cmi
LIMITED

2017 ANNUAL REPORT

CMI Limited

ABN 98 050 542 553

Contents

Chairman's Review

The 2017 financial year was a transformational year for the company with the company successfully relisting as a Listed Investment Entity and bringing on new management in the Electrical business and undertaking further capital management activities.

Conditions for the Electrical business were mixed. The resource side of the business has improved and the outlook for construction and infrastructure projects are favourable in the longer term. We expect over the next few years that both these markets will remain strong. In the short term competition and price cutting on tenders for large scale infrastructure projects is prevalent. Capital expenditure programs have improved in the resource sector and there has been some restocking of inventory after a depletion of inventory levels over the past few years. We believe that the restocking is now complete. For the electrical business to return to EBIT levels seen several years ago there would need to be an environment conducive to new underground coal mines opening and for CMI to successfully win tenders to supply these new mines. Until that environment exists the board believes that EBIT levels for the Minto product will remain flat unless we find new markets to enter, this may require some product development costs to ensure the longevity of the current suite of products.

The resources market has seen some new entrants with new products and higher power products that have a slight cost advantage over the Minto products. Outside of resources the company has overall increased the level of quoting and we expect that this should result over time in increased sales revenue from larger projects however this is often at lower margins due to the intense competition and nature of the products.

The funds transferred to the investment portfolio were initially invested in higher yielding securities while suitable long term investments were identified. The investment portfolio comprises investments in three unlisted businesses, two listed businesses and the balance being shorted date instruments to generate a return while more opportunities are assessed for investment potential.

Results

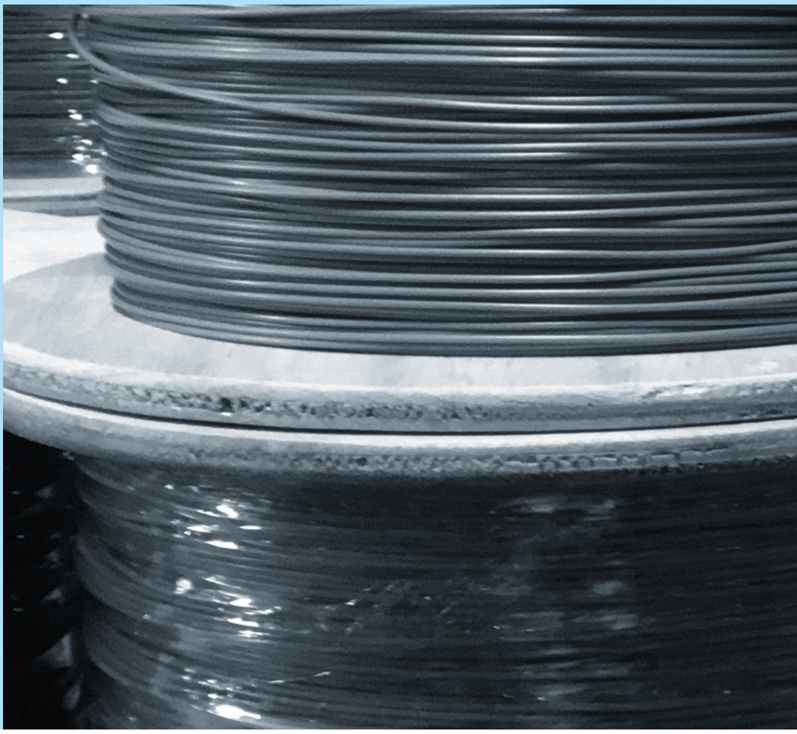
The company achieved revenues of $44.3 million in the 2017 financial year with pre-tax profit of $4.3 million.

Sales were higher than last year as a result of a reduction in waiting time to deliver Minto product as well as some one-off sales. There was a reduction in gross margin by 2% due to product mix as well as a slightly higher copper price in the period.

There were several one-off costs in the period which were partially offset by an ongoing reduction in corporate overhead and an increase in interest received from the investment portfolio. The one-off factors during the period included relisting costs, redundancies and a write-down of the carrying value of the Flameproof business.

Capital Management

The Board declared an interim fully franked dividend of 3 cents in February 2017 and a final and fully franked dividend of 3 cents per share in August 2017, giving a total of 6 cents fully franked for the year. In addition to the dividends paid and declared, the company undertook capital management by conducting an off-market buy-back of 10% of the issued capital which utilised $4.4 million of the company's cash reserves. This comprised $1.01 capital and $0.24 of fully franked dividends.



Outlook

The Board doesn't see that there will be a meaningful level of new underground coal mines opening in the short term. As a result of this view we are exploring entering new international markets where the company has not operated before. We would look to find suitable partners with local knowledge to distribute our products in these markets.

The outlook for the infrastructure work especially on the eastern seaboard is strong. These are large scale projects that will continue for several years. We have increased our quotation levels but we remain committed to maintaining our margins in an environment of strong discounting and undercutting.

On the cost front, the company will look for further cost savings by reducing the number of warehouses in the Electrical business combining the two Sydney industrial locations, Meadowbank and Fairfield. There may be some one-off costs in the second half year associated with relocating the two premises, however there will in the long run be an overall reduction in lease costs.

Acknowledgements

I would like to acknowledge the contribution of Sharyn Williams and Jeff Heslington who ceased working for the company during the year. Both made significant contribution to CMI over a long period of time. The Board would also like to thank Steve Miotti for his contribution to the Board.

Michael Glennon
Chairman

DIRECTORS' REPORT

The Directors of CMI Limited herewith submit the Annual Financial Report for the financial year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001* (Cth), the Directors' report is presented as follows:

The names and particulars of the directors of the company at the end of the financial year are:

Name	Michael X. Glennon
Title:	Executive Chairman
Qualifications:	Bachelor of Commerce
Term of office:	Appointed as a Director on 23 December 2016 and as Executive Chairman on 23 February 2017
Experience and expertise	Mr Glennon has over 20 years' experience in financial markets and is the founder of Glennon Capital Pty Ltd and the Managing Director of Excelsior Asset Management Pty Ltd. Mr Glennon has extensive experience in investing, building and operating businesses and strategic exiting of those businesses. His experience and contacts in small listed companies is extensive and he has gained a detailed understanding of many industries and business models over his time in the market. Michael has served on the boards of private and public companies.
Other current directorships (of listed companies):	Director of Glennon Small Companies Limited
Former directorships (last 3 years):	Nil
Committee membership:	Member of the Audit Committee and member of the Remuneration Committee.

Name	Leanne J. Catelan
Title:	Non-executive Director
Term of office:	Appointed 30 August 2011
Experience and expertise	Ms Catelan is a member of the Australian Institute of Company Directors. She is an experienced company director with exposure to both listed and private companies. Ms Catelan is also a director of Excelsior Asset Management Pty Ltd and Catelan Securities Pty Ltd. Ms Catelan has experience in property development and mezzanine debt financing. She has been involved in asset sales, corporate restructuring and a range of activities within private and public companies.
Other current directorships (of listed companies):	Nil
Former directorships last 3 years):	Nil
Committee membership:	Member of the Audit Committee and member of the Remuneration Committee.

Name	Craig D. Green
Title:	Independent Non-executive Director
Qualifications:	Solicitor of the Supreme Court of Queensland
Term of office:	Appointed 18 February 2016
Experience and expertise	Mr Green is a solicitor with more than 36 years' experience in banking and property law. Mr Green as a lawyer acts primarily for banks and other financial institutions on a range of property, commercial, business and residential transactions. He has a comprehensive understanding of both sides of large financial and business transactions. As the former managing partner of a mid-tier national law firm and currently a section leader of a top 10 national law firm, Mr Green has extensive management, marketing and business development experience. Mr Green is a former director, Life Member and Fellow of the Mortgage and Finance Association of Australia and member of the Australian Institute of Company Directors.
Other current directorships (of listed companies):	Nil
Former directorships (last 3 years):	Nil
Committee membership:	Chairman of the Audit Committee, Chairman of the Remuneration Committee

The name and particulars of the director of the Group who resigned as Director during the financial year:

Name	Steven F. Miotti
Title:	Independent Non-executive Director
Qualifications:	Bachelor of Laws, Solicitor of the Supreme Court of Queensland
Term of office:	Appointed 1 March 2016 – resigned 23 February 2017
Experience and expertise	Mr Miotti is a special counsel who has practiced law for over 29 years. During his years of practice he has developed extensive experience and expertise in the legal practices areas relating to corporate advisory, property, wills and estate planning and sports law. Mr Miotti has been a member of a number of committees including the Intellectual Property Sub Committee of the Queensland Law Society and was Chairman of the Appeals Committee for Soccer Queensland.
Other current directorships (of listed companies):	Nil
Former directorships (last 3 years):	Nil
Committee membership:	Member of the Audit Committee, member of the Remuneration Committee

DIRECTORS' REPORT

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

Name	Fully Paid Ordinary Shares
Leanne J. Catelan as:	
Catelan Securities Pty Ltd as trustee for Catelan Securities A/C	12,420,484
Leanne Catelan Superannuation Fund Pty Ltd as trustee for the Leanne Catelan Superannuation Fund	1,409,316
Craig D. Green as:	
Greenout Pty Ltd ATF the Craig Green Super Fund Account.	15,000

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

Nil

COMPANY SECRETARY

Anna M. Sandham. Ms Sandham was appointed Company Secretary on 15 December 2016 to replace Ms Sharyn R. Williams. Ms Sandham is an employee of Company Matters Pty Ltd. Ms Sandham is an experienced company secretary and governance professional with over 17 years' experience in various large and small, public and private, listed and unlisted companies. She holds a Bachelor of Economics and a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and a Chartered Secretary

Sharyn R. Williams (departed as Chief Financial Officer and Company Secretary on 15 December 2016). Ms Williams joined CMI Limited in July 2007 and was appointed Chief Financial Officer and Company Secretary in April 2008. She holds a Master of Business Administration, Bachelor degrees in Business and Education, is a member of CPA Australia, a Fellow member of the Governance Institute, a Chartered Company Secretary and a Graduate Member of the Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ("the Board") and of each of the Board Committees and the number of meetings attended by each Director during the financial period are:

	Board		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Leanne J. Catelan	16	16	4	4	0	0
Craig D. Green	16	16	4	4	0	0
Michael X. Glennon	6	6	2	2	0	0
Steven F. Miotti	12	12	3	3	0	0

This table shows membership of standing Committees of the Board. From time to time the Board may form other committees or request Directors to undertake specific extra duties. Even though the Remuneration Committee did not meet during the year, the function of the Committee was performed by the Board in 2017

A: represents the number of meetings held during the time the Director held office or was a member of the relevant Committee;

B: represents the number of meetings attended.

PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial year were investing in listed and unlisted securities and the manufacture and marketing of specialist cabling and electrical products for a range of industry sectors.

