



CMI LIMITED

ACN 050 542 553

To be renamed Excelsior Capital Limited

Prospectus

This Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules following a change to the nature of the Company's activities.

No Securities will be issued or sold under this Prospectus.

The Company separately proposes to offer to buy-back up to 10% of its Shares on issue.

Note: This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. If you do not understand any part of this Prospectus, or you are in doubt as to how to deal with it, you should consult your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT NOTICES

Prospectus

This Prospectus is issued by CMI Limited ACN 050 542 553 (to be renamed Excelsior Capital Limited) (the **Company**) for the purposes of re-compliance with Listing Rule 1.1, condition 3 and assisting the Company to meet the requirements for re-admission to the Official List following a proposed change to the nature of the Company's activities.

The Company has issued this Prospectus in Australia. This Prospectus expires on 31 January 2017.

No Securities will be issued or sold pursuant to this Prospectus, before or after the expiry date.

Lodgement

This Prospectus is dated 18 November 2016. A copy of this Prospectus was lodged with ASIC on that date.

None of ASIC, ASX or their officers takes any responsibility for the contents of this Prospectus.

Change in the nature of activities and re-compliance with Chapters 1 and 2 of the Listing Rules

At the Extraordinary General Meeting scheduled to be held on 21 December 2016, the Company is seeking Shareholder approval for a change in the nature of its activities.

If this is approved, ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

It is expected that the Company's Securities will be suspended from trading on ASX from the date of this Prospectus, and will not be reinstated until:

- ASX approves the Company's re-compliance with the admission requirements in Chapters 1 and 2 of the Listing Rules;
- Shareholders reject the proposal to change the nature of the Company's activities; or
- ASX otherwise approves the resumption of trading of the Shares on ASX,

whichever happens earliest.

Share buy-back

In conjunction with the Company's proposed change in the nature of its activities, the Company is undertaking separately an equal access share buy-back offer for up to 10% of its currently issued Shares. See Sections 2.3 and 2.4 for further details. This buy-back offer

will proceed whether or not the change to the nature of the Company's activities is approved and trading in the Company's Shares resumes on ASX.

Information and Representations

No person is authorised by the Company to give any information or to make any representation that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Company, its Directors or any other person. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

You should rely only on information contained in this Prospectus.

Forward-looking Statements

This Prospectus contains forward looking statements concerning the Company's business, operations, financial performance and conditions, as well as the Company's plans, objectives and expectations for its business, operations and financial performance and condition. Any statements contained in this Prospectus that are not historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates and projections about the Company's business and the industry in which the Company operates or proposes to operate and the beliefs and assumptions of management and the Board. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described in Section 6.

Readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking

statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the date of this Prospectus.

This Prospectus uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 6.

No Exposure Period

No exposure period applies to this Prospectus.

Electronic Prospectus

This Prospectus will be made available in electronic form on the Company's website: www.cmilimited.com.au.

The other information on the Company's website does not form part of this Prospectus.

Numerical Figures

Some numerical figures in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Unless otherwise stated, all references to "\$", dollars and cents are to Australian currency.

Definitions and Abbreviations

A glossary of defined terms and abbreviations used in this Prospectus is set out in after Section 9.

Date and Time

All references to time in this Prospectus refer to Australian Eastern Daylight Time unless stated otherwise.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Photographs and Diagrams

Items and undertakings depicted in photographs and diagrams in this Prospectus, unless otherwise stated, are not assets of the Company. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale.

All data contained in charts, graphs and tables is based on information available as at the date of this Prospectus unless otherwise stated.

Other matters

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

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IMPORTANT DATES

Lodgement of the Prospectus with ASIC	18 November 2016
Anticipated date Shares suspended from ASX trading	18 November 2016
Application for re-listing lodged with ASX	By 25 November 2016
Record date for Share Buy-back	25 November 2016
Extraordinary General Meeting to approve change to the nature of the Company's activities	21 December 2016
Closing date for acceptance of Share Buy-back Offer	5.00pm 4 January 2017 (AEDT)
Contract Date for Share Buy-back (i.e. unconditional contract)	5.00pm 5 January 2017 (AEDT)
Completion of Share Buy-back (i.e. payment)	18 January 2017
Expected re-commencement of Share trading on ASX	20 January 2017

Dates May Change

The above timetable is indicative only. The Board reserves the right to vary the dates and times set out above subject to the Corporations Act, the Listing Rules and other applicable law.

LETTER TO SHAREHOLDER

18 November 2016

Dear Shareholder

Following the divestment of the TJM Products business in March 2015, the Board of CMI Limited (**CMI**) has spent considerable time and effort reviewing the strategic options for the Company. The Board completed a successful and significant capital return of approximately \$10.5 million in December 2015 from the proceeds of sale of TJM. Your Directors believe that there is significant value in the Company and that the Shares are currently trading at price levels which do not fully reflect the position of the Company.

The Board has reviewed several unsolicited and incomplete transaction proposals and examined the strategic options available to achieve improved value for Shareholders. Most of the proposals and options reviewed involved diluting existing Shareholders and transferring Company assets or Shareholder value to new Shareholders or proposed vendors of businesses. Your Directors do not believe that this is in the best interests of Shareholders in the current economic environment.

The outcome of the lengthy review process, which began after the successful sale of the loss making TJM, is that your Directors believe that the interests of Shareholders are best served by taking a portfolio approach to the Company and its operations. To this end, the Board believes that to best utilise its assets the Company should pursue a strategy of making acquisitions and investments that will deliver long term investment returns.

The Company proposes to take a portfolio approach to investments and not confine itself to making investments in the electrical or ancillary mining services fields, but rather will evaluate a range of investments in which it can take either controlling or non-controlling positions. These will comprise small and microcap companies, both listed and unlisted, which are considered to offer higher returns and capital growth potential.

This represents a change in the nature of the Company's activities which requires Shareholder approval under the Listing Rules. Assuming such approval is given, the Company will seek to relist as an Investment Entity, which differs from a Listed Investment Company in that it will not be confined to holding less than 10% of the issued capital of the entities in which it invests. These investments will be long term in nature and the Board may or may not influence management control of those entities.

