	12,944
NON-CURRENT LIABILITIES			
Borrowings	14	113	331
Provisions	15	128	300
TOTAL NON-CURRENT LIABILITIES		241	631
TOTAL LIABILITIES		16,222	13,575
NET ASSETS		66,035	52,881
EQUITY			
Issued capital	18	70,103	70,103
Reserves	19	76	242
Retained earnings	20	(4,144)	(17,464)
TOTAL EQUITY		66,035	52,881

Notes to the financial statements are included on pages 27 to 70.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2009	70,103	162	(17,015)	53,250
Profit/(Loss) for the period	-	-	(449)	(449)
Net foreign exchange differences	-	80	-	80
Total comprehensive income for the year	-	80	(449)	(369)
Transactions with owners in their capacity as owners	-	-	-	-
Balance at 1 July 2010	70,103	242	(17,464)	52,881
Profit/(Loss) for the period	-	-	13,320	13,320
Net foreign exchange differences	-	(166)	-	(166)
Total comprehensive income for the year	-	(166)	13,320	13,154
Transactions with owners in their capacity as owners	-	-	-	-
At 30 June 2011	70,103	76	(4,144)	66,035

Notes to the financial statements are included on pages 27 to 70.

Consolidated Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	NOTES	2011 $'000 Inflow (Outflow)	2010 $'000 Inflow (Outflow)
Cash flows from operating activities:			
Receipts from customers		106,439	85,082
Payments to suppliers and employees		(97,668)	(78,261)
Interest paid		(119)	(220)
Income tax (paid)/refunded		(3,438)	40
Insurance recovery relating to fire		2,525	4,017
Net cash provided by/(used in) operating activities	30(b)	7,739	10,658
Cash flows from investing activities:			
Interest received		1,714	1,362
Payments for other intangible assets		(901)	(877)
Payments for plant and equipment		(1,387)	(1,450)
Payments for acquisition of business		-	(647)
Payments for sale of business		-	(347)
Proceeds from sale of business		-	300
Proceeds from sale of plant and equipment		130	166
Net cash (used in)/provided by investing activities		(444)	(1,493)
Cash flows from financing activities:			
Dividends paid		-	-
Payment of finance liabilities		(242)	(537)
Repayment of borrowings		-	(1,000)
Net cash provided by/(used in) financing activities		(242)	(1,537)
Net increase/(decrease) in cash and cash equivalents held		7,053	7,628
Cash and cash equivalents at the beginning of the financial year		9,052	1,342
Effect of exchange rate changes on the balance of cash held in foreign currencies		(6)	82
Cash and cash equivalents at the end of the financial year	30(a)	16,099	9,052

Notes to the financial statements are included on pages 27 to 70.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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 company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2011.

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 financial report has been prepared on a going concern basis. Refer note 34.

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.

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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

e) Financial Assets

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.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis in Other Expenses.

Available-for-sale financial assets

Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period in Other Expenses.

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.

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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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).

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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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.

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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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 have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

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

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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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) 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 2010.

- AASB 2009-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB5, AASB 8, AASB 101, AASB 107, AASB 117, AASB 118, AASB 136 and AASB 139]* effective 1 July 2010
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]* effective 1 July 2010
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]* effective 1 July 2010
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 and AASB 139* effective 1 July 2010
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] - Extinguishing Financial Liabilities with Equity Instruments* effective 1 July 2010

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

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(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 have not been adopted by the Group for the annual reporting period ended 30 June 2011.

The directors of the Group have yet to finalise their assessment of the impact of these new and amended standards and interpretations. These are outlined below:

- AASB 9 *Financial Instruments*
- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]
- AASB 124 *(Revised) Related Party Disclosures (December 2009)*
- AASB 2009-12 *Amendments to Australian Accounting Standards* [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding requirement*
- AASB 1053 *Application of Tiers of Australian Accounting Standards*
- AASB 1054 *Australian Additional Disclosures*
- AASB 2010-2 *Amendments to Australian Accounting Standards arising from reduced disclosure requirements*
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]
- AASB 2010-5 *Amendments to Australian Accounting Standards* [AASBs 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112,115, 127, 132 & 1042]
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* [AASB 1 & AASB 7]
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)* [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]
- AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* [AASB 112]
- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* [AASBs 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113]
- AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced disclosure regime* [AASBs 101 & 1054]
- IFRS 10 – *Consolidated Financial Statements*
- IFRS 11 – *Joint Arrangements*
- IFRS 12 – *Disclosure of Interests in Other Entities*
- IFRS 13 – *Fair Value Measurement*

v) Non-current assets and disposal group held for sale and discontinued operations - refer note 35

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income, with comparatives restated, and the assets and liabilities are presented separately on the face of the Statement of Financial Position.

w) Investments in associates – refer note 29

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

Under the equity method, investments in the associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Statement of Comprehensive Income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

x) Business Combinations – Subsequent to 1 July 2009

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.

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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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.

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. An impairment loss of $8 million (2011: $nil) was recognised in the prior year to reduce the carrying amount of loan receivables to recoverable amount. This has been recognised in the Statement of Comprehensive Income in the line item "Impairment 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.

2. PROFIT FROM OPERATIONS

	2011 $'000	2010 $'000
(a) Revenue and Other Income from continuing operations		
Revenue from operations consisted of the following items:		
Revenue from the sales of goods	100,313	77,763
Interest - other persons	1,953	1,362
	102,266	79,125
Other Income from operations consisted of the following items:		
Insurance recovery relating to fire	1,983	4,017
Other Items	750	842
	2,733	4,859
(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	27	55
Net foreign exchange gains/(losses)	(98)	29
	(71)	84
Gains attributable to continuing operations	122	177
Losses attributable to continuing operations	(193)	(93)
	(71)	84
Cost of sales	63,229	49,488
Finance Costs:		
Interest – other entities	136	233
Finance lease finance charges	39	65
Depreciation or amortisation of:		
Property, plant & equipment	624	528
Leased assets	37	104
Brand names	-	-
Other intangibles	438	235
Net bad and doubtful debts	56	17
Operating lease expense	2,526	3,001
Write off of assets damaged in fire	-	3,536
Research and development costs charged directly to the net income:		
Employee benefits expense	679	601
Amortisation expense	259	112
Impairment expense:		
Loan receivable	-	8,000
Goodwill	-	-
Capitalised development	-	-
Brand name	-	-
Property, plant & equipment	-	126
	-	8,126
Employee benefit expense:		
Post-employment benefits:		
Defined contribution plans	881	844
Share-based payments:		
Equity settled share-based payments	-	-
Termination benefits	20	49
Other employee benefits	11,938	11,357
	12,839	12,250

3. INCOME TAXES

	2011 $'000	2010 $'000
(a) Income tax recognised in profit or loss		
Tax expense/(benefit) comprises:		
Current tax expense	5,471	3,189
(Over)/Underprovision of income tax in previous year	(24)	(452)
Deferred tax expense relating to the origination and reversal of temporary differences	40	(325)
Total tax expense/(benefit) attributable to continuing operations	5,487	2,412
The prima facie income tax on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(loss) from continuing operations	18,807	972
Profit/(loss) from discontinued operations	-	620
Total Profit/(loss) before income tax	18,807	1,592
Income tax calculated at 30%	5,642	478
Add/(Deduct)		
Impairment losses on goodwill and receivable not deductible	-	2,400
Foreign tax rate adjustment	-	(22)
Other items	(131)	98
Non deductible loss on sale	-	(90)
(Over)/Under provision of income tax in previous year-continuing operations	(24)	(452)
Amendment of income tax in previous year-discontinuing operations	-	(371)
	(155)	1,563
Aggregate income tax expense	5,487	2,041
Aggregate income tax is attributable to:		
Continuing operations	5,487	2,412
Discontinued operations	-	(371)
	5,487	2,041

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.