During the year the securities of CMI Limited were suspended from quotation on 18 November 2016 as required by the Australian Securities Exchange listing rules when a company proposes to change the nature of its activities to those of an investment entity. The change in business was approved by shareholders on 23 December 2016. On 20 January 2017 the company was reinstated to official quotation by the Australian Securities Exchange as an investment entity.

On 25 January 2017 the Company announced to the Australian Securities Exchange that it had completed an off-market buy-back at $1.25 per share amounting to $4.356 million. The buy-back price included a capital component of $1.01 and a fully franked dividend component of $0.24.

REVIEW OF OPERATIONS

Group revenue and profit

Consolidated revenue for the year was $44.274 million (2016: $40.810 million). Interest and investment revenue for the year was $744 thousand (2016: $779 thousand).

The Group's profit before tax was $4.268 million (2016: $4.830 million) and the profit after tax was $2.754 million (2016: $3.446 million).

Electrical division

The Electrical operations produced a pre-tax profit of $5.608 million, an increase of $145 thousand on the prior year. Revenue increased to $43.530 million, 8.7 percent (or $3.499 million) up on the prior year.

Revenue growth was predominately from the cable sector with mining and industrial relatively flat against the previous year. Revenue from the three sectors showed moderate improvements through the second half year with consistent margins due to stable prices in raw materials.

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

Investment portfolio

The investment portfolio, which commenced on 15 February 2017, produced a pre-tax profit of $218 thousand and revenue of $332 thousand.

Financial position

The Group's working capital position at 30 June 2017 totalled $36.552 million (2016: $42.073 million) consisting of cash of $7.891 million (2016: $26.742 million), receivables of $10.567 million (2016: $8.387 million), inventories of $10.540 million (2016: $11.027 million), financial assets $12.857 million (2016: nil) and trade payables of $5.303 million (2016: $4.083 million). The Group had nil borrowings at 30 June 2017 and 2016.

During the period the Group's cash position decreased by $18.851 million (2016: decreased by $7.432 million) with operating activities consuming $9.902 million (2016: generating $6.274 million), investing activities consuming $2.491 million (2016: $0.039 million) and financing activities consuming $6.458 million (2016: $13.667 million).

The Group transferred $20 million cash to the investment portfolio during the year. As at 30 June 2017, the portfolio comprised 17 investments totalling $14.861 million including 4 long term investments at $2.004 million, 13 short term investments at $12.857 million and cash of $5.266 million. Investments are reported at fair value.

The Group's property, plant and equipment assets at 30 June 2017 totalled $0.361 million (2016: $0.469 million) following depreciation expense of $0.126 million (2016: $0.126 million).

The Group's intangible assets, excluding goodwill, at 30 June 2017 totalled $1.872 million (2016: $1.969 million) following additions during the period of $0.411 million (2016: $0.276 million), amortisation expense of $0.416 million (2016: $0.357 million) and disposal of $0.092 million (2016: nil).

The Group's goodwill at 30 June 2017 totalled $6.850 million following an impairment of Flameproof goodwill during the year of $0.342 million.

Shares on issue

CMI Limited had 31,367,371 shares on issue at 30 June 2017 (2016: 34,852,634). No shares were issued during the period (2016: 300,000). CMI Limited has a Performance Right Plan. Under this plan nil share performance rights were issued in the period (2016: 38,169) with nil vested at 30 June 2017 (2016: nil). There were nil performance rights remaining at 30 June 2017 (2016: 270,395).

An off-market buy-back was completed during the year following the reinstatement to official quotation of the Company on the ASX on 20 January 2017 as an investment entity. 3,485,263 shares were bought back at $4.356 million inclusive of dividends of $0.836 million.

Employees

The Group employed approximately 56 people at 30 June 2017, similar to the staffing level at 30 June 2016.

Jeffrey L. Heslington, General Manager Electrical Operations resigned on 31 March 2017 and James E. Johnson commenced as General Manager Electrical Operations on 18 January 2017.

Sharyn R. Williams departed as Chief Financial Officer and Company Secretary on 15 December 2016. The Company Secretary and CFO positions have been filled by contractors from 15 December 2016.

Michael X. Glennon was appointed to the role of Executive Chairman on 23 February 2017 following the successful restructure of CMI into a listed investment entity. Mr Glennon is responsible for developing a comprehensive vision for Excelsior Asset Management and also the strategy to take CMI forward and deliver value to the company's shareholders. The former Executive Chairman (Andrew D. Buckley) had resigned on 31 December 2015. In the intervening period, the Board appointed 2 independent non-executive directors (Craig D. Green in February 2016 and Steve F. Miotti in March 2016. Mr Green remains a director and Mr Miotti resigned as a director in February 2017).

DIRECTORS' REPORT

Health and safety

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

Strategies and risks

The Group's operational business strategy is focused on the organic growth of the core business, both domestically and internationally, and the expansion of the current business operations by acquisition if suitable growth opportunities arise. Revenue growth will be driven through increased product ranges and increased distribution channels.

The Group's primary investment strategy is to generate both income and capital appreciation while managing risk through a portfolio approach to investing. The Group invests in a diversified portfolio of businesses where the Group may provide capital and strategic advice to those businesses to gain long term investment returns and capital appreciation. The capital is allocated to both listed and unlisted businesses, in the form of equity, debt or a combination of the two.

The Board maintained a prudent dividend payout ratio, payable twice per annum.

The risks identified for the Group include:

RISKS RELATING TO CMI ELECTRICAL AND DIVESTED OPERATIONS

- Exposure to the domestic resource industry impacting revenues and margin;
- The Group has a number of key third party suppliers and interruption to the supply from these suppliers could pose a risk to the business;
- The Group is a supplier and designer of products and failure of these products or product designs to meet a specified level of quality or conformance poses a risk to the business;
- Warranties and indemnities given relating to the TJM divestment;

RISKS RELATING TO THE INVESTMENT PORTFOLIO

- Termination of Management Agreement or Sub-management Agreement;
- Loss of Australian financial service licence by the Sub-manager;
- Manager and Sub-manager performance;
- The market risk of investments declining in value because of economic developments or other events that affect the share market;
- The liquidity risk of being unable to sell investments at a fair price at times the Group needs cash;
- Share price volatility caused by lack of diversity within the portfolio.

The Group manages risk by identifying risks and mitigating them through a combination of internal controls and external insurance.

The Corporate Governance Statement for CMI Limited can be found on the Company's website at http://www.cmilimited.com.au/Investor-Centre/?page=Corporate-Governance.

FUTURE DEVELOPMENTS

Information on the strategy, prospects and risks of the Group is included in the Review of Operations on page 7 to 8, and the Chairman's Review on page 2 to 3.

SUBSEQUENT EVENTS

In respect of the financial year ended 30 June 2017, the directors recommend the payment of a final dividend to the holders of fully paid ordinary shares of $0.03 per share. The dividend is payable on 20 September 2017 to shareholders registered on the Record Date of 6 September 2017.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATIONS

The operations are not subject to any particular or significant environmental regulations. The impact on the business is regularly reviewed to ensure it complies with the following areas of environmental regulation: air, water, noise, hazardous chemicals and contaminated land waste.

Appropriate licences have been obtained where necessary and procedures implemented to ensure that the Group operates under the conditions imposed by the license or regulation. The Group has an Environmental Management System at the Meadowbank operations and is certified to AS-NZS ISO 14001:2004. During the year, no areas of non-compliance were identified.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

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

REMUNERATION REPORT (AUDITED)

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

- A Principles used to determine the nature and amount of remuneration
- B Service agreements
- C Details of remuneration
- D Share-based compensation
- E Key management personnel equity holdings
- F Performance history
- G Dividends
- H Share price
- I Shares issued

A Principles used to determine the nature and amount of remuneration

This Remuneration Report for the year ended 30 June 2017 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth) (Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

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

The Board reviews the remuneration packages of all directors and executives on an annual basis. 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, where appropriate the Remuneration Committee seeks the advice of external advisers such as accounting, legal and recruitment advisers, in connection with the structure of remuneration packages. Remuneration consultants are not engaged to provide remuneration recommendations.

Over the past 5 years the Group's earnings before depreciation, interest and tax have declined from \$15.383 million in 2013 to \$4.917 million in 2017 (refer to Section F Performance History below). This, coupled with a capital return of \$0.30 in December 2015, has had an impact on shareholder wealth with the share price reducing from \$1.425 in 2013 to \$1.03 as at 30 June 2017. In order to attract and retain appropriate executive talent to navigate the Group through difficult trading conditions and restore shareholder wealth, the Directors implemented appropriate share-based compensation schemes (where appropriate for executives). These schemes, detailed in Section D, included vesting conditions linked to growth in earnings per share and total shareholder returns. The Remuneration Committee monitors the relationship between company performance and remuneration and makes appropriate adjustments through both short and long term incentive schemes.

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

Remuneration packages contain the following key elements:

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

b) Post-employment benefits – including superannuation;

c) Share-based payment – shares issued during the financial year and share performance rights granted following approval by shareholders on 30 November 2012 and renewed on 25 November 2015 under the Performance Rights Plan, and

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

Short-term employee benefits – directors and key management personnel listed in Section 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, earnings, safety, financial management 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 20% of base salary as a performance-related cash bonus based on achieving budgeted financial and other performance-related targets. Typically included measures include revenue, earnings, safety and financial management.

In the 2017 financial year, Sharyn R. Williams received a performance-related bonus totalling $15 thousand calculated on achieving budgeted financial and performance-related targets in the 2016 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.

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

Further details of the employee incentive scheme are disclosed in the Remuneration Report Section D Share-based compensation and Note 19 to the financial statements.

B Service agreements

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

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

C Details of remuneration

The directors of the Group and the three (2016: two) key management personnel who were in those positions at any time during the year ended 30 June 2017 were:

DIRECTORS:

Leanne J. Catelan	(appointed 30 August 2011)
Craig D. Green	(appointed 18 February 2016)
Michael X. Glennon	(appointed 23 December 2016)
Steve F. Miotti	(appointed 1 March 2016; resigned 23 February 2017)

OTHER:

James E. Johnson	(General Manager – CMI Electrical) (appointed 18 January 2017)
Jeffrey L. Heslington	(General Manager – CMI Electrical) (resigned 31 March 2017)
Sharyn R. Williams	(Chief Financial Officer/Company Secretary) (ceased 15 December 2016)

The following tables disclose the remuneration of the directors and key management personnel of the Group.