The Company will establish a special purpose management company in conjunction with an experienced industry partner with expertise in evaluating small and microcap companies. The Board reviewed managers with experience in running a listed investment vehicle before selecting Glennon Capital.

In the longer term the Directors consider that significant value may be realised through having a substantial level of ownership of a CMI controlled special purpose management company, being the Manager. At the outset, the Manager, through Glennon Capital as its Sub-Manager, will invest on behalf of the Company as the Authorised Representative of, and using the assistance and experience of, Glennon Capital.

By having the ability to invest in both listed and unlisted businesses, the range of investment opportunities is significantly increased. The Manager, through Glennon Capital as its Sub-Manager, will have access to a far greater range of small and microcap investment opportunities than does the average individual investor and will have the ability to perform more extensive due diligence and industry research than retail and self-managed superannuation investors.

To reflect the proposed change in activities, Shareholders will also be asked to approve Excelsior Capital Limited as the Company's new name at the general meeting convened for 21 December 2016.

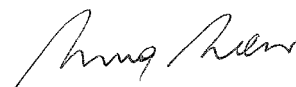
Yours sincerely



Leanne Catelan
Director



Steven Miotti
Director



Craig Green
Director

1. OVERVIEW

The information set out in this section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus.

1.1 Introduction

Topic	Summary	More Information
Who is the issuer of the Prospectus?	CMI Limited ACN 050 542 553, to be renamed Excelsior Capital Limited.	Please see Section 3.1 for an overview of the Company.
What is the Change of Business?	Currently, the Company wholly-owns CMI Operations Pty Ltd trading as CMI Electrical, an electrical equipment manufacturer and supplier. Through the Manager, the Company intends to invest from its current cash reserves at least \$20 million in a managed investment portfolio (the Portfolio), while maintaining its ownership of CMI Electrical. The Manager will rely on the Sub-Manager's investment expertise to identify suitable investments for the Portfolio.	Please see Section 3.2 for more information about CMI Electrical and the Manager.
Why is the nature of the Company's activities changing?	Your Directors believe that the interests of Shareholders are best served by taking a portfolio approach to the Company and the ongoing operation of CMI Electrical and that the assets of the Company are best deployed in a low risk and conservative manner pursuing a strategy of making acquisitions and investments that will deliver long term investment returns.	Please see the Letter to Shareholders for more background to the Board's decision to pursue the proposed Change of Business.
Who is the Manager?	<p>The Manager will be an incorporated joint venture company that will be owned in equal proportions by the Company and Glennon Capital (who will also be the Sub-Manager responsible for providing investment expertise to the Manager). Each of Glennon Capital and the Company will appoint a nominee director to the Manager's board of directors. While the Manager will be owned 50% by the Company and the Company will only control half of the Manager's board of directors, the chair of the board will be appointed by the Company and will have a casting vote on certain matters.</p> <p>The Company will have control of the Manager such that the Manager will be classified as a subsidiary of the Company for reporting purposes under Australian Accounting Standards.</p>	<p>Please see Section 3.2(b) for further information about the Manager and its relationship to the Company and Glennon Capital.</p> <p>Please see Section 9.4 for a summary of the terms and conditions of the Shareholders' Agreement in respect of the Manager.</p>
Who is Glennon Capital?	Glennon Capital is a specialist small company fund manager that provides investment management services to wholesale clients, owned and controlled by Mr Michael Glennon.	Please see Section 4 and Section 7.1 for further information about Glennon Capital and Michael Glennon.

1.2 Key features of the Company's Investment Strategy for the Change of Business

Topic	Summary	More Information
What is the Investment Mandate that the Company has provided to the Manager?	To utilise the Company's existing assets to achieve long term investment returns and capital appreciation. The Company's funds will be invested over time in a portfolio which will comprise holdings in small and microcap companies in both public and private markets.	Please see Section 3.3 for more information about the Company's Investment Mandate.
What is the Company's investment objective?	To provide Shareholders with long term investment returns and capital growth in excess of its selected benchmark over medium to long term investment periods. The Company's initially selected benchmark is the official RBA Cash Rate plus 2%.	Please see Section 3.4 for more information about the Company's investment objective.
What is the basis of the Company's Investment Strategy?	From its experience, Glennon Capital believes that having a long term investment horizon improves performance. The Board believes that having a long term Investment Strategy will deliver long term returns to Shareholders.	Please see Section 3.5 for further information about the foundation of the Company's Investment Strategy.
What is the Company's Investment Strategy?	On behalf of the Company, the Manager will invest in a diversified portfolio of businesses in order to generate both income and capital appreciation, while managing risk through taking a portfolio approach to investing. The Manager will utilise Glennon Capital's expertise, as Sub-Manager, to implement the Company's Investment Strategy.	Please see Section 3.6 for more information about the Company's Investment Strategy.
How will the Company generate revenue after the Change of Business?	The earnings from CMI Electrical will continue to consolidate in full into the Company's earnings and contribute to the Company's earnings per share. The proposed Change of Business will mean that the Company will also derive income from the positive performance of its Portfolio.	Please see Section 3.2 for further information about revenue generation after the Change of Business.

1.3 Key financial metrics

Topic	Summary	More Information
What is the Company's historical financial performance and position?	<p>The Company's profit from continuing operations after tax during the prior 3 financial years was:</p> <ul style="list-style-type: none"> • \$3.446 million for year ended 30 June 2016; • \$5.151 million for year ended 30 June 2015; and • \$6.346 million for year ended 30 June 2014. <p>The Company's net asset position at 30 June 2016 was \$50.322 million.</p> <p>The Company's net cash position was \$26.742 million at 30 June 2016.</p>	Please see Section 5.3 to 5.6 (inclusive) for further information on the historical financial performance and historical financial position of the Company.

1. OVERVIEW

1.4 Key risks of the Change of Business

The key risks identified below relate to the Change of Business. For a description of the risks associated with CMI Electrical, please see Section 6.2(n).