	2011 $'000	2010 $'000
(b) Current tax assets and liabilities		
Current tax assets:		
Tax refund receivable	-	-
Current tax payables:		
Income tax payable attributable to:		
Parent entity	(1,259)	439
Entities in the tax consolidated group	(3,196)	(2,940)
Other	-	-
	(4,455)	(2,501)

3. INCOME TAXES (continued)

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2011	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Impairment $'000	Closing balance $'000
Gross deferred tax liabilities:					
Property, plant and equipment	(252)	16	-	-	(236)
Intangible assets	(337)	(149)	-	-	(486)
Borrowings	-	(14)	-	-	(14)
	(589)	(147)	-	-	(736)
Gross deferred tax assets:					
Receivables	151	60	-	-	211
Inventories	94	45	-	-	139
Provisions	524	(111)	-	-	413
Accruals/Borrowings	239	114	-	-	353
Other	76	(1)	-	-	75
	1,084	107	-	-	1,191
Net deferred tax balances	495	(40)	-	-	455

Disclosed in the accounts pursuant to the set-off provisions as:	
Deferred tax assets – continuing operations	455
Deferred tax liabilities – continuing operations	-
	455

2010	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Impairment $'000	Closing balance $'000
Gross deferred tax liabilities:					
Property, plant and equipment	(371)	119	-	-	(252)
Intangible assets	(132)	(205)	-	-	(337)
	(503)	(86)	-	-	(589)
Gross deferred tax assets:					
Receivables	176	(25)	-	-	151
Inventories	141	(47)	-	-	94
Provisions	543	(19)	-	-	524
Accruals/Borrowings	313	(74)	-	-	239
Other	150	(74)	-	-	76
	1,323	(239)	-	-	1,084
Net deferred tax balances	820	(325)	-	-	495

Disclosed in the accounts pursuant to the set-off provisions as:	
Deferred tax assets – continuing operations	495
Deferred tax liabilities – continuing operations	-
	495

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

	2011 $'000	2010 $'000
Trade receivables	17,332	13,931
Allowance for doubtful debts	(90)	(39)
	17,242	13,892
Other	1,034	902
	18,276	14,794

(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 $90 thousand (2010: $39 thousand) has been recognised by the consolidated entity.

Movements in the allowance for doubtful debts were as follows:

	2011	2010
At 1 July	39	136
Charge for the year	56	5
Disposed of with business	-	-
Amounts written off	(5)	(102)
	90	39

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**
2011									
Consolidated	17,332	9,716	4,642	469	1,573	286	21	535	90
2010									
Consolidated	13,931	8,310	3,637	930	288	342	-	385	39

* Past due not impaired ('PDNI')

** Considered impaired ('CI')

4. CURRENT TRADE AND OTHER RECEIVABLES (continued)

Receivables past due but not considered impaired are: Consolidated $1,290 (2010: $1,657). 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.

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 32.

5. CURRENT INVENTORIES

	2011 $'000	2010 $'000
At Cost		
Raw materials and stores	4,503	3,489
Work in progress	1,540	2,054
Finished goods	18,933	15,142
	24,976	20,685

Raw materials with a cost of $38 thousand (2010:$17 thousand) and finished goods with a cost of $1,073 thousand (2010:$1,306 thousand) have been provided for obsolescence and the inventories have been carried at a net realisable value of nil.

6. PARENT ENTITY INFORMATION

	2011	2010
Information relating to CMI Limited:		
Current assets	12,298	7,300
Total assets	53,829	52,882
Current liabilities	1,788	865
Total liabilities	1,797	865
Issued capital	70,103	70,103
Retained earnings	(18,233)	(18,248)
Employee Equity-settled Benefits Reserve	162	162
Total shareholders' equity	52,032	52,017
Profit/(loss) of the parent entity	97	(6,963)
Total comprehensive income of the parent entity	97	(6,963)
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)	14,995	12,709
Details of any contingent liabilities of the parent entity *Guarantees issued to bank in respect of overseas purchases and lease of premises (ii)	1,837	1,186
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. 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.

(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

	2011 $'000	2010 $'000
Loan Receivable	17,000	16,500
Provision for Impairment	(8,500)	(8,000)
	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 is extended on the same terms and conditions.

In forming the accounts at 30 June 2011 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 classed 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

	Freehold land and buildings $'000	Plant and Equipment $'000	Equipment under finance lease $'000	TOTAL $'000
Gross Carrying Amount				
Balance at 1 July 2009 (at cost)	-	8,153	1,773	9,926
Additions	-	1,102	-	1,102
Additions from acquisition of subsidiary	-	348	-	348
Transfers	-	736	(736)	-
Disposals	-	(1,924)	(317)	(2,241)
Balance at 1 July 2010 (at cost)	-	8,415	720	9,135
Additions	-	1,336	-	1,336
Disposals	-	(500)	-	(500)
Net foreign currency exchange differences	-	(68)	-	(68)
Balance at 30 June 2011 (at cost)	-	9,183	720	9,903
Accumulated Depreciation / Amortisation / Impairment				
Balance at 1 July 2009	-	(4,803)	(461)	(5,264)
Disposals	-	1,070	116	1,186
Transfers	-	(166)	166	-
Depreciation expense (i)	-	(528)	(104)	(632)
Impairment losses charged to profit (ii)	-	(126)	-	(126)
Net foreign currency exchange differences	-	(2)	-	(2)
Balance at 1 July 2010	-	(4,555)	(283)	(4,838)
Disposals	-	397	-	397
Transfers	-	(21)	21	-
Depreciation expense (i)	-	(624)	(37)	(661)
Net foreign currency exchange differences	-	8	-	8
Balance at 30 June 2011	-	(4,795)	(299)	(5,094)
Net Book Value				
As at 30 June 2010	-	3,860	437	4,297
As at 30 June 2011	-	4,388	421	4,809

(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.

(ii) In the prior financial year, the consolidated entity assessed the recoverable amount of plant and equipment, and determined that plant and equipment associated with the consolidated entity's TJM operation was impaired by $126 thousand. The recoverable amount of the engineered components operations was assessed by reference to the cash-generating unit's value in use. A pre-tax discount factor of 21.473% p.a. was applied in the value in use model. The main factor contributing to the impairment of the cash-generating unit during the financial year was the closure of the retail stores.

The impairment losses of the plant and equipment are included in the line item 'Impairment expense' in the net income.

9. GOODWILL

	2011 $'000	2010 $'000
Gross Carrying Amount		
Balance at beginning of the financial year	8,318	8,318
Disposals	-	-
Balance at end of the financial year	8,318	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	6,850	6,850

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to two groups of cash-generating units, as follows:

- Engineered Components (TJM) division; and
- Electrical Components division.