2017	Short-term Employee Benefits				Post Employment Benefits		Long-term benefits	Share-based payment				
	Salary/ Fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Termin-ation Benefits $	Long Service Leave $	Shares $	Perfor-mance Rights $	Total $	Short-term bonuses as % of maximum available	Perfor-mance related
M.X. Glennon	61,616	-	-	-	5,854	-	-	-	-	67,470	-	-
L.J. Catelan	70,000	-	-	-	6,650	-	-	-	-	76,650	-	-
C.D. Green	70,000	-	-	-	6,650	-	-	-	-	76,650	-	-
J.E. Johnson[1]	122,871	-	-	-	10,593	-	-	-	-	133,464	-	-
S.F. Miotti[2]	46,667	-	-	-	4,433	-	-	-	-	51,100	-	-
J.L Heslington[3]	293,405	-	-	-	26,719	222,654	-	-	-	542,778	-	-
S.R. Williams[4]	126,086	15,056[5]	-	50,000	20,686	315,516	-	-	(30,863)[6]	496,481	25%	3%
Total	790,645	15,056	-	50,000	81,586	538,170	-	-	(30,863)	1,444,594	10%	1%

1 *Appointed 18 January 2017.*

2 *Resigned as a Director 23 February 2017.*

3 *Resigned as General Manager, Electrical on 31 March 2017. Termination benefits include unused leave entitlements.*

4 *Ceased as KMP on 15 December 2016. Termination benefits include unused leave entitlements and redundancy. The Company Secretary and CFO positions have been filled by contractors from 15 December 2016 as disclosed on page 6 and Note 24(d) to the financial statements.*

5 *This short-term bonus related to performance in year ended 30 June 2016.*

6 *Sharyn R. Williams forfeited 270,395 performance rights when she ceased employment. $30,863 share-based payment expense relating to rights with non-market based hurdles previously recognised under AASB 2 was reversed.*

2016	Short-term Employee Benefits				Post Employment Benefits		Long-term benefits	Share-based payment				
	Salary/ Fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Termin-ation Benefits $	Long Service Leave $	Shares $	Perfor-mance Rights $	Total $	Short-term bonuses as % of maximum available	Perfor-mance related
L.J. Catelan	80,000	-	-	-	7,600	-	-	-	-	87,600	-	-
C.D. Green	25,487	-	-	-	2,421	-	-	-	-	27,908	-	-
S.F. Miotti	23,333	-	-	-	2,217	-	-	-	-	25,550	-	-
J.L. Heslington	391,207	-	-	-	35,626	-	6,271	-	-	433,104	-	-
S.R. Williams	275,001	-	-	-	26,141	-	4,602	-	107,572	413,316	-	26%
A.D. Buckley[1]	137,084	41,667	-	-	13,023	-	-	-	-	191,774	21%	22%
J.I. Forbes[2]	73,334	-	-	-	6,967	-	-	-	-	80,301	-	-
Total	1,005,446	41,667	-	-	93,995	-	10,873	-	107,572	1,259,553	12%	12%

1 *Ceased as KMP on 31 December 2015. Andrew D. Buckley forfeited his performance rights when he ceased employment and any share-based payment expense previously recognised under AASB 2 was reversed. A. Buckley was issued 300,000 shares on vesting of performance rights.*

2 *Ceased as KMP on 29 February 2016.*

D Share-based compensation

While the Remuneration Committee did not meet in 2017, the role of the Committee is make recommendations to the Board regarding share-based payments in the form of share performance rights to directors and executives as part of their remuneration package based on the company's performance and as an incentive to improve the performance of the company. Share performance rights issued to directors require approval by a general meeting of shareholders. Share performance rights issued to executives are in accordance with the company's Performance Rights Plan.

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

SHARE PERFORMANCE RIGHTS GRANTED TO KEY MANAGEMENT PERSONNEL

There have been nil (2016: 38,169) share performance rights issued in the current financial year. 270,395 share performance rights lapsed during the current financial year on the cessation of the employment of Sharyn R. Williams. There are currently no share performance rights on issue.

2017	Balance at 01/07/16 No.	Granted as compens-ation No.	Exercised No.	Net other change No.	Balance at 30/06/17 No.	Balance vested at 30/06/17 No.	Vested but not exercise-able No.	Vested and exer-cisable No.	Rights vested during year No.
S. R. Williams[1]	270,395	-	-	(270,395)	-	-	-	-	-
TOTAL	270,395	-	-	(270,395)	-	-	-	-	-

2016	Balance at 01/07/15 No.	Granted as compens-ation No.	Exercised No.	Net other change No.	Balance at 30/06/16 No.	Balance vested at 30/06/16 No.	Vested but not exercise-able No.	Vested and exer-cisable No.	Rights vested during year No.
A.D. Buckley[2]	900,000	-	(300,000)	(600,000)	-	-	-	-	-
S. R. Williams	232,226	38,169	-	-	270,395	-	-	-	-
TOTAL	1,132,226	38,169	(300,000)	(600,000)	270,395	-	-	-	-

1 *As at 30 June 2017, Sharyn R. Williams was no longer an employee of the CMI Limited effective 15 December 2016 and performance rights of 270,395 lapsed.*

2 *As at 30 June 2016, Andrew D. Buckley was no longer an employee of the CMI Limited effective 31 December 2015 and performance rights of 600,000 lapsed.*

THE PERCENTAGE OF REMUNERATION CONSISTING OF PERFORMANCE RIGHTS DURING THE YEAR

The percentage of remuneration consisting of performance rights for directors and key management personnel during the year was 0% (2016: 9%).

E Key management personnel equity holdings

Fully paid ordinary shares issued by CMI Limited

2017	Balance at 01/07/16 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/17 No.	Balance held nominally No.
L.J. Catelan	13,829,800	-	-	-	13,829,800	-
M.X. Glennon[1]	-	-	-	-	-	-
S.F. Miotti[2]	-	-	-	-	-	-
C.D. Green	10,000	-	-	5,000	15,000	-
J.L. Heslington[3]	-	-	-	-	-	-
J.E. Johnson[4]	-	-	-	-	-	-
S.R. Williams[5]	3,622		-	-	3,622	
TOTAL	13,843,422	-	-	5,000	13,848,422	-

1 *Appointed 23 December 2016*

2 *Ceased as KMP on 23 February 2017*

3 *Ceased as KMP on 31 March 2017*

4 *Appointed 18 January 2017*

5 *Ceased as KMP on 15 December 2016*

2016	Balance at 01/07/15 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/16 No.	Balance held nominally No.
L.J. Catelan	13,150,701	-	-	679,099	13,829,800	-
C.D. Green	-	-	-	10,000	10,000	-
S.F. Miotti	-	-	-	-	-	-
S.R. Williams	3,622	-	-	-	3,622	-
J.L. Heslington	-	-	-	-	-	-
A.D. Buckley[1]	226,964	300,000	-	(526,964)	-	-
J.I. Forbes[2]	5,000	-	-	(5,000)	-	-
TOTAL	13,386,287	300,000	-	157,135	13,843,422	-

1 *Ceased as KMP on 31 December 2015*

2 *Ceased as KMP on 29 February 2016*

DIRECTORS' REPORT

F Performance history[1]

Financial Comparative Data in $'000	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Growth FY16 to FY17
Group revenue**	111,755	92,391	64,923***	40,810***	44,274***	8%
Earnings before depreciation, interest & tax*	15,383	6,765	8,542	5,335	4,917	(8%)
Depreciation & amortisation**	(1,691)	(1,764)	(1,293)	(483)	(634)	(31%)
Earnings before interest & tax*	13,692	5,001	7,249	4,852	4,283	(12%)
Interest & finance charges**	(369)	(160)	(59)	(22)	(15)	32%
Operating profit (Loss) before tax**	13,323	4,841	7,190	4,830	4,268	(12%)
Operating profit (Loss) after tax**	9,812	3,547	5,450	3,446	2,754	(20%)
Earnings per share						
– Basic (cents)**	29.05	10.29	15.77	9.90	8.27	(16%)
Dividends						
– Ordinary ($'000)	2,073	2,073	3,110	2,091	1,882[2]	(10%)
Dividends per share						
– Ordinary (cents)	6.00	6.00	9.00	6.00	6.00	-
Closing share price**						
– Ordinary ($)	1.425	1.48	1.60	0.895	1.03	15%
Shareholder funds ($'000)**	56,388	56,885	60,645	50,322	46,528	(8%)
Net tangible assets per ordinary share (dollars)*	1.36	1.31	1.49	1.18	1.20	1%
Number of employees*	204	186	62	55	56	(2%)

* *Figures are unaudited*

** *Extracts from the audited Financial Statements*

*** *Revenue has been stated net of discounts and rebates*

1 *Performance history of FY 2013, FY 2014 and FY 2015 includes discontinued operation TJM.*

2 *This excludes $0.836 million franked dividend which was included in the off-market buy-back price during the period.*

G Dividends

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

In respect of the financial year ended 30 June 2017, the directors recommend the payment of a final dividend to the holders of fully paid ordinary shares of $0.03 per share. The dividend is payable on 20 September 2017 to shareholders registered on the Record Date of 6 September 2017. The interim dividend of $0.03 per share was paid on 14 March 2017. In January 2017 an off-market buy-back was completed. Included in the buy-back payment was dividend of $0.24 per share.

In respect of the financial year ended 30 June 2016, the directors recommended the payment of a final dividend to the holders of fully paid ordinary shares of $0.03 per share. The dividend was paid on 8 September 2016 to shareholders registered on the Record Date of 25 August 2016. The interim dividend of $0.03 per share was paid on 14 March 2016.

H Share price

The closing market share price per ordinary share at market close on 30 June 2017 was $1.03 (30 June 2016: $0.895).

I Shares issued

There were nil ordinary shares issued relating to exercised share performance rights or options during the year (2016: 300,000). 270,395 share performance rights lapsed during the current financial year on the cessation of the employment of Sharyn R. Williams (2016: 600,000 on the cessation of employment of Andrew D. Buckley). During the year 3,485,263 shares were cancelled following the completion of an off-market buy-back by the Company.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in Note 21 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial period, 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 Act.

The Directors are of the opinion that the services disclosed in Note 21 to the financial statements do not compromise the external auditor's independence requirements of the Act for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

PROCEEDINGS ON BEHALF OF CMI LIMITED

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of CMI, or to intervene in any proceedings to which CMI is a party for the purpose of taking responsibility on behalf of CMI for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Act appears on page 16.

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Act.

OFFICERS OF THE GROUP WHO ARE FORMER PARTNERS OF ERNST & YOUNG

There are no officers of the Group who are former partners of Ernst & Young.

ROUNDING OF AMOUNTS

The Company is of a kind referred to the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Act.