Topic	Summary	More Information
What are the key risks of the Change of Business?	<p>Set out below are the key risks that the Company believes are associated with the Change of Business. This list does not purport to include every risk that may be associated with the Change of Business. The occurrence of any (or a combination) of these risks or others could have an adverse impact on the Company's financial performance.</p> <ul style="list-style-type: none">• Failure to be re-admitted to the Official List would result in the Shares continuing to be suspended from trading on ASX.• The decline in the value of the investments in the Portfolio would result in a decline in the value of the Portfolio and the Shares.• The Portfolio may have exposure to unlisted securities, which are subject to less regulation than listed securities and may be less liquid. This may make the value of such unlisted securities volatile and it may be difficult for such unlisted securities to be divested or their full value to be realised on divestment.• The Portfolio's underlying investments may not be easily converted into cash.• Lack of diversity in the Portfolio may make the Share price volatile.• Mr Michael Glennon's continuing involvement in both the Manager and Sub-Manager is essential to the successful delivery of the Company's Investment Strategy. If Glennon Capital is unable or unwilling to provide the investment management services under the Sub-Management Agreement, the Manager and Company may need to engage another investment manager.• On termination of the Management Agreement or Sub-Management Agreement, the Company may be unable to identify or engage a suitable replacement investment manager.• In certain circumstances, if the Management Agreement or Sub-Management Agreement is terminated early, the Company may be required to pay significant termination fees.• The Manager is not wholly-owned by the Company and as discussed in Section 9.4, the Company cannot dictate certain decisions of the Manager.• If the Company needs to raise additional capital in the future to pursue other investment opportunities, such capital may not be available and the Company may need to reduce the scope of its investment activities or forego investment opportunities.	Please see Section 6 for further detail of risks associated with the Change of Business.

Topic	Summary	More Information
What are the key risks of the Change of Business?	<ul style="list-style-type: none"> The Change of Business is dependent on the passing of an ordinary resolution by Shareholders. If Shareholders do not pass that resolution, the Company will need to find other ways to derive returns for its Shareholders. Changes in legislation and government policy or regulations could materially affect the Company's financial performance. If the shareholding of the Company changes significantly, the Company may be unable to carry forward its existing capital losses in full to offset against future capital gains generated by the Company for Australian tax purposes. If the Company were to become a share trader for Australian tax purposes it would not be able to offset its capital losses against investment sales. The Sub-Manager is required to hold an appropriate AFSL to operate its business. If the Sub-Manager loses its AFSL, it will be prevented from continuing to manage the Company's Portfolio and a new Sub-Manager will need to be appointed. 	Please see Section 6 for further detail of risks associated with the Change of Business.

1.5 The Company Directors and senior executives

Topic	Summary	More Information
Who are the Directors and senior executives of the Company?	<p>Ms Leanne Catelan – Non-Executive Director</p> <p>Mr Craig Green – Non-Executive Director</p> <p>Mr Steven Miotti – Non-Executive Director</p> <p>Mr Michael Glennon – Proposed Director</p> <p>Ms Sharyn Williams – Chief Financial Officer and Company Secretary</p> <p>As part of the Board strategy to move the corporate head office to Sydney, Ms Williams will depart the Company on 15 December 2016. Upon Ms Williams' departure, the Board intends to outsource the Company Secretary and Chief Financial Officer roles to third party service providers.</p> <p>Mr Jeffrey Heslington – General Manager, CMI Electrical</p> <p>Mr Heslington gave his notice of resignation on 18 March 2016. The Board has recruited a replacement General Manager of CMI Electrical, Mr James Johnson, who will commence as General Manager of CMI Electrical on 18 January 2017.</p> <p>There is currently no formally appointed chairperson of the Board or Chief Executive Officer. Appointments to these roles may be made in future.</p>	<p>Please see Section 7.1 for more information about the Directors.</p> <p>Please see Section 7.3 for more information about the Company's senior executives.</p> <p>Please see Section 7.5(b) for further information about the Company's corporate governance policies.</p> <p>Please see Section 7.1 for Mr Glennon's background and Section 7.3 for Mr Johnson's background.</p>

1. OVERVIEW

1.6 Significant interests of key people and related party transactions

Topic	Summary	More Information
Are any of the Directors substantial Shareholders?	<p>The following Shareholders are controlled by Ms Leanne Catelan, who is a Director:</p> <ul style="list-style-type: none">• Catelan Securities Pty Ltd as trustee for the Catelan Securities Trust; and• Leanne Catelan Superannuation Fund Pty Ltd as trustee for the Leanne Catelan Superannuation Fund. <p>The above Shareholders together hold 39.68% of the Shares as at the date of this Prospectus. This holding will increase to 44.09% if the Share Buy-back is completed in full and these entities do not participate.</p>	<p>Please see Section 7.4 for more information regarding the shareholdings of each Director and senior executive of the Company.</p>
What significant benefits and interests are payable to Directors and other persons connected with the Company and what significant interests do they hold?	<p>Each Director currently receives an annual salary of \$70,000 plus a 9.5% superannuation contribution from the Company. Mr Michael Glennon, a proposed Director, will receive the same remuneration from the Company if he becomes a Director.</p> <p>Glennon Capital is wholly-owned by Mr Michael Glennon. Mr Michael Glennon is also the sole director of Glennon Capital. Glennon Capital will receive sub-management fees under the Sub-Management Agreement for providing funds management services to the Manager. Glennon Capital will also own 50% of the Manager and Mr Michael Glennon will be a director of the Manager. Glennon Capital will also receive a share (along with the Company) of any distribution to the shareholders of the Manager.</p>	<p>Please see Section 7.4 for more information regarding the Directors' remuneration.</p> <p>Please see Section 9.3 for further information on the Sub-Management Agreement and the fees payable.</p>