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

	2011 $'000	2010 $'000
Engineered Components	-	-
Electrical Components	6,850	6,850
	6,850	6,850

Engineered Components (TJM)

The engineered components operating units produce similar products, and their recoverable amounts are based on some of the same key assumptions. 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 21.752% p.a. (2010: 21.473% 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 materially.

Electrical Components

The electrical components operating units produce similar products, and their recoverable amounts are based on some of the same key assumptions. 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 21.752% p.a. (2010: 21.473% 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 various significant cash-generating units are as follows:

Key assumption	Engineered Components	Electrical Components
Budgeted EBITDA	Budgeted EBITDA, which is consistent with past experience. Management expects EBITDA growth rates of 0% - 3% per year to be reasonably achievable and terminal growth rates of 0% - 2.5% per year to be reasonably achievable.	
Budgeted profits	Profits achieved in the period immediately before the budget period, increased for expected EBITDA improvements. This reflects past experience. Management expects EBITDA improvements of 0% - 3% per year to be reasonably achievable.	
Budgeted CAPEX	Budgeted CAPEX during the budget period. Management expects increases of 3% per year to be reasonable allowance for increase in CAPEX costs.	

10. OTHER INTANGIBLE ASSETS

	Capitalised Development $'000	Brand names $'000	Other $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2009	8,491	5,692	813	14,996
Additions through internal developments	868	-	-	868
Acquisitions	-	-	10	10
Balance at 1 July 2010	9,359	5,692	823	15,874
Additions through internal developments	847	-	103	950
Acquisitions	-	-	-	-
Net foreign currency exchange differences	-	-	(3)	(3)
Balance at 30 June 2011	10,206	5,692	923	16,821
Accumulated amortisation and impairment				
Balance at 1 July 2009	(8,108)	(5,692)	(56)	(13,856)
Amortisation expense (i)	(112)	-	(123)	(235)
Balance at 1 July 2010	(8,220)	(5,692)	(179)	(14,091)
Amortisation expense (i)	(305)	-	(133)	(438)
Balance at 30 June 2011	(8,525)	(5,692)	(312)	(14,529)
Net Book Value				
As at 30 June 2010	1,139	-	644	1,783
As at 30 June 2011	1,681	-	611	2,292

(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 (2010: TJM). The carrying amount of the TJM brand name was fully impaired in the 2009 year to $nil.

11. CURRENT TRADE AND OTHER PAYABLES

	2011 $'000	2010 $'000
Trade payables	5,252	6,302
Other creditors & accruals	4,687	2,435
	9,939	8,737

(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 31. 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

	2011 $'000	2010 $'000
Unsecured		
At amortised cost:		
Other loans from other entities	53	48
	53	48
Secured		
At amortised cost:		
Bank Overdraft (i)	-	-
Finance Lease Liabilities (ii) (Note 17)	218	209
	271	257

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 $3.85 million lease facility (2010: $3.85 million).

(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 32.

(c) Assets pledged as security

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

	2011	2010
Bills of exchange - Fixed and Floating	81,836	66,019
Leased asset charges	421	437
Total assets pledged as security	82,257	66,456

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.

There are nil borrowings at 30 June 2011.

(d) Set-off assets and liabilities

The Consolidated entity has no set off rights apart from cash as detailed in note 30(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 prior year the consolidated entity exceeded the facility providers allowable variance to EBITDA due to the impairment expense of the CMI Industrial Pty Ltd Receivable. The consolidated entity had no borrowings at 30 June 2010 and the facility provider did not action this right of review.

13. CURRENT PROVISIONS

	2011 $'000	2010 $'000
Employee benefits (Note 16)	1,271	1,207
Restructure (Note 16)	-	-
Onerous Leases (Note 16)	45	242
	1,316	1,449

14. NON-CURRENT BORROWINGS

	2011 $'000	2010 $'000
Secured		
At amortised cost:		
Bills of Exchange (i)	-	-
Finance Lease Liabilities (ii) (Note 17)	113	331
	113	331

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 $3.85million lease facility (2010: $3.85 million).

(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

	2011 $'000	2010 $'000
Employee benefits	105	53
Onerous Leases	23	247
	128	300

16. PROVISIONS

	Employee Benefits (i) $'000	Onerous Leases (ii) $'000	Restructure (iii) $'000
Balance at 30 June 2009	1,148	-	663
Additional provisions recognised	112	489	(663)
Balance at 30 June 2010	1,260	489	-
Additional provisions recognised	116	(421)	-
Balance at 30 June 2011	1,376	68	-
Current (Note 13)	1,271	45	-
Non-current (Note 15)	105	23	-
	1,376	68	-

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

ii) The provision for onerous leases represents future costs expected to be incurred in relation to the TJM retail premises closed during the prior year.

iii) The provision for restructure represents disposal costs incurred for the disposal of Capitalcorp Finance and Leasing Pty Ltd.

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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
No later than 1 year	236	247	218	209
Later than 1 year and not later than 5 years	114	350	113	331
Later than 5 years	-	-	-	-
Minimum finance lease payments	350	597	331	540
Less future finance charges	(19)	(57)	-	-
Present value of minimum lease payments	331	540	331	540
Included in the financial statements as:				
Current (Note 12)	218	209	218	209
Non-current (Note 14)	113	331	113	331
	331	540	331	540

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.

	2011 $'000	2010 $'000
Non-cancellable operating leases		
Not later than 1 year	2,409	2,309
Later than 1 year but not later than 5 years	4,429	4,529
Later than 5 years	-	-
	6,838	6,838

18. ISSUED CAPITAL

	2011 $'000	2010 $'000
33,752,634 (2010: 33,752,634) fully paid ordinary shares	37,227	37,227
28,005,311 fully paid Class A shares (2010: 28,005,311 fully paid Class A shares)	32,876	32,876
	70,103	70,103

	2011		2010	
	No. '000	$'000	No. '000	$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	33,753	37,227	33,753	37,227
Balance at end of financial year	33,753	37,227	33,753	37,227

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

	2011 No. '000	2011 $'000	2010 No. '000	2010 $'000
Class A Shares				
Balance at beginning of financial year	28,005	32,876	28,005	32,876
Balance at end of financial year	28,005	32,876	28,005	32,876

The Class A shares are irredeemable and are entitled to only vote in specific circumstances. These shares carry the right to a preferred ranking over ordinary shares for payment of dividends. The dividends are non-cumulative.

19. RESERVES

	2011 $'000	2010 $'000
a) Reserves Comprise:		
Employee Equity-settled Benefits Reserve	162	162
Foreign Currency Translation Reserve	(86)	80
	76	242

	2011 $'000	2010 $'000
b) Movements in Reserves		
Foreign Currency Translation Reserve		
Balance at beginning of financial year	80	-
Translation of foreign operations	(166)	80
Balance at end of financial year	(86)	80

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.

	2011 $'000	2010 $'000
Employee Equity-settled Benefits Reserve		
Balance at beginning of financial year	162	162
Share-based payment	-	-
Transfer to ordinary share capital	-	-
Balance at end of financial year	162	162

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.