On behalf of the Directors

Michael Glennon
Executive Chairman

SYDNEY

Dated: 31 August 2017

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CMI LIMITED

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Auditor's Independence Declaration to the Directors of CMI Limited

As lead auditor for the audit of CMI Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of CMI Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
31 August 2017

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Independent Auditor's Report to the Members of CMI Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CMI Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CMI LIMITED

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1. Impairment Assessment of Goodwill

Why significant	How our audit addressed the key audit matter
As required by Australian Accounting Standard – AASB 136 *Impairment of Assets*, the Group performs an impairment test of goodwill on at least an annual basis. This annual impairment assessment is a key audit matter due to the size of the asset (carrying value of $6.850m) and the degree of estimation and assumptions, specifically forecast earnings and discount rates, which are affected by expected future demand for products in the underground coal and construction industries in the Electrical products Cash Generating Unit. Goodwill impairment testing is disclosed in Note 8 to the financial report.	In obtaining sufficient audit evidence, we: • Considered the requirements of Australian Accounting Standard AASB 136 *Impairment of Assets*. This involved an assessment of whether the methodology used by the Directors met the requirements of AASB 136. • Tested whether the impairment models used by the Group were mathematically accurate. • Evaluated the Board approved cash flow forecasts and considered the reliability of the Group's historical cash flow forecasts, applied our knowledge of the business and corroborated our work with external information where possible. • Performed sensitivity analysis on the cash-flow forecasts. • Involved our Valuation Specialists to assess the adequacy of the discount rate, growth rate applied to the cash-flows and to perform a cross check of the implied EBITDA multiple against comparable listed companies. • Assessed the adequacy and completeness of the Goodwill Impairment disclosures at Note 8 of the financial report.

2. Investment Valuation

Why significant	How our audit addressed the key audit matter
As a listed investment entity, the Group has a significant investment portfolio consisting primarily of listed equities and cash accounts. As at 30 June 2017, the value of these financial assets, per Note 6 to the financial report was $14.861m, which equates to 28% of the total assets held by the Group. As detailed in the Group's accounting policy, as described in Note 1g to the financial report, these financial assets are classified at 'fair value through profit or loss' or 'available for sale' and measured at fair value in accordance with Australian Accounting Standard - AASB 139: *Financial Instruments Recognition and Measurement* (AASB 139). Volatility and other market drivers can have a significant impact on the value of these financial assets and the financial report, therefore valuation of the investment portfolio is considered a key area of focus.	In obtaining sufficient audit evidence, we: • Assessed and tested the design and operating effectiveness of relevant controls in place over the classification and valuation of investments, through review of the audited internal controls report prepared under ASAE 3402 Assurance Reports on Controls at a Service Organisation by the audit firm, of the Group's administrator. We assessed the independence, competence and objectivity of the audit firm performing the audit of the internal controls report. We used the work performed on these controls to gain assurance over the classification and valuation of the investment balances. • Agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2017. • Checked the valuation of all positions in the portfolio held at 30 June 2017. To assess the fair value in accordance with AASB 139, we agreed the listed securities to independent pricing sources and for unlisted funds, we agreed the investment valuations to statements from external fund administrators.

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Why significant	How our audit addressed the key audit matter
	• Evaluated the Group's assessment of the fair value for the available for sale financial assets for any impairment in accordance with AASB 139. • Assessed the adequacy of the disclosures in Note 6 to the financial report in line with AASB 139, AASB 7: Financial Instruments Disclosures and AASB 13: Fair Value Measurement.

3. Inventory Valuation

Why significant	How our audit addressed the key audit matter
As at 30 June 2017, inventories of $10.5m, as disclosed in note 5, are a significant balance for the Group which equates to 20% of the total assets held by the Group. The valuation of inventories requires judgment in determining whether the inventories are valued at lower of cost and net realisable value of the inventory on hand at year end. There are also judgments required in determining the inventory obsolescence provision and assessing if the provision level is adequate.	In obtaining sufficient audit evidence, we: • Performed testing on a sample of inventory items to assess the cost basis and net realisable value of inventories. • Assessed whether the recorded cost of inventories was at the lower of cost and net realisable value. • Compared the inventory obsolescence provision to the Group's accounting policy and evaluated the Group's judgment of the adequacy of this by performing an assessment of the aging profile of inventories and of items identified as slow moving.

4. Revenue Cut-Off

Why significant	How our audit addressed the key audit matter
Revenue from continuing operations at year-end of $44.274m, as disclosed in note 2a to the financial report, is a material balance to the Group and a key audit matter. At year end, judgment is required to assess the point when sales should be recognised and whether the risks and rewards of ownership have passed to the customer.	In obtaining sufficient audit evidence, we: • Tested sales transactions taking place before and after the balance sheet date as well as credit notes issued after the year-end date, to assess whether those transactions were recognised in the appropriate reporting period and in accordance with contract terms with customers. • Tested key reconciliations to supporting evidence and journal entries posted to assess whether the revenue journals were approved and had an appropriate business purpose.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CMI LIMITED

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of CMI Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
31 August 2017

DIRECTORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2017 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 2017.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 25 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

Michael Glennon
Executive Chairman

SYDNEY

Dated: 31 August 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	2017 $'000	2016 $'000
Revenue	2(a)	44,274	40,810
Other income	2(a)	44	74
Changes in inventories		(387)	(1,206)
Raw materials expense		(28,381)	(24,344)
Employee benefits expense	2(b)	(5,167)	(5,687)
Repairs, maintenance and consumables expense		(183)	(252)
Occupancy expense		(2,007)	(1,970)
Travel and communication expense		(227)	(311)
Freight and cartage expense		(801)	(645)
Depreciation and amortisation expense	2(b)	(634)	(483)
Finance costs		(15)	(22)
Impairment expense	8	(342)	-
Other expenses		(1,906)	(1,134)
Profit before income tax expense		4,268	4,830
Income tax	3	(1,514)	(1,384)
Profit after income tax expense		2,754	3,446
Other income to be reclassified to profit or loss in subsequent period, net of tax			
Net loss on available for sale financial assets		(58)	-
Total other comprehensive income		(58)	-
Total comprehensive income for the year, net of tax		2,696	3,446
Attributable to			
Equity holders of the parent		2,681	3,446
Non-controlling interests		15	-
		2,696	3,446
Earnings per share:			
Basic (cents per share)	17	8.27	9.90
Diluted (cents per share)	17	8.27	9.83

Notes to the financial statements are included on pages 27 to 64.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTE	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	26(a)	7,891	26,742
Trade and other receivables	4	10,567	8,387
Financial assets – current	6	12,857	-
Inventories	5	10,540	11,027
TOTAL CURRENT ASSETS		41,855	46,156
NON-CURRENT ASSETS			
Property, plant and equipment	7	361	469
Financial assets – non-current	6	2,004	-
Goodwill	8	6,850	7,192
Other intangible assets	9	1,872	1,969
Deferred tax assets	3(c)	85	76
TOTAL NON-CURRENT ASSETS		11,172	9,706
TOTAL ASSETS		53,027	55,862
CURRENT LIABILITIES			
Trade and other payables	10	5,303	4,083
Current tax liabilities	3(b)	553	566
Provisions	12	584	853
TOTAL CURRENT LIABILITIES		6,440	5,502
NON-CURRENT LIABILITIES			
Employee benefit provisions		59	38
TOTAL NON-CURRENT LIABILITIES		59	38
TOTAL LIABILITIES		6,499	5,540
NET ASSETS		46,528	50,322
EQUITY			
Issued capital	14	31,687	28,520
Reserves	15	(58)	6,685
Retained earnings	16	14,884	15,117
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		46,513	50,322
NON-CONTROLLING INTERESTS		15	-
TOTAL EQUITY		46,528	50,322

Notes to the financial statements are included on pages 27 to 64.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Non-controlling Interests $'000	Total Equity $'000
At 1 July 2015	38,555	7,282	14,808	-	60,645
Profit for the period	-	-	3,446	-	3,446
Cash dividends	-	-	(3,137)	-	(3,137)
Return of capital	(10,455)	-	-	-	(10,455)
Return of capital cost	(75)	-	-	-	(75)
Exercise of performance rights	495	(495)	-	-	-
Share-based payments	-	(102)	-	-	(102)
Balance at 1 July 2016	**28,520**	**6,685**	**15,117**	**-**	**50,322**
Profit for the period	-	-	2,754	-	2,754
Other comprehensive income	-	(58)	-	-	(58)
Total comprehensive income	**-**	**(58)**	**2,754**	**-**	**2,696**
Cash dividends	-	-	(1,987)	-	(1,987)
Share buy-back	(3,520)	-	(836)	-	(4,356)
Share buy-back costs	(115)	-	-	-	(115)
Transfer reserve to capital	6,802	(6,802)	-	-	-
Write-back of employee awards[1]	-	117	(149)	-	(32)
Acquisition of non-controlling interests	-	-	(15)	15	-
At 30 June 2017	**31,687**	**(58)**	**14,884**	**15**	**46,528**

1 *Upon cessation of employment of Sharyn R. Williams, all remaining performance rights lapsed. The reserve related to employee equity-settled benefits was adjusted to retained earnings.*

Notes to the financial statements are included on pages 27 to 64.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	2017 $'000 Inflow (Outflow)	2016 $'000 Inflow (Outflow)
Cash flows from operating activities:			
Receipts from customers (inclusive of GST)		49,543	48,708
Interest and dividends received*		508	-
Payments to suppliers (inclusive of GST) and employees		(45,779)	(42,215)
Payments for financial assets		(20,702)	-
Proceeds from sale of financial assets		8,064	-
Income tax paid		(1,536)	(219)
Net cash used in operating activities	26(b)	(9,902)	6,274
Cash flows from investing activities:			
Interest received*		-	779
Payments for intangible assets		(411)	(276)
Payments for plant and equipment		(18)	(27)
Payments for long term investments		(2,062)	-
Payments associated with disposal of business		-	(515)
Net cash (used in)/provided by investing activities		(2,491)	(39)
Cash flows from financing activities:			
Dividends paid		(2,823)	(3,137)
Payment for share buy-back		(3,635)	(10,530)
Net cash used in financing activities		(6,458)	(13,667)
Decrease in cash and cash equivalents held		(18,851)	(7,432)
Cash and cash equivalents at the beginning of the financial year		26,742	34,174
Cash and cash equivalents at the end of the financial year	26(a)	7,891	26,742

* *Interest and dividend income is reported in operating activities because the capital was used in the investment portfolio to generate dividends and interest from securities. In the prior year, interest income was generated from term deposits and bank savings.*

Notes to the financial statements are included on pages 27 to 64.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES

1.1 Statement of compliance

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

The financial statements were authorised for issue by the directors on 31 August 2017.

1.2 Basis of preparation

The financial report has been prepared on the basis of historical cost except investments which are measured at fair value. 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 2016/191, dated 24 March 2016, 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.

1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other voting holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expense and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership over a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

1.4 Summary of significant accounting policies

A) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classified all other liabilities as non-current.

B) FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

C) REVENUE RECOGNITION

Sale of goods

Revenue is stated net of rebates and discounts given.

Revenue from the sale of goods is recognised when the Group 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 on an accruals basis when the Group's right to receive the dividend is established.