1.7 Share Buy-back

Topic	Summary	More Information
Why is the Company undertaking the Share Buy-back?	<p>To allow Shareholders, particularly Shareholders holding small parcels of Shares, an opportunity to divest all (or, in the event of application of the scale back mechanism, some) of their interest in the Company.</p>	<p>Please see Section 2.3 for further information about the Share Buy-back.</p>
What are the terms of the Share Buy-back?	<p>The Company will offer to buy-back 100% of each Shareholder's Shares, up to an aggregate maximum of 10% of the Company's issued Shares. If the Company receives acceptances from Shareholders in excess of that 10% limit, the Company will scale back the number of Shares it buys back from accepting Shareholders. The details of the scale back will be contained in the Buy-back Booklet to accompany the Buy-back Offer.</p>	<p>Please see Section 2.3 for more information about the terms of the Share Buy-back.</p>
When will the Share Buy-back Offer close?	<p>Shareholders have until 4 January 2017 to participate in the Company's Share Buy-back Offer. The Share Buy-back will be conditional on:</p> <ul style="list-style-type: none">• the Company continuing to meet the Shareholder spread requirements in the Listing Rules after completion of the Share Buy-back; and• the Buy-back Price not being less than 86% of the five-day volume weighted average price of Shares traded up to and including the Contract Date of the Share Buy-back.	<p>Please see the Important Dates for further information about the Share Buy-back Offer period.</p>

2. DETAILS OF ASX RE-COMPLIANCE AND THE SHARE BUY-BACK OFFER

2.1 Change in nature of activities

At the Extraordinary General Meeting, Shareholders will be asked to vote on the following resolutions:

- (a) the Change of Business; and
- (b) the change in the Company's name to Excelsior Capital Limited.

2.2 Re-compliance with Chapters 1 and 2 of the Listing Rules

It is expected that the Company's Securities will be suspended from trading on ASX from the date of this Prospectus, and will not be reinstated until:

- ASX approves the Company's re-compliance with the admission requirements in Chapters 1 and 2 of the Listing Rules;
- Shareholders reject the Change of Business; or
- ASX otherwise approves the resumption of trading of the Shares on ASX,

whichever happens earliest.

The Company will lodge its application for re-listing with ASX within seven (7) days of the date of this Prospectus.

Re-compliance with Chapters 1 and 2 of the Listing Rules requires, amongst other things, the following:

- (a) issuing this Prospectus;
- (b) meeting the Shareholder spread requirements applicable to the Company, being:
 - (i) a free float of not less than 20% of the issued Shares quoted on ASX; and
 - (ii) at least 300 non-affiliated security holders; each of whom holds a parcel of Shares (that are not restricted securities or subject to voluntary escrow) with a value of at least \$2,000; and
- (c) meeting ASX's profit test or assets test.

Non-affiliated security holders are those who are not a related party of, or an associate of, the Company, or a person whose relationship to the Company, or the Company's related parties or associates, is such that, in ASX's opinion, they should be treated as affiliated with the Company.

The Shareholder spread requirement set out in paragraph (b) above is a change to the Listing Rules proposed by ASX which is due to come into effect on 19 December 2016.

As at 18 November 2016, less than 1% of the total issued capital of the Company was held by Shareholders with less than 2,000¹ Shares.

1. Note that 2,000 Shares will not necessarily be worth \$2,000 as at the relevant date for testing the spread requirements.

The Company will not be able to provide ASX with evidence that the spread requirements have been met until such time as the Share Buy-back Offer has closed and the Company can confirm the number of participating Shareholders and the number of Shares to be bought back by the Company. Therefore, the Company will need to comply with the spread requirements as set out above and not the spread requirements currently set out in the Listing Rules.

2.3 Share Buy-back Offer

In conjunction with the proposed Change of Business, the Company will also undertake the Share Buy-back. The buy-back price is the five-day volume weighted average price of Shares calculated immediately prior to CMI announcing the Share Buy-Back on 18 November 2016, adjusted by the movement in the opening S&P/ASX 200 Index on 18 November 2016 compared to the closing S&P/ASX 200 Index on the Contract Date (the **Buy-back Price**).

Due to the adjustment by the S&P/ASX 200 Index, the Buy-back Price may be higher or lower than the five-day volume weighted average price of Shares calculated immediately prior to CMI announcing the Share Buy-back on 18 November 2016.

The Share Buy-back will be conditional on:

- the Company continuing to meet the Shareholder spread requirements in the Listing Rules after completion of the Share Buy-back; and
- the Buy-back Price not being less than 86% of the five-day volume weighted average price of Shares traded up to and including the Contract Date.

The Shares may be suspended from quotation on ASX while the Share Buy-back Offer is open and the Company's Shares may not be re-admitted to quotation until the Share Buy-back Offer has closed and ASX is satisfied that the shareholder spread requirements in the Listing Rules have been met by the Company.

The Company is making the Share Buy-back Offer to provide Shareholders, particularly Shareholders holding small parcels of Shares, an opportunity to divest their interest, and realise their investment, in the Company, subject to any scale back that may be required.

Under the Share Buy-back Offer, the Company will offer to buy back 100% of each Shareholder's Shares up to an aggregate maximum of 10% of the Company's Shares on issue (the Limit).

If the Company receives acceptances under the Share Buy-back Offer:

- (a) equal to, or less than, the Limit, it will buy back all of the Shares held by accepting Shareholders; or

2. DETAILS OF ASX RE-COMPLIANCE AND THE SHARE BUY-BACK OFFER

(b) greater than the Limit, it will scale down the number of Shares it buys back from accepting Shareholders in the following manner:

- (i) first, the Company will buy back all of the shares held by each accepting Shareholder holding parcels of shares valued at \$2,000 or less (the **Priority Allocation**);
- (ii) second, the Company will calculate the difference between the number of shares comprising the Limit and the number of shares comprising all Priority Allocations to determine the number of further shares the Company can buy back without exceeding the Limit (the **Remaining Allocation**);
- (iii) third, subject to paragraph (v) below, the Company will buy-back the Remaining Allocation from each remaining accepting Shareholder (each a **Remaining Shareholder**) on a pro rata basis (the **Pro Rata Allocation**) up to the Limit. For the avoidance of doubt, each Remaining Shareholder will have an equal percentage of shares bought back by the Company under this paragraph;
- (iv) fourth, if, after the Pro Rata Allocation occurs, any Remaining Shareholder holds a parcel of shares valued at \$500 or less (the **Small Residual Holding**), the Company will also buy back each Small Residual Holding; and
- (v) fifth, if the Company complies with paragraphs (i) to (iv) (inclusive) and the number of shares to be bought back by the Company exceeds the Limit, the Company will reduce the percentage of shares it buys back from each Remaining Shareholder under paragraph (iii) pro rata to ensure that the Limit is not exceeded.