20. RETAINED EARNINGS

	2011 $'000	2010 $'000
Balance at beginning of financial year	(17,464)	(17,015)
Net profit/(loss) attributable to members of the parent entity	13,320	(449)
Dividends provided for or paid	-	-
Balance at end of financial year	(4,144)	(17,464)

21. EARNINGS PER SHARE – Continuing Operations

	2011 Cents per Share	2010 Cents per Share
Basic earnings per share	39.46	(4.27)
Diluted earnings per share	39.46	(4.27)

<u>**Basic Earnings per Share**</u>

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

	2011 $'000	2010 $'000
Earnings (i)	13,320	(1,440)

	No. '000	No. '000
Weighted average number of ordinary shares (ii) (iii)	33,753	33,753

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

	2011 $'000	2010 $'000
Net profit/(loss)	13,320	(1,440)
Class A share dividends declared in respect of the period	-	-
Earnings used in the calculation of basic EPS	13,320	(1,440)

(ii) 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).

(iii) Class A shares are excluded on the basis that they are not convertible to ordinary shares.

21. EARNINGS PER SHARE – Continuing Operations (continued)

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:

	2011 $'000	2010 $'000
Earnings (i)	13,320	(1,440)

	No. '000	No. '000
Weighted average number of ordinary and potential ordinary shares (ii) (iii)	33,753	33,753

	2011 $'000	2010 $'000
(i) Earnings used in the calculation of diluted earnings per share reconciles to net profit/(loss) in the Statement of Comprehensive Income as follows:		
Net profit/(loss)	13,320	(1,440)
Class A share dividends provided for or paid	-	-
Earnings used in the calculation of diluted EPS	13,320	(1,440)

(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) (iii)	33,753	33,753
Share options (iv)	-	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	33,753	33,753

(iii) Class A shares are excluded on the basis that they are not convertible to ordinary shares.

(iv) The Share options are not dilutive due to the earnings of the group being a loss.

21. EARNINGS PER SHARE – Continuing and Discontinuing operations

	2011 Cents per Share	2010 Cents per Share
Basic earnings per share	39.46	(1.33)
Diluted earnings per share	39.46	(1.33)

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:

	2011 $'000	2010 $'000
Earnings (i)	13,320	(449)

	No. '000	No. '000
Weighted average number of ordinary shares (ii) (iii)	33,753	33,753

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

	2011 $'000	2010 $'000
Net profit/(loss)	13,320	(449)
Class A share dividends declared in respect of the period	-	-
Earnings used in the calculation of basic EPS	13,320	(449)

(ii) 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).

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:

Earnings (i)	13,320	(449)

	No. '000	No. '000
Weighted average number of ordinary and potential ordinary shares (ii) (iii)	33,753	33,753

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

	2011 $'000	2010 $'000
Net profit/(loss)	13,320	(449)
Class A share dividends provided for or paid	-	-
Earnings used in the calculation of diluted EPS	13,320	(449)

21. EARNINGS PER SHARE – Continuing and Discontinuing Operations (continued)

(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) (iii)	33,753	33,753
Share options (iv)	-	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	33,753	33,753

(iii) Class A shares are excluded on the basis that they are not convertible to ordinary shares.

(iv) The Share options are not dilutive due to the earnings of the group being a loss.

22. DIVIDENDS

	2011 Cents per Share	2011 Total $'000	2010 Cents per Share	2010 Total $'000
Recognised Amounts				
Fully Paid Ordinary Shares:				
Interim dividend - franked to 30% tax rate	-	-	-	-
Final dividend - franked to 30% tax rate	-	-	-	-
Class A Shares:				
Quarterly interim dividends - franked to 30% tax rate	-	-	-	-
Final dividend – franked to 30% tax rate	-	-	-	-
		-		-
Unrecognised Amounts				
Fully Paid Ordinary Shares:				
Final dividend - franked to 30% tax rate	-	-	-	-
Class A Shares:				
Final dividend – franked to 30% tax rate	-	-	-	-
		-		-

On the basis that directors will continue to publicly recommend dividends in respect of ordinary shares and Class A 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 $8,900 thousand (2010: $5,463 thousand). The impact on the consolidated entity's franking account balance of dividends not recognised is $NIL thousand (2010: $NIL 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 options.

The exercise price of the options will be generally at the weighted average price of shares in the company traded on the ASX in the 20 trading days prior to the issue of the options. However, the scheme provided for an initial option issue to a number of existing employees.

20% of the options issued to any employee pursuant to the scheme will be able to be exercised by the employee for each year of employment by the company of the employee, to a maximum of 5 years employment. The options can be exercised at any time in the 5 years after the date of their issue, although any employee who leaves the employ of the company will need to exercise their options within 90 days of termination of their employment. All options carry no voting rights and do not entitle the holder to dividends.

On 16 April 2008 Director options were issued and are able to be exercised immediately. The options can be exercised at any time in the 5 years after the date of their issue. All options carry no voting rights and do not entitle the holder to dividends.

	2011		2010	
Employee incentive scheme	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at beginning of financial year (i)	600,000	1.20	600,000	1.20
Granted during the financial year (ii)	-	-	-	-
Exercised during the financial year (iii)	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of the financial year (iv)	600,000	1.20	600,000	1.20

Options were priced in the 2008 financial year using the Black-Scholes option pricing model. Expected volatility was based on the historical share price volatility over the prior 2.5 years.

	Option Series
Inputs into the model	Issued 16 April 2008
Grant date share price	$1.10
Exercise price	$1.20
Expected volatility	45%
Option life	2.5 years
Dividend yield	2.0%
Risk-free interest rate	6.9%
Fair value at grant date	$0.27

(i) Balance at beginning of the financial year

2011 Option – Series	No.	Grant date	Expiry/Exercise date	Exercise Price $
Issued 16 April 2008	600,000	16/04/08	15/04/13	1.20
2010 Option – Series	**No.**	**Grant date**	**Expiry/Exercise date**	**Exercise Price $**
Issued 16 April 2008	600,000	16/04/08	15/04/13	1.20

(ii) Granted during the financial year

2011 Option – Series	No.	Grant date	Expiry/Exercise date	Exercise Price $
-	-	-	-	-
2010 Option – Series	**No.**	**Grant date**	**Expiry/Exercise date**	**Exercise Price $**
-	-	-	-	-

23. EMPLOYEE INCENTIVE SCHEME (continued)

(iii) Exercised during the financial year

2011 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 $
-	-	-	-	-	-	-	-	-
2010 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 $**
-	-	-	-	-	-	-	-	-

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

(iv) Balance at end of the financial year

2011 Option – Series	No.	Vested No.	Unvested No.	Grant date	Expiry Date	Exercise Price $
Issued 16 April 2008	600,000	600,000	-	16/04/08	15/04/13	1.20
2010 Option – Series	**No.**	**Vested No.**	**Unvested No.**	**Grant date**	**Expiry Date**	**Exercise Price $**
Issued 16 April 2008	600,000	600,000	-	16/04/08	15/04/13	1.20

24. OTHER CURRENT FINANCIAL ASSETS

	2011 $'000	2010 $'000
Loan receivable (a)	-	-
	-	-

(a) Refer note 7

25. REMUNERATION OF AUDITORS

	2011 $	2010 $
(a) Auditor of the Parent Entity		
Auditing the financial report of CMI Limited (including half year review)	295,992	230,280
Other services in relation to the entity and any other entity in the consolidated group		
• Tax compliance	110,677	94,769
• Other non-audit services	9,500	25,300
	416,169	350,349

The 2011 audit fee includes an amount of $30,000 relating to the 2010 audit of the TJM China Operations.