Net gain / (loss) on financial assets

Net gain / (loss) on financial assets held at fair value through profit and loss arising from a change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains / (losses) do not include interest or dividend / distribution income.

D) TAXES

Current income tax

Current income 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 income 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 Group 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.

Goods and services tax

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

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

E) FOREIGN CURRENCY

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.

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

F) 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.

G) FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, 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 current 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.

Available-for-sale financial assets

Financial assets non-current are available-for-sale financial assets including equity investments and debt securities. Equity investments classified as available-for-sale financial assets are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of comprehensive income in finance costs. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Comprehensive Income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

H) 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.

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.

I) INVENTORIES

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

J) 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:

- Plant and equipment 3 – 20 years

K) 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.

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

L) 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 in profit and loss and is not subsequently reversed.

M) INTANGIBLE ASSETS (EXCLUDING GOODWILL)

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 amortisation and impairment, and are amortised on a straight-line basis over the period in which the corresponding benefits are expected to arise, commencing when the product is first available to the market.

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.

Research and development costs amortisation is in accordance with AASB 138 Intangible Assets. Amortisation of R&D projects is carried out over a straight line of 60 months to match the life cycle of the product in the market. Amortisation of a project commences when the project is deemed to have a commercial value and no further substantial change to the product will occur.

N) 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 Group 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.

O) PAYABLES

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

P) 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.

Q) 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

R) PROVISIONS

Provisions are recognised when the Group 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 virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Dividends

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

S) 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 Group in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

T) SHARE-BASED PAYMENTS

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

Equity-settled transactions

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

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

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

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

U) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year.

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2017. The standards have been considered and the Group does not expect any material financial impact.

The impact of the amended Standard AASB 15 – AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. Revenue from Contracts with Customers, is being assessed in terms of any material financial effect on the financial statements presented. The Electrical segment derives revenue from sale of stock bought or assembled and held for resale. Revenue is recognised when control of a good transfers to a customer. A sale order is invoiced and a sale is recorded when a customer accepts delivery of goods. Based on our review of current revenue recognition policies and our review of AASB 15 we do not expect there to be significant difference in measurement or timing of revenue recognition on introduction of the new standard, however the final AASB 15 assessment is not yet finalised. The Investment Portfolio generates income in the forms of interest, dividends and gains on financial instruments. All of these are outside the scope of AASB 15.

AASB 16 Leases removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals, and will result in the recognition of tenancy leases on the balance sheet. The only exemptions from these requirements are short-term and low-value leases. The income statement will also be affected, as operating expenses are reclassified as interest expense and depreciation expense, affecting EBITDA performance metrics. The new standard requires more extensive qualitative and quantitative disclosures.

The standard has a mandatory application date for financial years commencing on or after 1 January 2019. Early adoption is allowed if AASB 15 standard has also been applied. The expected date of adoption by the Group is 1 July 2019.

A preliminary assessment of the impact of adopting AASB 16 has been undertaken and the impact will be that off-balance sheet leases will now be taken on to the balance sheet as both a lease asset and lease liability. Over the duration of the lease the lease asset will be amortised and the lease liability will be reduced by lease payments. Based on the early stage of the AASB 16 assessment we are not able to quantify the impacts on the financial statements.

AASB 9 Financial Instruments is effective for annual reporting periods beginning on or after 1 January 2018. Below we have summarised the potential accounting impacts on adoption of the standard. At this point in time the Group cannot reliably estimate all of the financial impacts.

(a) *Classification of financial instruments*

Financial assets under AASB 9, will be classified and measured as either amortised cost or fair value depending on the entities business model for managing financial assets and the contractual terms of the financial cash flows.

Financial liabilities will be classified as either liabilities at fair value through profit or loss, liabilities at amortised cost or derivative liabilities. This remains largely unchanged from AASB 139.

(b) *Recognition and derecognition of financial instruments*

The principles relating to recognition and derecognition of financial instruments are generally unchanged under AASB 9 in comparison to AASB 139.

(c) *The following summarise the key changes between AASB 139 and AASB 9*

- The held to maturity and available-for-sale financial asset categories will be removed.
- Debt instruments can be accounted for as either amortised cost, fair value through profit or loss or fair value through other comprehensive income (FVOCI). The classification is dependent on the contractual cash flows as well as the objective of the business model that the assets instruments are held in.
- Equity investments can no longer be carried at amortised cost and must be measured at fair value.
- A new asset category for non-traded equity investments measured at FVOCI will be introduced; the measurement at FVOCI is based on an irrevocable election upon initial recognition.
- Impairment moves from a loss incurred model to an expected loss model.

V) FINANCIAL GUARANTEE CONTRACTS

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

W) 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 board of CMI Limited and the executive management team.

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

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

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

1.5 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 significant 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.

A) INVESTMENT ENTITY

The Group does not consider itself an "investment entity" as defined in AASB 10. As a result the Group will continue to consolidate controlled entities. This is re-assessed at each reporting period and could change depending on the Board's strategy.

B) 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.

C) 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.

D) IMPAIRMENT OF RECEIVABLE ASSETS

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

E) 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 value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period with a terminal value, and a pre-tax discount rate of 19.3% p.a. (2016: 18.6%). The basis for these estimates is past experience of management. Management considered it prudent to increase the pre-tax discount rate based on industry and market conditions.

F) SHARE-BASED PAYMENTS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.

G) INVENTORY OBSOLESCENCE

The policy provides for inventory that has not been sold within 24 months for finished goods or utilised for two years for work in progress and raw materials, and inventories not expected to be utilised going forward. There is an element of judgement required from management when assessing the obsolescence of items that meet these criteria.

H) AMORTISATION OF INTANGIBLE ASSETS ARISING FROM DEVELOPMENT EXPENDITURE

Management have estimated that products under development will have a useful life of five years in the market. This is based on analysis of historic product life cycles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. PROFIT FROM OPERATIONS

(a) Revenue and other income

	2017 $'000	2016 $'000
Revenue from operations consisted of the following items:		
Revenue from the sales of goods	43,530	40,031
Interest – other persons	450	779
Dividends	75	-
Realised gain	100	-
Unrealised gain	119	-
	44,274	40,810
Other income from operations consisted of the following items:		
Research and development government grant	-	28
Other items	44	46
	44	74

(b) Profit before income tax

Profit before income tax has been arrived at after crediting the following gains and losses:

	2017 $'000	2016 $'000
Net foreign exchange gains	13	20
	13	20
Depreciation or amortisation of:		
Property, plant & equipment	126	126
Other intangibles	508	357
	634	483
Legal expenses	10	73
Investment management & administrative expenses	114	-
Finance facility costs	15	22
Net bad and doubtful debts	-	19
Operating lease expense	1,460	1,514
Goodwill impairment expense	342	-

	2017 $'000	2016 $'000
Employee benefit expense:		
Post-employment benefits:		
Defined contribution plans	358	390
Share-based payments:		
Equity settled share-based payments	(31)	(102)
Termination benefits	538	118
Other employee benefits	4,302	5,281
	5,167	5,687

3. INCOME TAXES

(a) Income tax recognised in profit or loss

Tax expense/(benefit) comprises:		
Current tax expense	1,482	1,048
Underprovision of income tax in previous year	64	18
Franking credit from investments	(24)	-
Deferred tax expense relating to temporary differences	(8)	318
Total tax expense	**1,514**	**1,384**

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 before tax	4,268	4,830
Income tax calculated*	1,279	1,449
Add/(Deduct)		
Impairment losses on goodwill	103	-
Other items	68	(83)
Under provision of income tax in previous year	64	18
	235	(65)
Aggregate income tax expense	**1,514**	**1,384**

* *The tax rate used in the above reconciliation is the corporate tax rate of 30%.*

(b) Current tax assets and liabilities

	2017 $'000	2016 $'000
Current tax payables:		
Income tax payable attributable to:		
Parent entity	(1,294)	(1,114)
Entity in the tax consolidated group	1,836	1,680
Entity not in the tax consolidated group	11	-
Total current tax payables	**553**	**566**

(c) Deferred tax balances

2017	Opening balance	Charged to income	Closing balance
	$'000	$'000	$'000
Gross deferred tax liabilities:			
Intangible assets	(591)	2	(589)
Total deferred tax liabilities	(591)	2	(589)
Gross deferred tax assets:			
Receivables	8	(4)	4
Inventories	152	76	228
Property, plant and equipment	45	22	67
Provisions	267	(74)	193
Accruals/Borrowings	92	(23)	69
Other	103	9	112
Total deferred tax assets	667	6	673
Net deferred tax balances	**76**	**8**	**85**

2016	Opening balance	Charged to income	Closing balance
	$'000	$'000	$'000
Gross deferred tax liabilities:			
Intangible assets	(615)	24	(591)
Total deferred tax liabilities	(615)	24	(591)
Gross deferred tax assets:			
Receivables	18	(10)	8
Inventories	139	13	152
Property, plant and equipment	26	19	45
Provisions	251	16	267
Accruals/Borrowings	253	(161)	92
Other	323	(220)	103
Total deferred tax assets	1,010	(343)	667
Net deferred tax balances	**395**	**(319)**	**76**

(d) 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 entity 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.

4. CURRENT TRADE AND OTHER RECEIVABLES AMOUNTS

	2017 $'000	2016 $'000
Trade receivables	10,415	8,105
Allowance for doubtful debts	(24)	(24)
	10,391	8,081
Other	176	306
	10,567	8,387

(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 evidence that an individual trade receivable is impaired. An allowance for doubtful debts of $24 thousand (2016: $24 thousand) has been recognised by the consolidated entity.

Movements in the allowance for doubtful debts were as follows:

At 1 July	24	58
Recovered	(24)	-
Charge for the year	24	19
Amounts written off	-	(53)
	24	24

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

0-30 days within credit terms	4,275	4,064
31-60 days within credit terms	4,865	2,745
31-60 days past due not impaired	8	-
31-60 days considered impaired	22	-
61-90 days within credit terms	1,234	829
61-90 days past due not impaired	-	207
+91 days within credit terms	-	212
+91 days past due not impaired	9	24
+91 days considered impaired	2	24
Total	10,415	8,105

Receivables past due but not considered impaired are $17 thousand (2016: $231 thousand). 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 28.

5. INVENTORIES

	2017 $'000	2016 $'000
Raw materials	1,606	1,345
Work in progress	313	299
Finished goods	8,621	9,383
	10,540	11,027

Raw materials with a cost of $125 thousand (2016: $72 thousand), work in progress with a cost of $nil (2016: $nil) and finished goods with a cost of $636 thousand (2016: $431 thousand) have been provided for obsolescence.

6. INVESTMENT PORTFOLIO AT FAIR VALUE

The following table presents the investment portfolio measured and recognised at fair value at 30 June in accordance with accounting policy Fair value measurement as stated in Note 1.4(b). There are no differences between fair value and carrying value.