The number of shares comprising a Priority Allocation and a Small Residual Holding will be determined using the five day volume weighted average Share price as at 21 October 2016, which is four weeks prior to the date the Company announced its intention to undertake the Share Buy-back. This timing and calculation of the size of a Priority Allocation and a Small Residual Holding is in accordance with ASIC guidance.

The Company has received ASIC relief from the requirement under the Corporations Act to seek Shareholder approval before undertaking the Share Buy-back. Accordingly, the Company will not seek Shareholder approval prior to undertaking the Share Buy-back. ASIC granted the relief on the condition that the Company cannot change the terms of, or waive any conditions precedent to, the Share Buy-back Offer without the prior consent of ASIC.

2.4 Key Share Buy-back statistics

Share Buy-back Offer price per Share	The Buy-back Price is the volume weighted average price of the Company's shares on ASX over the five trading days prior to 18 November 2016, adjusted by the movement in the opening S&P/ASX 200 Index on 18 November 2016 compared to the closing S&P/ASX 200 Index on the Contract Date.
Total number of Shares on issue as at the date of this Prospectus	34,852,634
Maximum number of Shares that can be bought back by the Company under the Share Buy-back	3,485,263
Total number of Shares on issue after completion of the Share Buy-back (assuming the maximum number of Shares are bought back by the Company)	31,367,371

The number of Shares on issue after completion of the Share Buy-back is indicative only. The number of shares bought back under the Share Buy-back will be determined in accordance with the terms of the Share Buy-back Offer.

2.5 Funding allocation and business objectives

As at 30 June 2016, the Company had cash reserves of approximately \$26.7 million, of which \$20 million was held in term deposits. Since then, some of these funds have been applied to meet the operating costs of CMI, and to pay the \$1 million dividend in September 2016, and further cash has been generated. As at 31 October 2016, the Company's cash reserves totalled approximately \$27.3 million.

Subject to and conditional on Shareholder approval of the Change of Business, the Company will apply these funds as set out below:

-
- the Share Buy-back² (assuming the Company buys back the number of Shares equal to the Limit at a Buy-back Price of \$1.27 per Share – see further Section 5.6): estimated to be \$4.43 million;
 - costs relating to the preparation of the Prospectus and the Share Buy-Back documentation: estimated to be \$700,000;
 - the Portfolio to be managed by Glennon Capital: at least \$20 million;
 - the fees payable under the Management Agreement to the Manager: to be a minimum of \$280,000 during the first year of the Management Agreement; and
 - the expenses associated with operating the Manager (in addition to the fees payable under the Sub-Management Agreement) for the first year: estimated to be between \$30,000 and \$50,000.

The remainder of the Company's cash reserves (approximately \$1.8 million) will be available for corporate expenses, working capital, further investment and capital expenditure for CMI, noting that the above figures do not include any allowance for funds that CMI Electrical or the Portfolio may generate after 31 October 2016.

2. *As detailed in Section 2.3.*

3. COMPANY OVERVIEW

3.1 Overview of Company

(a) What is the Change of Business?

Following the Change of Business, it is proposed that the Company will be listed on ASX as an Investment Entity. The Company will continue to operate CMI Electrical, while investing in listed and unlisted securities of small and microcap companies. The Company will be able to take strategic positions in listed and unlisted companies and may take controlling positions. Glennon Capital, as Sub-Manager, will undertake the active management of the Portfolio of securities, cash, deposit products and debt or other debt instruments, together with opportunistic investments as they arise. The Company will provide Shareholders with the opportunity to invest in a managed portfolio and gain access to the investment management experience and expertise of Glennon Capital.

(b) Corporate history

CMI listed on ASX on 22 April 1993. The Company's registered office is in Brisbane, with its main operational base located in Sydney.

The Company has one wholly-owned subsidiary, CMI Operations Pty Ltd, trading as CMI Electrical, which specialises in the design and manufacture of flameproof plugs and couplers for underground coal mining plus specialty electrical cables, sourcing and supply of niche electrical cables, high voltage cables and flexible cables.

The Company divested its four wheel drive accessories business, TJM and its subsidiaries, in March 2015, which resulted in surplus cash holdings for the Company, from which the Board paid a \$0.30 per Share capital return to Shareholders in December 2015, totalling approximately \$10.5 million.

(c) Leadership team

The Company does not currently have a Chief Executive Officer or Chairperson of the Board. However, the Board may appoint persons to those roles in the future. The Company is currently actively managed by its Board, the General Manager of CMI Electrical and the Company's Chief Financial Officer. Once the Chief Financial Officer departs the Company on 15 December 2016, the Company will continue to be actively managed by its Board and the General Manager of CMI Electrical. The current General Manager of CMI Electrical, Jeffrey Heslington, has given notice of his resignation and is being replaced from mid-January 2017 by James Johnson. For further information about the Board and the Company's senior executives, please see Sections 7.1 and 7.3.

3.2 Business divisions

(a) Introduction

The Company currently wholly-owns CMI Electrical, which specialises in the design and manufacture of flameproof plugs and couplers for underground coal mining plus specialty electrical cables, sourcing and supply of niche electrical cables, high voltage cables and flexible cables. After the Change of Business occurs, the Company intends to continue owning CMI Electrical for the foreseeable future.

Therefore, the earnings from CMI Electrical would continue to consolidate in full into the Company's earnings and contribute to the Company's earnings per share. Cash flows generated from CMI Electrical, after working capital requirements and capital expenditure, would continue to be accessible by the Company for dividends, further investments or capital management initiatives.

The proposed Change of Business will mean that the Company will also derive income from its Portfolio, which will be actively managed by Glennon Capital through the Manager. The Manager will contract with Glennon Capital for Glennon Capital to provide funds management services to the Manager for the benefit of the Company. Please refer to Section 5.9 of this Prospectus to review the significant accounting policies for the Company, including revenue recognition.

Further detail about both the proposed investment management arrangement and CMI Electrical is set out below.