The auditor of CMI Limited is Ernst & Young (2010: Ernst & Young).

26. OPERATING SEGMENT

	CONTINUING OPERATIONS									
	TJM Products – Domestic		TJM Products – China		TJM Products – USA		Electrical Components		Consolidated	
BUSINESS	**30/06/11 $'000**	**30/06/10 $'000**	**30/06/11 $'000**	**30/06/10 $'000**	**30/06/11 $'000**	**30/06/10 $'000**	**30/06/11 $'000**	**30/06/10 $'000**	**30/06/11 $'000**	**30/06/10 $'000**
REVENUE										
External sales	38,038	31,716	491	489	5	-	61,830	45,583	100,364	77,788
Intersegment sales (ii)	-	-	2,522	1,398	-	-	-	19	2,522	1,417
Total Segment Revenue	38,038	31,716	3,013	1,887	5	-	61,830	45,602	102,886	79,205
Interest income									1,902	1,337
Inter-segment eliminations									(2,522)	(1,417)
Total revenue per the Statement of Comprehensive Income									102,266	79,125
RESULT										
Segment result	2,772	(1,260)	66	(154)	(72)	-	15,975	10,941	18,741	9,528
Reconciliation of segment net profit before tax to net profit/(loss) after tax per the Statement of Comprehensive Income										
Interest income									1,902	1,337
Employee benefits									(977)	(952)
ASX and share register expense									(87)	(111)
Borrowing costs									(136)	(233)
Receivable impairment									-	(8,000)
Other expenses from ordinary activities									(636)	(597)
Income tax expense									(5,487)	(2,412)
Discontinued operations after tax									-	991
Profit/(loss) after tax per the Statement of Comprehensive Income									13,320	(449)

(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

Major customer – The Group has a major customer to which it provides products. The Group supplies a vehicle company that accounts for 9.9% (2010:8.1%) of external revenue. This customer accounts for 26.2% (2010:19.8%) of external revenue within the TJM Products – Domestic operating segment.

	TJM Products – Domestic 30/06/11	TJM Products – Domestic 30/06/10	TJM Products – China 30/06/11	TJM Products – China 30/06/10	TJM Products – USA 30/06/11	TJM Products – USA 30/06/10	Electrical Components 30/06/11	Electrical Components 30/06/10	Consolidated 30/06/11	Consolidated 30/06/10
SEGMENT ASSETS										
Segment assets	20,471	18,453	2,151	1,550	495	-	37,637	29,998	60,754	50,001
Reconciliation of segment assets to the statement of financial position										
Cash and cash equivalents									11,625	6,934
Other financial assets									8,500	8,500
Future income tax benefits									325	472
Property, Plant & Equipment									6	7
Other assets									674	367
Intersegment Eliminations									373	175
Total assets from continuing operations per the statement of financial position									82,257	66,456

26. OPERATING SEGMENT (continued)

	CONTINUING OPERATIONS									
	TJM Products – Domestic		TJM Products – China		TJM Products – USA		Electrical Components		Consolidated	
	30/06/11	30/06/10	30/06/11	30/06/10	30/06/11	30/06/10	30/06/11	30/06/10	30/06/11	30/06/10
BUSINESS	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
SEGMENT LIABILITIES										
Segment liabilities	4,504	5,315	714	454	1	-	6,079	4,943	11,298	10,712
Reconciliation of segment assets to the statement of financial position										
Bank Loan									-	-
Tax Payables									4,410	2,501
Other Liabilities									514	362
Total liabilities from continuing operations per the statement of financial position									16,222	13,575

	TJM Products – Domestic		TJM Product – China		TJM Product – USA		Electrical Components		Reconciliation to Statement of Cash flows		Consolidated	
	30/06 2011	30/06 2010	30/06 2011	30/06 2010	30/06 2011	30/06 2010	30/06 2011	30/06 2010	30/06 2011	30/06 2010	30/06 2011	30/06 2010
BUSINESS	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CASHFLOW INFORMATION												
Net cash flow from operating activities	3,415	1,121	222	(333)	(534)	-	9,819	12,293	(5,183)	(2,423)	7,739	10,658
Net cash flow from investing activities	(2,331)	(2,160)	(78)	(417)	521	-	(217)	(205)	1,661	1,289	(444)	(1,493)
Net cash flow from financing activities	(234)	(1,134)	42	705	10	-	(66)	(107)	6	(1,001)	(242)	(1,537)

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.

Discontinuing operations:

Engineered Components – the manufacture of precision engineered components, particularly for the automotive industry.

Financial Services – the provision of chattel finance to both consumer and commercial borrowers.

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 2011 year there were transactions relating to legal fees for $137,688 with Director Danny Herceg on normal commercial terms and conditions.

During the 2010 year there were transactions relating to legal fees for $154,721 with Director Danny Herceg on normal commercial terms and conditions.

d) Transactions with key management personnel and their related entities

Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report in the Directors' Report.

	2011 $	2010 $
Short-term employee benefits	1,520,114	1,454,016
Post-employment benefits	135,540	128,325
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
	1,655,654	1,582,341

Loans to key management personnel

Loans to key management personnel	Balance at beginning $	Change to key management personnel $	Interest not charged $	Balance at end $	Number in group
2011	-	-	-	-	-
2010	-	-	-	-	-

27. RELATED PARTY DISCLOSURES (continued)

e) Key management personnel equity holdings

Fully Paid Ordinary Shares issued by CMI Limited

2011	Balance at 1/7/10 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/11 No.	Balance held nominally No.
C.G. Ryan	-	-	-	-	-	-
D. Herceg	500,000	-	-	-	500,000	-
Raymond D. Catelan*	12,420,484	-	-	-	12,420,484	-
Richard D. Catelan	851,632	-	-	-	851,632	-
J.L. Heslington	-	-	-	-	-	-
S.R. Williams	2,000	-	-	-	2,000	-
	13,774,116	-	-	-	13,774,116	-
2010	**Balance at 1/7/09 No.**	**Granted as compensation No.**	**Received on exercise of options No.**	**Net other change No.**	**Balance at 30/6/10 No.**	**Balance held nominally No.**
C.G. Ryan	-	-	-	-	-	-
D.Herceg	500,000	-	-	-	500,000	-
Raymond D. Catelan	11,042,583	-	-	1,377,901	12,420,484	-
Richard D. Catelan	851,632	-	-	-	851,632	-
J.L. Heslington	-	-	-	-	-	-
S.R. Williams	2,000	-	-	-	2,000	-
	12,396,215	-	-	1,377,901	13,774,116	-

* On 23 November 2010, Tinkerbell Enterprises Pty Ltd, as trustee for the Leanne Catelan Trust, acquired a relevant interest in 3,112,422 ordinary shares of CMI. The Takeovers Panel considers that Ms Leanne Catelan and Mr Raymond Catelan are associated under section 12(2)(b) for the purpose of controlling or influencing the conduct of CMI's affairs, or under section 12(2)(c) in relation to the affairs of CMI. The 3,112,422 shares are not included in the 12,420,484 shares above.

The Takeovers Panel declined to conduct proceedings on a review application received on 24 February 2011 from Tinkerbell Enterprises Pty Ltd and Ms Leanne Catelan in relation to the affairs of CMI Limited. Tinkerbell Enterprises Pty Ltd has applied for judicial review and the orders made by the panel have been stayed.