(a) Current financial assets

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit and loss				
Quoted hybrid securities[1]	12,857	-	-	12,857
Financial assets at fair value through profit and loss	**12,857**	**-**	**-**	**12,857**

1 *Hybrid securities are included in the investment portfolio as a superior replacement for bank interest. It takes time to find long term investments and will take time to have an initial portfolio structured for long term returns and capital appreciation. During this time the sub-manager Glennon Capital manages the cash of CMI to achieve superior returns to current cash rates. This is presently being done and shorter term investments have been made in securities that offer higher returns than cash and term deposits. These will be replaced by longer term investments as they are identified.*

(b) Non-current financial assets

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale assets				
Quoted equity shares	1,354	-	-	1,354
Unquoted equity shares	-	100	-	100
Unquoted debt securities	-	550	-	550
Available-for-sale assets	**1,354**	**650**		**2,004**
Total financial assets in the investment portfolio	**14,211**	**650**	**-**	**14,861**

Included in the Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the bid prices at the end of the period.

Included in the Level 2 of the hierarchy are unlisted securities that were less than six months in the portfolio at the end of the period. The cost reasonably approximates fair value. At the time of the report, Glennon Capital is not aware of any subsequent sales of these investments at lower than costs. There have not been changes in these businesses indicating declining value of the investments.

7. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment
	$'000
Gross carrying amount	
Balance at 1 July 2015 (at cost)	2,828
Additions	27
Disposals	(7)
Balance at 1 July 2016 (at cost)	2,848
Additions	18
Disposals	-
Balance at 30 June 2017 (at cost)	2,866
Accumulated depreciation / amortisation / impairment	
Balance at 1 July 2015	(2,260)
Disposals	7
Depreciation expense (i)	(126)
Balance at 1 July 2016	(2,379)
Disposals	-
Depreciation expense (i)	(126)
Balance at 30 June 2017	(2,505)
Net book value	
As at 30 June 2016	469
As at 30 June 2017	361

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

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

8. GOODWILL

	2017 $'000	2016 $'000
Gross carrying amount		
Balance at beginning of the financial year	8,660	8,660
Balance at end of the financial year	8,660	8,660
Accumulated impairment losses		
Balance at beginning of the financial year	(1,468)	(1,468)
Impairment expense*	(342)	-
Balance at end of the financial year	(1,810)	(1,468)
Net book value		
At the beginning of the financial year	7,192	7,192
At the end of the financial year	6,850	7,192

*Impairment expense relates to the impairment of goodwill associated with the Flameproof cash generating unit.

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

At 30 June 2017 the Group had two remaining cash-generating units, the Electrical Components business and the Investment Portfolio. All goodwill is allocated to the Electrical Components business.

IMPAIRMENT TESTING

The Electrical Components business has no indefinite life intangible assets. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period with a terminal value, and a pre-tax discount rate of 19.3% p.a. (2016: 18.6%.). The increase in the pre-tax discount rate is due to management's assessment of industry and market conditions.

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

Key assumption	How determined
Budgeted EBITDA	Budgeted EBITDA, which is based on past experience with adjustments for the following: • A moderate improvement of EBITDA in the 30 June 2018 financial year due to market conditions experienced in 2017. • The forecast sales mix appropriately reflects the underlying plans of the business.
Budgeted CAPEX	Budgeted CAPEX is based on past experience and includes the ongoing capital expenditure required to continue to maintain the existing fixed assets. Management expects increases of 3% (2016: 3%) per year to be reasonable allowance for increase in CAPEX costs based on CPI.
Budgeted working capital	Management expects to sustain the working capital ratio currently held over the forecast period, however the working capital is expected to grow in line with business growth.
Forward growth rate	1.5% (2016: 3-7%) based on management and the Board's assessment of the market outlook.
Terminal growth rate	1.5% (2016: 1%) based on management's assessment of the market outlook.
Pre-tax discount rate	19.3% (2016: 18.6%) based on the risk-free rate adjusted for a market risk premium and is comparable with discount rates used by other market participants.

SENSITIVITY TO CHANGES IN CASH-GENERATING UNIT ASSUMPTIONS

The CGU's recoverable amount exceeds its carrying amount by $7.9 million.

Other than as disclosed below, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the cash-generating unit to exceed its recoverable amount.

Holding all other assumptions constant, if the growth rate through FY19 to FY22 declined to below negative 0.5% this would result in impairment.

Holding all other assumptions constant, if the terminal growth rate declined to below negative 3.7% this would result in impairment.

Holding all other assumptions constant, if the discount rate increased to above 22.0% (pre-tax), this would result in impairment.

9. OTHER INTANGIBLE ASSETS

	Capitalised development	Other	Total
	$'000	**$'000**	**$'000**
Gross carrying amount			
Balance at 1 July 2015	2,555	2	2,557
Additions through internal developments	276	-	276
Disposals	(14)	-	(14)
Balance at 1 July 2016	2,817	2	2,819
Additions through internal developments	411	-	411
Disposals	(165)	-	(165)
Balance at 30 June 2017	3,063	2	3,065
Accumulated amortisation and impairment			
Balance at 1 July 2015	(504)	(2)	(506)
Amortisation expense*	(357)	-	(357)
Disposal	13	-	13
Balance at 1 July 2016	(848)	(2)	(850)
Amortisation expense*	(416)	-	(416)
Disposals	73	-	73
Balance at 30 June 2017	(1,191)	(2)	(1,193)
Net Book Value			
As at 30 June 2016	1,969	-	1,969
As at 30 June 2017	1,872	-	1,872

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

10. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables	3,473	2,495
Other creditors & accruals	1,830	1,588
	5,303	4,083

(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 Group has provided guarantees as outlined in Note 27. 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.

11. CURRENT BORROWINGS

(a) Assets pledged as security

The carrying amounts of assets pledged as security for undrawn financing facilities as detailed in Note 26(c) are:

General security agreement – All paap*	53,027	55,862
Total assets pledged as security	53,027	55,862

* *All paap – All present and after acquired property*

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

(b) Set-off assets and liabilities

The Group has no set-off rights apart from cash as detailed in Note 26(a).

(c) Defaults and breaches

The terms and conditions of the Group's banking facilities include events of default. During the year the Group was not in default of these terms and conditions.

12. CURRENT PROVISIONS

Employee benefits	584	853
	584	853

13. LEASES

Operating leases

Operating leases relate to property, plant and equipment with lease terms of between 1 to 5 years. All leases are non-cancellable, operate under normal commercial terms and conditions, and are payable on a monthly or quarterly basis. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	2017 $'000	2016 $'000
Not later than 1 year	1,366	1,376
Later than 1 year but not later than 5 years	1,799	267
	3,165	1,643

14. ISSUED CAPITAL

31,367,371 (2016: 34,852,634) fully paid ordinary shares	31,687	28,520
	31,687	28,520

Fully paid ordinary shares

	2017		2016	
	No. '000	$'000	No. '000	$'000
Balance at beginning of the financial year	34,853	28,520	34,553	38,555
Issue of shares	-	-	300	495
Transfer reserve to capital	-	6,802	-	-
Capital return	-	-	-	(10,455)
Off-market buy-back	(3,486)	(3,520)	-	-
Transaction costs	-	(115)	-	(75)
Balance at end of the financial year	31,367	31,687	34,853	28,520

15. RESERVES

a) Reserves comprise:

	2017 $'000	2016 $'000
Class A share reserve	-	6,802
Employee equity-settled benefits reserve	-	(117)
Available-for-sale reserve[1]	(58)	-
	(58)	6,685

1 *This amount represents the movement in fair value for one available for sale financial asset where the fair value was able to be determined by reference to a quote market price.*

b) Movements in reserves

Available-for-sale reserve

Balance at beginning of financial year	-	-
Unrealised loss of long term investments[1]	(58)	-
Balance at end of financial year	(58)	-

1 *This amount represents the movement in fair value for one available-for-sale financial asset where the fair value was able to be determined by reference to a quote market price.*

Employee equity-settled benefits reserve

Balance at beginning of the financial year	(117)	480
Share-based payment	-	108
Share-based payment – reversal of expense	(31)	(210)
Exercise of performance rights	-	(495)
Adjust to retained earnings	148	-
Balance at end of the financial year	-	(117)

The employee equity-settled benefits reserve arose on the issue of performance rights to key management personnel. Further information about share-based payments to employees is included in Note 19 to the financial statements.

The lapse of performance rights during the year resulted in the finalisation of the current schemes. As a result the balance of the reserve was transferred to retained earnings.

Class A share reserve

Balance at beginning of the financial year	6,802	6,802
Adjust reserve to capital*	(6,802)	-
Balance at end of the financial year	-	6,802

* *The Class A share reserve arises on the cancellation of all 28,005,311 Class A shares on issue on 12 June 2012. This adjustment transfers the Class A reserve back to issued capital. The reserve represents the difference between the issue price (less cost) and the buy-back price of Class A shares that occurred in May 2012. The nature of this amount is considered to be share capital.*

16. RETAINED EARNINGS

	2017 $'000	2016 $'000
Balance at beginning of the financial year	15,117	14,808
Net profit attributable to members of the parent entity	2,754	3,446
Dividends provided for or paid	(1,987)	(3,137)
Dividends included in off-market buy-back	(836)	-
Adjust from employee equity-settled benefits reserve	(149)	-
Non-controlling interests*	(15)	-
Balance at end of the financial year	14,884	15,117

* *Excelsior Asset Management Pty Ltd is a CMI controlled entity with 50% ownership by Glennon Capital Pty Ltd.*

17. EARNINGS PER SHARE

	2017	2016
	Cents per share	**Cents per share**
Basic earnings per share	8.27	9.90
Diluted earnings per share	8.27	9.83

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:

	2017 $'000	2016 $'000
Earnings (i)	2,754	3,446
	No. '000	**No. '000**
Weighted average number of ordinary shares (ii)	33,296	34,806

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

	2017 $'000	2016 $'000
Net profit	2,754	3,446
Earnings used in the calculation of basic EPS	2,754	3,446

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

Diluted earnings per share

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

	2017 $'000	2016 $'000
Earnings (i)	2,754	3,446
	No. '000	**No. '000**
Weighted average number of ordinary and potential ordinary shares (ii)	33,296	35,256

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

	2017 $'000	2016 $'000
Net profit	2,754	3,446
Earnings used in the calculation of diluted EPS	2,754	3,446

(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)	33,296	34,806
Performance Rights (iii)	-	256
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	33,296	35,062

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

18. DIVIDENDS

Recognised amounts

	2017 Cents per share	2017 Total $'000	2016 Cents per share	2016 Total $'000
Fully paid ordinary shares:				
Final dividend 2016 – franked to 30% tax rate	3.00	1,046		
Dividends included in off-market buy-back – franked to 30% tax rate	24.00	836		
Interim dividend 2017 – franked to 30% tax rate	3.00	941		
Final dividend 2015 – franked to 30% tax rate			6.00	2,091
Interim dividend 2016 – franked to 30% tax rate			3.00	1,046
		2,823		3,137

Unrecognised amounts
Fully paid ordinary shares:

Final dividend 2017 – franked to 30% tax rate	3.00	941		
		941		

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

The Group's adjusted franking account balance at 30 June 2017 on a tax paid basis is $22,001 thousand (2016: $21,662 thousand). The impact on the Group's franking account balance of dividends not recognised is $403 thousand (2016: $448 thousand).