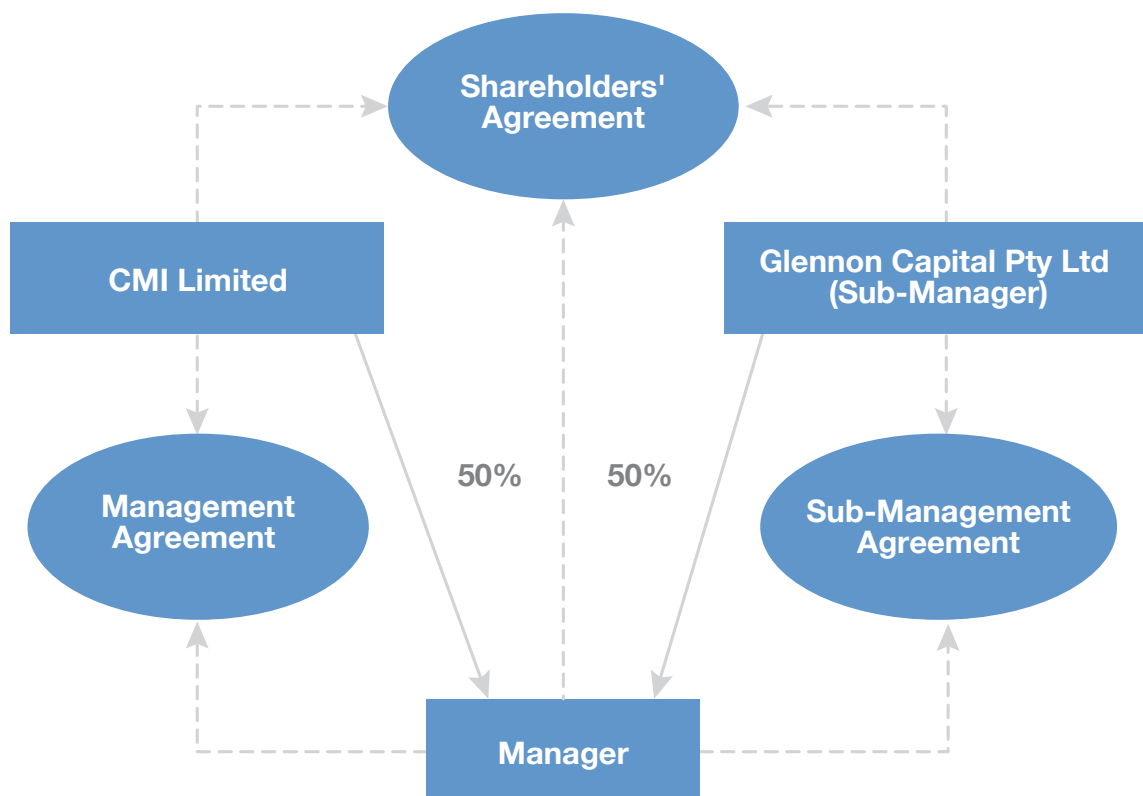
(b) Investment management

Relationship between Glennon Capital and the Company

Glennon Capital and the Company will establish the Manager to manage the Company's investments. The Company and the Manager will enter into the Management Agreement and the Manager and Glennon Capital will enter into the Sub-Management Agreement.

The contractual relationships between Glennon Capital and the Company are illustrated in the diagram on the right.

Through the Sub-Management Agreement, the Company will gain access to Glennon Capital's ability to create and build successful funds management businesses. The Manager will be an Authorised Representative under Glennon Capital's AFSL. As the Manager grows it will be appropriately resourced to be a standalone investment operation, while still being able to leverage Glennon Capital's investment expertise, track record and investment network.



Selecting Glennon Capital as Sub-Manager

In selecting the provider of investment expertise to the Company, the Board required the following criteria to be satisfied:

- small company stock selection capability;
- small company portfolio management and trading experience;
- the ability to assess opportunistic investments in pre-IPO and unlisted companies;
- experience working with the management of small industrial companies;
- capacity (defined as the ability to invest with reasonable freedom in small companies given the existing assets under management of the firm); and
- experience launching and managing a Listed Investment Company.

Glennon Capital satisfied these criteria and demonstrated an ability to engage with the Company closely and manage a separate portfolio for the Company (rather than expecting the Company to invest in an existing co-mingled fund). This was also seen as a key attribute of Glennon Capital that the Board considered fundamental to the success of the Company's Portfolio.

Having a stand-alone CMI mandate as the focus for investment activity will offer CMI greater flexibility and the opportunity to add value for Shareholders. This mandate includes investing in unlisted opportunities. Investing through a co-mingled fund would inevitably minimise the input of the Company through its mandate in influencing the Portfolio, limit its ability to take up specific investments and positions of influence in unlisted businesses.

(c) CMI Electrical

About CMI Electrical

Established in 1999, CMI Electrical is a long-established Australian electrical components business servicing the mining, industrial and construction sectors.

CMI Electrical's revenue is predominately from the mining, industrial and construction sectors via electrical wholesalers, electrical contractors, electrical mining workshops and original equipment manufacturers.

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

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

3. COMPANY OVERVIEW

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

The business head office, manufacturing and assembly plant is located in Sydney with sales branches in Brisbane, Rockhampton, Melbourne and Perth and one distributor located in New Zealand.

The products designed, manufactured, assembled and distributed by CMI Electrical are key components used in mining, industrial, construction and original equipment manufacturing. The majority of products are of a generic nature made to client specifications and industry standards.

Minto Industrial Products' key market is the eastern states' underground coal sector. Its products are used to link electrical cabling throughout the underground mines. Minto Industrial Products principally sells to the mine service providers and contractors. The brand also sells smaller volumes through electrical wholesalers. Currently, Minto Industrial Products has some export volumes to South Africa and Indonesia. Minto Industrial Products' primary manufacturing/assembly plant is located at Meadowbank in Sydney.

XLPE Cables supplies electrical cables to the building and construction industry. It sells principally to electrical wholesalers and cable distributors. The market is large and fragmented. This is a competitive market and much of the product is imported. Service and price are key success factors. The brand's lead times, delivery requirements to site and communications on status of deliveries helps maintain good relationships with its customers.