27. RELATED PARTY DISCLOSURES (continued)

Class A Shares issued by CMI Limited

2011	Balance at 1/7/10 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/11 No.	Balance held nominally No.
C.G. Ryan	-	-	-	-	-	-
D.Herceg	-	-	-	-	-	-
Raymond D. Catelan	2,271,647	-	-	-	2,271,647	-
Richard D. Catelan	-	-	-	-	-	-
J.L. Heslington	-	-	-	-	-	-
S.R. Williams	-	-	-	-	-	-
	2,271,647	-	-	-	2,271,647	-
2010	**Balance at 1/7/09 No.**	**Granted as compensation No.**	**Received on exercise of options No.**	**Net other change No.**	**Balance at 30/6/10 No.**	**Balance held nominally No.**
C.G. Ryan	-	-	-	-	-	-
D. Herceg	-	-	-	-	-	-
Raymond D. Catelan	2,069,636	-	-	202,011	2,271,647	-
Richard D. Catelan	-	-	-	-	-	-
J.L. Heslington	-	-	-	-	-	-
S.R. Williams	-	-	-	-	-	-
	2,069,636	-	-	202,011	2,271,647	-

Share Options issued by CMI Limited

2011	Balance at 1/7/10 No.	Granted as compens-ation No.	Exercised No.	Net other change No.	Balance at 30/6/11 No.	Balance vested at 30/6/11 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
C.G. Ryan	300,000	-	-	-	300,000	300,000	-	300,000	-
D. Herceg	300,000	-	-	-	300,000	300,000	-	300,000	-
	600,000	-	-	-	600,000	600,000	-	600,000	-
2010	**Balance at 1/7/09 No.**	**Granted as compens-ation No.**	**Exercised No.**	**Net other change No.**	**Balance at 30/6/10 No.**	**Balance vested at 30/6/10 No.**	**Vested but not exercisable No.**	**Vested and exercisable No.**	**Options vested during year No.**
C.G. Ryan	300,000	-	-	-	300,000	300,000	-	300,000	-
D. Herceg	300,000	-	-	-	300,000	300,000	-	300,000	-
	600,000	-	-	-	600,000	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.

Further details of options are contained in note 23 to the financial statements.

28. SUBSIDIARIES AND ASSOCIATES

Name of Entity	Country of Incorporation	Ownership Interest 2011 %	Ownership Interest 2010 %
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	-

(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:

	2011 $'000	2010 $'000
Statement of Comprehensive Income		
Revenue	101,770	78,636
Other income	2,716	4,785
Changes in inventories	4,291	(164)
Raw materials expense	(61,929)	(46,158)
Sub-contractors expense	(1,182)	(625)
Employee benefits expense	(12,535)	(12,012)
Repairs, maintenance and consumables expense	(804)	(788)
ASX and share register expense	(87)	(111)
Occupancy expense	(3,107)	(3,513)
Travel and communication expense	(2,120)	(1,727)
Freight and cartage expense	(4,457)	(2,381)
Depreciation and amortisation expense	(1,057)	(838)
Finance costs	(175)	(298)
Impairment expense	-	(8,126)
Write off assets damaged in fire	-	(3,536)
Other expenses	(2,510)	(2,016)
Profit/(loss) before income tax expense	18,814	1,128
Income tax (expense)/benefit	(5,489)	(2,458)
Profit/(loss) from continuing and discontinuing operations	13,325	(1,330)

28. SUBSIDIARIES AND ASSOCIATES (continued)

	2011 $'000	2010 $'000
Statement of Financial Position		
CURRENT ASSETS		
Cash and cash equivalents	15,883	9,015
Trade and other receivables	18,629	14,531
Inventories	23,502	20,137
TOTAL CURRENT ASSETS	58,014	43,683
NON-CURRENT ASSETS		
Property, plant and equipment	4,473	3,921
Other financial assets	9,056	8,500
Investment	759	705
Goodwill	6,850	6,850
Other intangible assets	2,238	1,772
Deferred tax assets	455	495
TOTAL NON-CURRENT ASSETS	23,831	22,243
TOTAL ASSETS	81,845	65,926
CURRENT LIABILITIES		
Trade and other payables	9,225	8,134
Borrowings	271	257
Current tax payables	4,400	2,388
Provisions	1,316	1,449
TOTAL CURRENT LIABILITIES	15,212	12,228
NON-CURRENT LIABILITIES		
Borrowings	113	331
Provisions	128	300
TOTAL NON-CURRENT LIABILITIES	241	631
TOTAL LIABILITIES	15,453	12,859
NET ASSETS	66,392	53,067
EQUITY		
Issued capital	70,103	70,103
Reserves	162	162
Retained earnings	(3,873)	(17,198)
TOTAL EQUITY	66,392	53,067

29. DETAILS OF ASSOCIATES

	Ownership Interest		Contribution to net profit	
Name of Entity	2011	2010	2011 $'000	2010 $'000
Associates	%	%		
Capitalcorp Finance & Leasing Pty Ltd	-	-	-	-
Statement of Comprehensive Income	$'000	$'000		
Aggregate Share of Profits/(Losses)	-	-	-	-
Statement of Financial Position	$'000	$'000		
Total Assets	-	-	-	-
Total Liabilities	-	-	-	-
Net Assets	-	-	-	-
Group's share of associates' net assets	-	-	-	-

30. 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:

	2011 $'000	2010 $'000
Cash and cash equivalents		
Cheque Accounts	6,954	5,034
Term Deposit	9,145	4,018
	16,099	9,052
Bank overdraft	-	-
	16,099	9,052

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

	2011 $'000	2010 $'000
Profit/(loss) for the period	13,320	(449)
(Gain)/Loss on disposal of non-current assets	(27)	(55)
Depreciation and amortisation of non-current assets	1,099	867
Interest income received and receivable	(1,715)	(1,362)
Finance lease interest	39	65
Payment for sale of business	-	(616)
Unrealised Foreign Exchange (Gain)/Loss	(13)	-
Impairment expense	-	8,126
Increase/(Decrease) in current tax liability	1,954	1,757
Increase/(Decrease) in deferred tax	40	324
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/Decrease in:		
Current receivables	(3,120)	(2,205)
Current inventories	(4,439)	197
Increase/(Decrease) in:		
Current payables	485	3,896
Current borrowings	-	-
Current provisions	72	607
Non-current provisions	44	(494)
Net cash from Operating Activities	7,739	10,658

c) Non-cash financing and investing activities

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

d) Financing Facilities

The consolidated entity has the following finance facilities available:

	2011 $'000	2010 $'000
(i) A Multi-Option and Bill Acceptance/Discount Facility with National Australia Bank Limited, reviewed annually		
Amount Used	-	-
Amount Unused	9,000	9,000
	9,000	9,000
(ii) A Finance Lease Facility with National Australia Bank Limited, reviewed annually		
Amount Used	331	540
Amount Unused	3,519	3,310
	3,850	3,850

31. CONTINGENT LIABILITY/ASSET

	2011 $'000	2010 $'000
Contingent Liabilities (a)		
Guarantees issued to bank in respect of overseas purchases and lease of premises (i)	1,837	1,186
Guarantees arising from the deed of cross-guarantee with other entities in the wholly-owned group (ii)	-	-
	1,837	1,186
Contingent assets (b & c)	-	-

Contingent Liabilities

(a) 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.