19. EMPLOYEE INCENTIVE SCHEME

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

Employee incentive scheme	2017		2016	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
Balance at beginning of the financial year (i)	270,395	-	1,132,226	-
Granted during the financial year (ii)	-	-	38,169	-
Exercised during the financial year (iii)	-	-	(300,000)	-
Forfeited during the financial year	(270,395)	-	(600,000)	-
Balance at end of the financial year (iv)	-	-	270,395	-

(i) Balance at beginning of the financial year

2017 Rights– Series	No.	Grant date	Expiry/ Exercise date	Exercise price $
Performance rights	200,000	23/01/13	23/01/18	Nil
Performance rights	32,226	16/12/14	16/12/19	Nil
Performance rights	38,169	25/11/15	25/11/20	Nil
2016 Rights – Series	**No.**	**Grant date**	**Expiry/ Exercise date**	**Exercise price $**
Performance rights	200,000	23/01/13	23/01/18	Nil
Performance rights	932,226	16/12/14	16/12/19	Nil

(ii) Granted during the financial year

There were nil performance share rights issued during the period (2016: 38,169).

2017 Option – Series	No.	Grant date	Expiry/ Exercise date	Exercise price $
Performance rights	-	-	-	-
2016 Option – Series	**No.**	**Grant date**	**Expiry/ Exercise date**	**Exercise price $**
Performance rights	38,169	25/11/15	25/11/20	-

On the basis of the assessments, for the 12 months ended 30 June 2017, the Group has recognised a total share-based payment transactions expense of ($30,863) in the Statement of Comprehensive Income (2016: ($102,154)) which includes the reversal of expense previously recognised on performance rights that were forfeited during the year.

Inputs into the model	**Performance rights series**		
Grant date	25/11/2015	16/12/2014	23/01/2013
Share price	$1.47	$1.30	$2.20
Volatility of share price	N/a	N/a	40.0%
Risk free rate	N/a	N/a	2.67%
Dividend yield	4.10%	4.60%	0.00%
Value per right	$1.31	$1.14	$1.44
Rights outstanding	38,169	32,226	200,000
Total value of rights	$49,926	$36,834	$288,000
Expiry date	25/11/20	16/12/19	23/01/18
Review date	30 June 2018	30 June 2017	30 June 2016
Vesting conditions	The right issued will vest if CMI achieves the following earnings per share ('EPS') growth rates at each of the Review Dates: • 10% EPS growth per annum before any Performance Rights can vest; • Pro rata vesting of Performance Rights from 10% to 15% EPS growth per annum; and • 15% EPS growth per annum for the full quantity of Performance Rights to vest. The EPS growth rate hurdles will be calculated on a cumulative basis at each Review Date having regard to the basic EPS of 10.29 cents for the year ended 30 June 2014 and an adjusted basic EPS of 11.91 cents for the year ended 30 June 2015.		The right issued will vest if the Company achieves a TSR of 25% over the period from issue to 30 June 2016.
Service condition	Employed with CMI until 30 September 2018.	Employed with CMI until 30 September 2017.	Employed with CMI until 30 June 2016.
Status	Lapsed	Lapsed	Lapsed

(iii) Exercised during the financial year

There were no shares issued in the current year relating to the exercise of performance rights. During the prior year, 300,000 fully paid ordinary shares were issued as a result of the exercise of performance rights, resulting in the Issued Capital of CMI Limited being 34,852,634 fully paid ordinary shares at 30 June 2016. This share issue related to vested performance rights issued in the year ended 30 June 2015.

2016 Rights – Series	No. of options exercised	Grant date	Exercise date	Expiry date	Exercise price $	No. of shares issued	Fair value received $	Fair value of shares at date of issue $
Performance rights	300,000	16/12/14	26/08/15	16/12/19	Nil	300,000	Nil	495,000

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

2017 Rights – Series	No.	Vested No.	Unvested No.	Grant date	Expiry date	Exercise price $
Performance rights	-	-	-	-	-	-

2016 Rights – Series	No.	Vested No.	Unvested No.	Grant date	Expiry date	Exercise price $
Performance rights	200,000	-	200,000	23/01/13	23/01/18	Nil
Performance rights	32,226	-	32,226	16/12/14	16/12/19	Nil
Performance rights	38,169	-	38,169	25/11/15	25/11/20	Nil

20. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2017 $'000	2016 $'000
Short-term employee benefits	855,701	1,047,113
Post-employment benefits	81,586	93,995
Other long-term benefits	-	10,873
Termination benefits	538,170	-
Share-based payment	(30,863)	107,572
	1,444,594	1,259,553

21. REMUNERATION OF AUDITORS

	2017 $	2016 $
Auditing the financial report	139,773	126,250
Other services		
• Tax compliance	19,950	77,126
• Tax consulting services	131,299	69,820
• Other non-audit services	147,841	-
	438,863	273,196

The auditor of CMI Limited is Ernst & Young (2016: Ernst & Young).

22. PARENT ENTITY INFORMATION

	2017	2016
Information relating to CMI Limited:	**$'000**	**$'000**
Current assets	20,570	26,614
Total assets	40,239	48,116
Current liabilities	672	892
Total liabilities	672	892
Issued capital	31,687	28,520
Retained earnings	7,939	12,020
Employee equity-settled benefits reserve	-	(118)
Available-for-sale reserves	(58)	-
Class A share reserve	-	6,802
Total shareholders' equity	39,585	47,224
Profit/(Loss) of the parent entity	(1,110)	37,076
Total comprehensive income of the parent entity	(1,168)	37,076
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)	5,817	4,648
Details of any contingent liabilities of the parent entity *Guarantees issued to bank in respect of lease of premises (ii)	191	191
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	N/A	N/A

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

(ii) A number of contingent liabilities arise as a result of guarantees made directly to lease of premises. 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 leases. 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.

23. OPERATING SEGMENT

The Group is organised into two major operating divisions – the electrical components business and the investment portfolio. These divisions are the basis on which the Group reports its primary segment information. In the prior period, the financial statements reflected one operating segment of electrical components.

All segment revenues and segment assets are generated and located in one geographic segment being Australia.

Year ended 30 June 2017	Electrical components	Investment portfolio	Total segments	Adjustments and eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Revenue					
External customers	43,530	332	43,862	412	44,274
Total Revenue	**43,530**	**332**	**43,862**	**412**	**44,274**
Income / (Expense)					
Depreciation and amortisation	(631)	-	(631)	(3)	(634)
Goodwill impairment	(342)	-	(342)	-	(342)
Segment profit	**5,608**	**218**	**5,826**	**(1,558)**	**4,268**
Total assets	**30,312**	**20,182**	**50,494**	**2,533**	**53,027**
Total liabilities	**23,381**	**33**	**23,414**	**(16,915)**	**6,499**

Year ended 30 June 2016	Electrical components	Investment portfolio	Total segments	Adjustments and eliminations	Consolidated
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Revenue					
External customers	40,031	-	40,031	779	40,810
Total Revenue	**40,031**	**-**	**40,031**	**779**	**40,810**
Income / (Expense)					
Depreciation and amortisation	(480)	-	(480)	(3)	(483)
Segment profit	**5,463**	**-**	**5,463**	**(633)**	**4,830**
Total assets	**28,988**	**-**	**28,988**	**26,874**	**55,862**
Total liabilities	**25,891**	**-**	**25,891**	**(20,351)**	**5,540**

Reconciliation of profit	2017	2016
	$'000	**$'000**
Segment profit	**5,826**	**5,463**
Interest Income	412	779
Employee benefits	(688)	(808)
ASX, relisting and share register expenses	(757)	(130)
Other expenses from ordinary activities	(525)	(474)
Profit before tax	**4,268**	**4,830**

Reconciliation of assets	2017	2016
	$'000	**$'000**
Segment operating assets	**50,494**	**28,988**
Cash and cash equivalent	2,385	26,540
Future income tax benefits	85	76
Property, plant and equipment	18	17
Other assets	45	241
Total assets	**53,027**	**55,862**

Reconciliation of liabilities	2017	2016
	$'000	$'000
Segment operating liabilities	**23,414**	**25,891**
Current tax liabilities	545	566
Intercompany loan	(17,515)	(21,130)
Other liabilities	55	213
Total liabilities	**6,499**	**5,540**

24. RELATED PARTY DISCLOSURES

a) Parent entity

The parent entity in the Group is CMI Limited.

b) Equity interest in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

c) Transactions with other related parties

Michael X. Glennon is a director and the beneficial owner of Glennon Capital Pty Ltd, the company appointed to sub-manage the investment portfolio. In its capacity of Sub-manager, Glennon Capital was entitled to a sub-management fee of 1% p.a. (plus GST) of the net asset value of the portfolio accounting to $100,334 net of GST. As at 30 June 2017, the balance payable to Glennon Capital was $18,452.

In addition, Glennon Capital is to be paid, quarterly in arrears, a performance fee of 20% (plus GST) of the portfolio's outperformance over the benchmark return. For the period ended 30 June 2017, nil performance fee was paid.

Excelsior Asset Management Pty Ltd is the Manager of the investment portfolio and is owned 50% by Glennon Capital Pty Ltd. CMI Limited incurred $140,478 management fees to Excelsior, being 1.4% p.a. (plus GST) of the net asset value of the portfolio. As at 30 June 2017, the balance payable to Excelsior was $25,834. The management fees and balance payable were eliminated in consolidated financial statements.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Group during the period and there were no material contracts involving key management personnel's interests existing at period end.

d) Transactions with contractors

Upon cessation of employment of Sharyn R. Williams on 15 December 2016, Mark Langan was appointed as CFO. Mr Langan is an employee of Company Matters Pty Ltd. He is a Chartered Accountant with 20 years' experience as CFO. Mr Langan resigned on 30 June 2017. Total fee for Mark's service was $39,526. As at 30 June 2017, the balance payable to Company Matters Pty Ltd for Mr Langan's service was $468.

Sally Ho has been contracted as CFO via Richard Lloyd Recruitment from 15 May 2017. Ms Ho holds a Master of Commerce and a Graduate Diploma in Management. She is a member of CPA Australia and a Certificated member of the Governance Institute. Ms Ho has held senior management positions in international companies across multiple industries. Total fee for Ms Ho's service in the reporting period was $37,958. As at 30 June 2017, the balance payable to Richard Lloyd Recruitment for Ms Ho's service was $6,002.

25. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest 2017 %	Ownership Interest 2016 %
Parent Entity:			
CMI Limited	Australia		
Subsidiaries			
CMI Operations Pty Ltd (i)	Australia	100	100
Excelsior Asset Management Pty Ltd (ii)	Australia	50	-

(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.

(ii) This company was established on 17 November 2016 by CMI Limited and Glennon Capital Pty Ltd as the Manager of the Investment Portfolio. While the Group has a 50% equity interest in Excelsior and the Group only controls half Excelsior's board of directors, the chair of the board is appointed by the Group. The Group has a casting vote on certain matters. The Group has control of Excelsior such that Excelsior is classified as a subsidiary of the Group for reporting purposes under Australian Accounting Standards.

26. 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:

Cash and cash equivalents	2017 $'000	2016 $'000
Cheque accounts	7,891	6,742
Term deposit	-	20,000
	7,891	26,742
Bank overdraft	-	-
	7,891	26,742

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

	2017 $'000	2016 $'000
Profit for the period	2,754	3,446
Impairment of goodwill	342	-
Depreciation and amortisation of non-current assets	634	483
Interest income received and receivable (i)	-	(779)
Share-based payment	(31)	(102)
Increase/(Decrease) in current tax liability	(13)	819
(Increase)/Decrease in deferred tax asset	(8)	319
Changes in net assets and liabilities		
(Increase)/Decrease in:		
Current receivables	(2,178)	1,543
Current inventories	486	1,206
Financial assets – current	(12,857)	-
Increase/(Decrease) in:		
Current payables	1,217	(717)
Current provisions	(269)	126
Non-current provisions	21	(70)
Net cash from operating activities	(9,902)	6,274

(i) Interest income was included in cash flows from operating activities in 2017.

c) Financing facilities

The Group has the following finance facilities available:

(i) A business overdraft facility with National Australia Bank Limited, reviewed annually

Amount used	-	-
Amount unused	2,500	2,500
	2,500	2,500

(ii) A finance lease facility with National Australia Bank Limited, reviewed annually

Amount used	-	-
Amount unused	2,000	2,000
	2,000	2,000

(iii) A bank guarantee facility with National Australia Bank Limited, reviewed annually

	2017 $'000	2016 $'000
Amount used	238	253
Amount unused	1,562	1,547
	1,800	1,800

27. CONTINGENT LIABILITIES

Bank guarantees

Guarantees issued to bank in respect of lease of premises	238	253
	238	253

A number of contingent liabilities arise as a result of guarantees made directly to lease of premises. 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 leases. 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.

Cross-guarantee with wholly-owned subsidiary

As detailed in Note 22, CMI Limited has entered into a deed of cross-guarantee with its wholly-owned subsidiary. 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.

Disposal of TJM products division

CMI Limited has given certain warranties and indemnities to the purchaser of TJM that are contained and specified in the Share Sale Agreement. These indemnities relate to potential and yet unknown liabilities that could be attributable to CMI before the business was sold to the purchaser. These are standard terms and conditions in the market sale of a business with various expiry dates up to 5 years from completion.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise investments, receivables, payables, overdrafts and cash.

The Group's activities expose it primarily to the financial risks of share market volatility, credit, changes in foreign currency exchange rates and interest rates.

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 investments in financial assets, credit allowances, and future cash flow forecast projections.

Risk exposures and responses

A) EQUITY PRICE RISK

The Group's listed and unlisted equity and hybrid securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk by holding a diversified portfolio of assets that represent different risk profiles and defensiveness.

Sensitivity

The following table illustrates the effect on the Group from possible changes in equity price risk that were reasonably possible based on the risk the reporting entity was exposed to at reporting date, assuming a flat tax rate of 30 percent.

	Impact on post-tax profit	Impact on equity
	$'000	**$'000**
Decrease 5%	(450)	(100)
Increase 5%	450	100
Decrease 10%	(900)	(200)
Increase 10%	900	200

B) INTEREST RATE RISK

The Group's exposure to market interest rates relates primarily to the Group's long-term debt and overdraft obligations. As at 30 June 2017 the company had no drawn debt or overdraft obligations.

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

	2017 $'000	2016 $'000
Financial Assets		
Cash and cash equivalents	7,891	26,742
	7,891	26,742
Financial Liabilities		
Borrowings	-	-
Net exposure	7,891	26,742

The Group keeps sufficient cash in bank as the working capital for the Electrical Components business and invests the surplus cash in hybrid securities for better return while building the long term investment portfolio. Interest rate risk is immaterial for future revenue and profit.

C) FOREIGN CURRENCY RISK

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

The Group's continuing sales are denominated in the unit's functional currency and approximately 98% of continuing costs are denominated in the unit's functional currency.

The Group 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.

D) CREDIT RISK

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group'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 Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The Group does not hold any credit derivatives to offset its credit exposure.

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

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is reduced. There are no significant concentrations of credit risk within the Group.

E) LIQUIDITY RISK

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

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities, as of 30 June 2017. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2017. The remaining contractual maturities of the Group's financial liabilities which reflect trade payables, are:

	2017 $'000	**2016 $'000**
0-12 months	5,303	4,083
1-5 years	-	-
Over 5 years	-	-
	5,303	4,083

Capital management

When managing capital, management's objective is to ensure the Group 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 Group.

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 2017, the Board paid dividends of $1.987 million (2016: $3.137 million) and completed an off-market buy-back at $4.356 million (including $0.836 million of dividends and $3.520 million of share prices). In the prior year the Board returned $10.456 million of capital to shareholders.

At 30 June 2017 the Board has no current plans to issue further shares.

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios at 30 June 2017 and 2016 were as follows:

	2017 $'000	2016 $'000
Total borrowings	-	-
Add trade and other payables	5,303	4,083
Less cash and cash equivalents	7,891	26,742
Net debt	(2,588)	(22,659)
Total equity	46,528	50,322
Total capital and net debt	43,940	27,663
Gearing ratio	0%	0%

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

29. 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:

18-20 Railway Road
Meadowbank NSW 2114
Tel: (02) 9807 6155

30. SUBSEQUENT EVENTS

In respect of the financial year ended 30 June 2017, the directors recommend the payment of a final dividend to the holders of fully paid ordinary shares of $0.03 per share. The dividend is payable on 20 September 2017 to shareholders registered on the Record Date of 6 September 2017.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

SHAREHOLDER INFORMATION

AS AT 8 SEPTEMBER 2017

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

1. In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations, the 2017 Corporate Governance Statement, as approved by the Board, is available on the Company's website at: http://www.cmilimited.com.au. The Corporate Governance Statement sets out the extent to which CMI Limited has followed the ASX Corporate Governance Council's 29 Recommendations during the 2017 financial year.

2. Substantial shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully paid ordinary shares

Name	Number	%
Catelan Securities Pty Ltd ATF the Catelan Securities Trust, Leanne Catelan Superannuation Fund Pty Ltd ATF the Leanne Catelan Superannuation Fund and Leanne Catelan	13,829,800	44.09

3. Number of security holders and securities on issue

CMI Limited has issued 31,367,371 fully paid ordinary shares which are held by 860 shareholders.

4. Voting rights

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote for each fully paid share they hold.

5. Distribution of security holders

(A) QUOTED SECURITIES

Category	Fully paid ordinary shares		
	Holders	Shares	%
1 – 1,000	176	86,263	0.28
1,001 – 5,000	304	843,338	2.69
5,001 – 10,000	148	1,093,617	3.49
10,001 – 100,000	208	6,151,523	19.61
100,001 and over	24	23,192,630	73.94
Total	**860**	**31,367,371**	**100.00**

(B) UNQUOTED SECURITIES

Nil.

6. Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 82 based on the CMI Limited closing share price of $1.10, on 8 September 2017.

SHAREHOLDER INFORMATION

AS AT 8 SEPTEMBER 2017

7. Twenty largest shareholders of quoted equity securities

Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

	Name	No. of shares	%
1	CATELAN SECURITIES PTY LTD	12,420,484	39.60
2	BNP PARIBAS NOMINEES PTY LTD	1,600,275	5.10
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,575,933	5.02
4	LEANNE CATELAN SUPERANNUATION FUND PTY LTD	1,409,316	4.49
5	ALMARGEM PTY LIMITED	718,744	2.29
6	MR PHILIP GORDON GREENHAM	630,000	2.01
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	516,937	1.65
8	THE IRISH BUFFETT PTY LTD	500,000	1.59
9	LEROPELA PTY LTD	400,000	1.28
10	BNP PARIBAS NOMS PTY LTD	391,706	1.25
11	WHOTIF PTY LTD	340,850	1.09
12	POSSE INVESTMENT HOLDINGS PTY LIMITED	317,513	1.01
13	MAST FINANCIAL PTY LTD	300,000	0.96
14	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	294,402	0.94
15	MRS VERA KALABRIC	275,494	0.88
16	CASHBOOK AND JOURNAL PTY LTD	211,804	0.68
17	MR DAVID MARSHALL SPRY	200,000	0.64
18	MR KIM BEE TAN & MRS VERNA SUAT WAH TAN	200,000	0.64
19	NATIONAL NOMINEES LIMITED	198,100	0.63
20	WHOTIF PTY LIMITED	184,750	0.59
	Total for Top 20	**22,842,328**	**72.82**
	Total on Register	**31,367,371**	**100.00**

8. The name of the entity's secretary (in the case of a trust, the name of the responsible entity and its secretary).

Ms Anna M. Sandham

9. The address and telephone number of the Company's registered office in Australia; and of its principal administrative office, if the two are different.

18-20 Railway Road, Meadowbank NSW 2114

T: +61 2 9807 6115

10. The address and telephone number of each office at which a register of securities, register of depositary receipts or other facilities for registration of transfers is kept.

Link Market Services Limited
Level 12, 680 George Street, SYDNEY, NSW, AUSTRALIA 2000

T: +61 1300 554 474

11. A list of other stock exchanges on which any of the Company's securities are quoted.

Nil.

12. The number and class of restricted securities or securities subject to voluntary escrow that are on issue and the date that the escrow period ends.

Nil.

13. Unquoted securities

Nil.

14. On market buy-back

There is no current on market buy-back.

15. Statement regarding use of cash and assets.

N/A

16. Details of investments

N/A

17. The following is a summary of any issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act which have not yet been completed.

N/A

18. If during the reporting period any securities were purchased on-market:

N/A

OFFICE LOCATIONS

CMI LIMITED – HEAD OFFICE

18-20 Railway Road
Meadowbank NSW 2114

T: 02 9807 6155
F: 02 9808 4155
E: corporate@cmilimited.com.au

EXCELSIOR ASSET MANAGEMENT PTY LTD

Level 17, 25 Bligh Street
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