Electrical cabling, couplers and glands industry in Australia

CMI Electrical's revenues are driven by activity in the construction, mining and infrastructure sectors.

Building construction provides two main opportunities: new building projects that require power and electrical cable to be installed and existing buildings where there is a need to repair and replace cable. There are a number of factors that affect building construction, including business investment in commercial property ventures, consumer investment in new residential homes, government investment in institutional building construction and maintenance levels for existing properties.

The product revenues for Minto Industrial Products are driven by activity in the underground and open cut coal mining sectors which are affected by the domestic price of black coal, demand for fossil fuel electricity, the trade-weighted index and export demand for coal and the state of the metalliferous mining sector (which is affected by world metal prices).

(d) Forecasts

The Company does not have a history in portfolio investment and, even if the Change of Business is approved, the timing of investment of the Portfolio and the nature of the particular investments that will comprise the Portfolio is unknown. Further, CMI Electrical operates predominantly in the mining, industrial and construction sectors which introduces additional uncertainty in relation to forecasts for CMI as a whole and for CMI Electrical as a standalone division or segment (whether or not the Change of Business proceeds) due to the inherent volatility of these sectors.

Accordingly, the Directors do not believe there is a reasonable basis upon which forecasts can be made in respect of CMI as a whole or either of the investment management or CMI Electrical divisions or segments of the Company described above. This is consistent with the position previously adopted by the Board as in recent years no forecasts of results or profit guidance have been provided by CMI to the market.

3.3 Investment Mandate

The Company's Investment Mandate is to achieve long term investment returns and capital appreciation to utilise the existing assets of the Company. Glennon Capital will ultimately implement the Investment Mandate on behalf of the Company. Glennon Capital is to do this with a focus on diversification and capital preservation. The size and nature of the initial investment Portfolio lends itself to investing in small and microcap companies in both public and private markets.

Glennon Capital will aim to generate positive absolute returns in excess of the RBA Cash Rate plus a risk premium above that rate as detailed in the Management Agreement (and summarised in Section 9.2(a)).

Investments may take the form of equity, debt or a combination of the two. Additionally, Glennon Capital may make use of gearing or leverage to implement the Investment Strategy as well as derivative instruments.

The Portfolio may include private or unlisted small and microcap companies where they represent a relatively more attractive value alternative to listed counterparts. Unlisted investments may include primary and secondary capital issues in unlisted companies and unlisted instruments of listed companies (e.g. non-exchange traded convertible or converting notes and hybrid securities).

The Portfolio may also include companies at different stages of development and within different sectors.

It is expected that, where appropriate, Glennon Capital will employ active stewardship of Portfolio investments with an aim to maximising long term returns and value for the Company. Glennon Capital will seek a collaborative approach with investee companies, seeking to partner with owners, managers and other stakeholders to leverage its extensive

experience and financial expertise to maximise value for the Company. This may involve providing strategic advice or board representation of Portfolio companies.

Glennon Capital will seek to invest in a diversified portfolio of assets that represent different risk profiles and defensiveness. The defensive assets should be able to generate more stable cash flow throughout different economic cycles.

While it is anticipated that the Company's Portfolio will comprise initially up to 20 securities. Going forward, this number may be lower or higher depending on the economic cycle, the maturity of Portfolio investments and valuations. It will also take some time for potential investments to be identified and assessed and thus for the cash reserves to be invested to arrive at the initial Portfolio.

Glennon Capital will evaluate the Portfolio to ensure that it continues to meet the long term risk and return objectives of the Company. Investments that do not meet the return requirements of the Board will be monitored and assessed for ongoing fit. Ideally, the Portfolio will comprise a range of investments in businesses that will reduce specific company risk and specific industry risk over the long term.

Glennon Capital will manage the cash balances in the Portfolio.

3.4 Investment objective

The investment objective of the Company is to provide Shareholders with long term investment returns and capital growth in excess of its benchmark over medium to long term investment periods. The Company's benchmark is the RBA Cash Rate plus 2% per annum. This benchmark was selected to reflect the investment style adopted by Glennon Capital in managing the Portfolio. Glennon Capital aims to deliver absolute returns while attempting to minimise the risk of permanent loss of capital.

3.5 Foundation of the Company's Investment Strategy

Glennon Capital has looked at the long term performance of companies such as Berkshire Hathaway and believes that having a long term investment horizon improves operating performance. Being able to provide investee companies with capital and a long term investment horizon will, in Glennon Capital's opinion, deliver long term returns to investors in those investee companies and thus to Shareholders.

It is Glennon Capital's view that there is regular mis-pricing of securities in the small and microcap segment of the equity market, which can present opportunities to buy companies at significantly less than their intrinsic worth. The foundation of the Company's Investment Strategy also rests on the benefits of its flexible mandate.

3.6 Investment Strategy

The Company's primary Investment Strategy is to generate both income and capital appreciation while managing risk through taking a portfolio approach to investing. The Company will invest in a diversified portfolio of businesses where the Company may provide capital and strategic advice to those businesses to gain long term investment returns and capital appreciation.

There may be opportunities to allocate capital to both listed and unlisted businesses, depending on where Glennon Capital sees the greatest potential returns. The Company may make investments in the form of converting or convertible debt if that is seen as the best approach to investment.

The Investment Strategy will take a high conviction approach with a flexible mandate. Whilst the Portfolio will be concentrated in typically 10-20 securities, Glennon Capital may diversify the Portfolio across industry sectors. Glennon Capital may choose to hold cash while timing entry into investments or if Glennon Capital is unable to find suitably attractive investments at prices that offer appropriate risk-adjusted returns. The level of cash, deposit products and senior debt directly or indirectly held within this limit will be determined by the attractiveness of available securities.

Glennon Capital expects that maximum levels of cash, deposit products and senior debt held will be approached as securities markets become expensive and/or there is a lack of suitable equities opportunities available for Glennon Capital to invest in.

4. MANAGER OVERVIEW

4.1 Introduction

The Company will appoint the Manager under the Management Agreement and the Manager will appoint Glennon Capital under the Sub-Management Agreement to implement the Investment Strategy and give effect to the Investment Mandate. The Company will rely on Glennon Capital's skill and expertise to maximise the Company's investments. See Section 9.2 for further details of the terms and conditions of the Management Agreement and see Section 9.3 for further details of the terms and conditions of the Sub-Management Agreement.