Contingent Assets

(b) 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. This option remained in existence for a period of three years and expired in 2011. 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 30 June 2011.

(c) TJM Warehouse Fire

On 16 October 2009 a fire took place at the head office of the TJM business unit. As a result of this fire the TJM and Corporate business units of CMI Limited incurred interruptions to business and trading activities. The CMI Limited Group carries appropriate and adequate Fire and Business Interruption insurance for these events and disruptions.

A claim for Material Damage, Additional Increased Cost of Working and Loss of Gross Profit incurred between October 2009 and June 2011 has been finalised with CMI's insurers. There is no receivable as at 30 June 2011. During the 2010 financial year, the insurers made a preliminary payment on account of an amount of $4.0 million (net of deductible). During the 2011 financial year, the insurers made final payments on account totalling $2.5 million.

(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 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.

(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.

Commitments

TJM Off-Road Products Inc. (USA) Capital Commitment

At 30 June 2011 CMI Limited have a commitment to contribute A$82,876 (US$89,000) in capital. The commitment relates to contributions to the registered capital of the company in accordance with TJM Off-Road Products Inc. Articles of Association which stated on incorporation CMI Limited had a commitment to contribute US$100,000. To the date of this report $94,414 (US$100,000) has been contributed.

TJM Shenzhen Capital Commitment

At 30 June 2010 CMI Limited had a commitment to contribute A$51,226 (US$43,660) in capital by 30 September 2011. The commitment relates to contributions to the registered capital of the company in accordance with TJM Shenzhen's articles of association. This amount was contributed during the 2011 financial year.

32. 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.

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:

	2011 $'000	2010 $'000
Financial Assets		
Cash and cash equivalents	16,099	9,052
Loans Receivable*	17,000	16,500
	33,099	25,552
Financial Liabilities		
Bank overdrafts	-	-
Bills of exchange	-	-
	-	-
Net exposure	33,099	25,552

* The Principal amount 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 2011, 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	**2011 $'000**	**2010 $'000**
Consolidated		
+1% (100 basis points)	232	179
-.5% (50 basis points)	(116)	(89)

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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

As a result of operations in the United States and purchases of inventory and payment of expenses denominated in United States Dollars, the consolidated entity's Statement of Financial Position can be affected by movements in the US$/A$ exchange rates. As a result of operations in the People's Republic of China and purchases of inventory and payments of expenses denominated in RMB, 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, however they are not currently considered to be material risks and hedging instruments have not been entered into at 30 June 2011 or 30 June 2010.

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.

Approximately 2.3% of the consolidated entity's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 86% 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 2011, the consolidated entity had the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	2011 $'000	2010 $'000
Financial Assets		
Cash and cash equivalents	348	195
Trade and other receivables	479	117
	827	312
Financial Liabilities		
Trade and other payables	(358)	(138)
	(358)	(138)
Net Exposure	469	174

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

At 30 June 2011, 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	**2011 $'000**	**2010 $'000**
Consolidated		
AUD/USD +10%	(33)	(12)
AUD/USD -5%	16	6

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 30 June 2011, the consolidated entity had the following exposure to RMB$ foreign currency that is not designated in cash flow hedges:

	2011 $'000	2010 $'000
Financial Assets		
Cash and cash equivalents	86	36
Trade and other receivables	165	115
	251	151
Financial Liabilities		
Trade and other payables	(1,240)	(454)
	(1,240)	(454)
Net Exposure	(989)	(303)

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

At 30 June 2011, 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 RMB Dollar	**2011 $'000**	**2010 $'000**
AUD/RMB +10%	69	21
AUD/RMB -5%	(35)	(11)

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 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.

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 is that not more than 60% 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 2011. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

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

	2011 $'000	2010 $'000
0-12 months	10,228	8,798
1-5 years	114	350
Over 5 years	-	-
	10,342	9,148

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 2011, management paid dividends of $Nil thousand (2010:$Nil thousand).

At 30 June 2011 the Board has no current plans to issue further shares on the market.

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2011 and 2010 were as follows:

Total borrowings	384	588
Less cash and cash equivalents	16,099	9,052
Net debt	(15,715)	(8,464)
Total equity	66,035	52,881
Total capital	50,320	44,417
Gearing ratio	(31%)	(19%)

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

33. 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

34. SUBSEQUENT EVENTS

On 24 July 2011, CMI Limited's Managing Director Raymond Catelan passed away and ceased to be a director of the company.

On 30 August 2011 Ms Leanne Catelan was appointed a director, Mr Richard Catelan resigned as a director and Mr Colin Ryan was appointed Executive Chairman (formerly Non-executive Chairman).

Trojan Equity Limited has initiated legal proceedings in the Supreme Court of Queensland against CMI Limited, the personal representatives of CMI's former managing director Raymond Catelan (deceased), CMI's current directors Colin Ryan and Danny Herceg, former director Richard Catelan and various shareholders of CMI Limited. Trojan has applied to the Court for a range of relief including an order that CMI Limited be wound up, damages and an account of profits. These items cannot be quantified at this time.

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.

35. DISCONTINUED OPERATIONS

(a) Details of operations disposed and held for sale

30/06/2010 - During the year CMI Limited sold the remaining 49% of the shares in Capitalcorp Finance & Leasing Pty Ltd. At 30 June 2009 CMI Limited was a party to a deed of cross-guarantee with this subsidiary pursuant to ASIC Class Order 98/1418. This cross-guarantee expired 19 August 2009 and the share sale was settled on 20 August 2009.

(b) Financial performance of operations disposed and held for sale

The results of the discontinued operations for the year until disposal are presented below:

	2011			2010		
	Engineering $'000	Capitalcorp $'000	Total $'000	Engineering $'000	Capitalcorp $'000	Total $'000
Revenue	-	-	-	13	410	423
Expenses	-	-	-	(9)	-	(9)
Gross profit/(loss)	-	-	-	4	410	414
Recoverable expenses				206	-	206
Gain on disposal	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Impairment Expense	-	-	-	-	-	-
Profit/(Loss) before tax from discontinued operations	-	-	-	210	410	620
Income Tax	-	-	-	371	-	371
Profit/(Loss) from discontinued operations	-	-	-	581	410	991

Significant judgements in estimates are used to determine the recoverable amount of operations disposed and held for sale.

Engineered Components (excluding TJM)

The recoverable amount of the engineering division (excluding TJM) is determined based on fair value less cost of sale. Fair value is the amount obtainable from the sale of an asset, or cash-generating unit, in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Service (Capitalcorp)

The recoverable amount of the services division 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 discount rate of 21.752% p.a. (2010: 21.473% 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.

36. BUSINESS COMBINATION

Businesses Acquired

On 1 October 2009, TJM Shenzhen acquired the business and assets of DaHe Automotive Supplies Ltd ("DaHe"). At the date of acquisition, DaHe Automotive Supplies Ltd was involved in the manufacturing, operating and development of auto-related components and parts, supplementary equipment and accessories, gifts, mechanical products and electronic products.
The Group has recognised the fair values of the identifiable assets and liabilities.

Consideration	2010 $'000
Cash and cash equivalents	647
	647
Fair Value of Net Assets Acquired	
Current assets:	
Cash and cash equivalents	39
Receivables	81
Inventories	466
Deposits	10
Non-current assets:	
Intangibles	-
Property, plant and equipment	348
Deferred tax assets	-
Current liabilities:	
Payables	(297)
Current tax liabilities	-
Non-current liabilities:	
Provisions	-
Net assets acquired	647
Brand name on acquisition	-
Goodwill on acquisition	-
	647
Net Cash Outflow on Acquisition	
Cash and cash equivalents consideration	647
Less cash and cash equivalents balances acquired	39
	608

Control gained over entities

Year	Name of entity (or group of entities)	Date control gained	% Acquired
2011	TJM Off-Road Products Inc.	08/04/2011	100%
2010	TJM Shenzhen Ltd	01/10/2009	100%

During the year ended 30 June 2011 the group incorporated TJM Off-road Products Inc. with an investment of USD $100 thousand.

Shareholder Information

AS AT 22 SEPTEMBER 2011

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

1. ORDINARY SHAREHOLDER INFORMATION

The following information with respect to 33,752,634 fully paid ordinary shares on issue reflects the Share Register at that date.

a) There were 1,271 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	311
1,001	-	5,000 shares	472
5,001	-	10,000 shares	211
10,001	-	100,000 shares	251
100,001	-	and over	26
Total			**1,271**

c) The number of shareholdings held in less than a marketable parcel - 131

d) Twenty largest shareholders:

Shareholder	Fully Paid Ordinary Shares	Percentage Fully Paid
R P Prospects Pty Ltd <M & L A/C>	12,420,484	36.80%
Tinkerbell Enterprises Pty Ltd <Leanne Catelan Family A/C>	3,112,422	9.22%
Almargem Pty Ltd <Mellett Family A/C>	859,038	2.55%
Assetylene Pty Ltd <Richard Catelan Family A/C>	851,632	2.52%
LJ Catelan Superannuation Fund Pty Ltd	730,217	2.16%
FW Holst & Co Pty Ltd <FH A/C>	730,000	2.16%
Citicorp Nominees Pty Limited	631,665	1.87%
M L Catelan Superannuation Fund Pty Ltd <M L Catelan S/F A/C>	625,956	1.85%
Mr Philip Gordon Greenham	558,500	1.65%
Mr Danny Herceg	500,000	1.48%
Mellett Super Pty Ltd <Mellett A Fund A/C>	384,320	1.14%
Mr Peter Lancaster + Mrs Leonie Lancaster <Torrington Super Fund A/C>	370,000	1.10%
Mr Gerald Francis Pauley	273,637	0.81%
Australian Executor Trustees Limited <No 1 Account>	264,291	0.78%
Ms Rosalie Catherine Vaughan	223,052	0.66%
Mr David Marshall Spry	200,000	0.59%
Velkov Funds Management Limited <Victor Value Fund A/C>	180,000	0.53%
Contemplator Pty Ltd <Arg Pension Fund A/C>	172,405	0.51%
Ausco Group Pty Ltd <McDowell Super Fund A/C>	167,000	0.49%
Mr Evan Philip Clucas + Ms Leanne Jane Weston <Kuranga Nursery Super A/C>	161,975	0.48%
Total	**23,416,594**	**69.38%**

Shareholder Information

AS AT 22 SEPTEMBER 2011

e) The names of substantial shareholders are:

Shareholder	Number	Percentage
R P Prospects Pty Ltd <M & L A/C>	12,420,484	36.80%
Tinkerbell Enterprises Pty Ltd <Leanne Catelan Family A/C>	3,112,422	9.22%
Almargem Pty Ltd <Mellett Family A/C>	859,038	2.55%

2. CLASS A SHAREHOLDER INFORMATION

The following information with respect to 28,005,311 fully paid Class A shares on issue reflects the Share Register at that date.

a) There were 1,119 holders of Class A shares. All issued Class A shares of the company carry one vote per share, however the right to vote is restricted broadly speaking to matters concerning such shareholders.

b) Distribution of shareholders:

			Number
1	-	1,000 shares	158
1,001	-	5,000 shares	364
5,001	-	10,000 shares	199
10,001	-	100,000 shares	359
100,001	-	and over	39
Total			**1,119**

c) The number of shareholdings held in less than a marketable parcel - 113

d) Twenty largest shareholders:

Shareholder	Fully Paid Class A Shares	Percentage Fully Paid
Trojan Equity Limited	3,028,000	10.81%
RD Catelan Investments Pty Ltd <Rdc A/C>	2,271,647	8.11%
Mr Gabriel Berger	1,517,886	5.42%
Cooltrac Pty Ltd	1,319,033	4.71%
Contemplator Pty Ltd <Arg Pension Fund A/C>	713,237	2.55%
Ms Franciska Lasic	464,336	1.66%
Aust Executor Trustees Ltd <Lanyon Aust Value Fund>	450,495	1.61%
Invia Custodian Pty Limited <Royal Auto - Strategic A/C>	389,000	1.39%
Mr Stuart James Harvey	373,250	1.33%
Carluke Capital Pty Ltd <Carluke Capital Super Fund A/C>	369,089	1.32%
Ago Pty Ltd <Superannuation Fund A/C>	360,000	1.29%
Velkov Funds Management Limited <Victor Value Fund A/C>	308,900	1.10%
Mr Gerald Francis Pauley	293,571	1.05%
Mr Gerald Francis Pauley + Michael James Pauley <Pauley Super Fund A/C>	257,881	0.92%
Milton Yannis	240,555	0.86%
Mrs Robyn Jane Vogler	200,000	0.71%
Mr David Arthur Ifor Cardell	187,333	0.67%
Marko Nominees Pty Ltd <No 1 A/C>	172,367	0.62%
Australian Executor Trustees Limited <No 1 Account>	171,933	0.61%
Mr Gerald Francis Pauley + Mr Michael James Pauley <Pauley Super Fund A/C>	168,160	0.60%
Total	**13,256,673**	**47.34%**

e) The names of substantial shareholders are:

Shareholder	Number	Percentage
Trojan Equity Limited	3,028,000	10.81%
RD Catelan Investments Pty Ltd <RDC A/C>	2,271,647	8.11%
Mr Gabriel Berger	1,517,886	5.42%

3. STOCK EXCHANGE LISTING

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

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

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

6. OPTIONS

600,000 options are held by 2 individual option holders. Options do not carry a right to vote.

7. ON MARKET BUY BACK

There is no current on-market buy-back.

Corporate Directory

Registered Office

(Head Office)

150 Robinson Road
Geebung QLD 4034
Telephone: 07 3865 9969
Facsimile: 07 3865 3677
Email: corporate@cmilimited.com.au
www.cmilimited.com.au
ACN: 050 542 553

Directors

Colin Ryan AM (Chairman)

Danny Herceg

Leanne Catelan

Secretary

Sharyn Williams

Auditor

Ernst & Young

Level 5, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Bankers

National Australia Bank Limited

Level 20, 100 Creek Street
Brisbane QLD 4000

Share Registry

Link Market Services Limited

Locked Bag A14
Sydney South NSW 1235
Telephone: 02 8280 7454
Facsimile: 02 9287 0309

Lawyers

McCullough Robertson Lawyers

Level 11, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

ASX Codes

CMI - Ordinary shares

CMIPC - Class A shares

This page has been left blank intentionally

This page has been left blank intentionally