Michael Glennon is the sole director and shareholder of Glennon Capital.

4.2 Business of Glennon Capital

Glennon Capital is a specialist small company fund manager that was founded in 2009 and its office is located in Sydney, Australia.

Glennon Capital has an impressive track record of managing equity portfolios, including being appointed as portfolio manager to Glennon Small Companies Limited.

Glennon Capital currently provides investment management services to wholesale clients in addition to managing the Glennon Small Companies Portfolio. The Investment Strategy to be adopted by Glennon Capital in managing the Portfolio is outlined in Section 3.6.

4.3 Investment philosophy

Glennon Capital believes that outstanding investment returns come from making long term investments in superior businesses. Glennon Capital also believes that there are significant opportunities in listed small and microcap companies and even further opportunities in private markets where access to information is limited.

Glennon Capital believes that forming long term relationships with investee companies can aid those companies, not only in terms of providing a source of expansion capital but also in terms of strategic advice and guidance. As a company grows and its management develops, its dividends and value may increase.

Glennon Capital has the ability to provide ongoing support to investee companies through research, operating experience within companies and extensive industry relationships. Additionally, Glennon Capital can assist private companies in initial public offerings through helping them choose the best advisers to list successfully. Where a portfolio company is looking to list on a securities exchange, Glennon Capital is able to provide pre-IPO financing, depending on scale.

Before making an investment in a business, Glennon Capital conducts very thorough analysis to gain a detailed insight into the business' strengths and weaknesses, its investment returns, growth potential and the prerequisites for achieving this growth. An investment will not proceed if it does not have a clear model for how it will deliver value to Shareholders.

4.4 Key people

The Company's Portfolio will be primarily managed by Michael Glennon and the team at Glennon Capital. For details of Michael Glennon's background see Section 7.1. For details about the contracts under which the Portfolio will be managed, see Sections 9.2 and 9.3.

The amount of time dedicated by Michael Glennon to the Company's Portfolio will vary from time to time depending on factors such as the mix of investments in the Portfolio at the applicable time and market conditions. While the Sub-Management Agreement does not require Michael Glennon to devote any specific amount of time to the Portfolio, Michael Glennon will devote the amount of time required for Glennon Capital to properly perform its functions in managing the Portfolio in accordance with the Sub-Management Agreement.

5. FINANCIAL INFORMATION

5.1 Introduction

The financial information of the Company contained in this section of the Prospectus comprises:

- (a) the historical financial information, being the:
 - (i) historical consolidated statements of profit and loss for continuing operations for the years ended 30 June 2014 (**FY14**), 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**) (**Historical Statements of Profit and Loss for Continuing Operations**);
 - (ii) historical consolidated cash flows for FY14, FY15 and FY16 (**Historical Cash Flows**); and
 - (iii) historical consolidated statement of financial position as at 30 June 2016 (**Historical Statement of Financial Position**),(together, the **Historical Financial Information**); and
 - (b) the pro forma historical financial information, being the pro forma historical consolidated statements of financial position as at 30 June 2016 assuming the 5% Share Buy-back scenario and 10% Share Buy-back scenario described below (**Pro Forma Historical Statements of Financial Position**),
- (the **Pro Forma Historical Financial Information**).

The Historical Financial Information and the Pro Forma Historical Financial Information are together, the **Financial Information**.

The Pro Forma Historical Statements of Financial Position assume the completion of the following transactions (the **Pro Forma Adjustments**):

- (a) a share buy-back of existing securities with two scenarios, one being for a 5% share buy-back (**5% Share Buy-back Scenario**) and the other for a 10% share buy-back (**10% Share Buy-back Scenario**);
- (b) the costs associated with issuing this Prospectus as well as completing the Share Buy-back Offer; and
- (c) the transfer of the Class A share reserve to Issued Capital.

The Company operates on a financial year ending 30 June. All amounts disclosed in Section 5 are presented in Australian dollars unless otherwise noted and are rounded to the nearest \$1,000 under the option available to the Company in line with *ASIC Corporations Instrument 2016/191*. Rounding of the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

Information provided in this section should be read in conjunction with the risk factors outlined in Section 6 and the other information provided in this Prospectus.

5.2 Basis of preparation and presentation of the Financial Information

(a) Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information in this Prospectus is intended to present readers with information to assist them in understanding the historical financial performance, historical cash flows and historical and pro forma historical financial position of the Company.

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**) which are consistent with International Financial Reporting Standards issued by the International Accounting Standards Board.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they had occurred on 30 June 2016.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Section 5.9 and should be read in conjunction with Note 1 of the Company's annual financial statements for FY16 which were lodged with ASIC prior to the date of this Prospectus, and are contained in the 2016 Annual Report. Section 5.9 also includes those significant accounting policies that may be applicable to the Company going forward.

The Financial Information is presented in an abbreviated format and does not contain all of the presentation, comparative information and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information has been prepared on a going concern basis.

The Financial Information, as defined above, has been reviewed by Ernst & Young Transaction Advisory Services Limited in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fund raisings and/or Prospective Financial Information* as stated in its Independent Limited Assurance Report set out in Section 8. Readers should note the scope and limitations of the report.

(b) Preparation of Historical Financial Information

The Historical Statement of Profit and Loss for Continuing Operations for FY14 has been derived from the General Purpose Consolidated Financial Statements of the Company for FY15. These financial statements contained comparative

5. FINANCIAL INFORMATION

information for FY14 which was restated from that originally published in the FY14 financial statements due to the impact of discontinued operations, which occurred during FY15. The Historical Statements of Profit and Loss for Continuing Operations for FY15 and FY16 have been derived from the General Purpose Consolidated Financial Statements of the Company for FY16. These financial statements contained comparative information for FY15 which was restated from that originally published in the FY15 financial statements due to revenue being stated net of discounts and rebates.

The Historical Cash Flows have been derived from the respective General Purpose Consolidated Financial Statements of the Company for FY14, FY15 and FY16 and includes cash flows associated with discontinued operations.

The Historical Statement of Financial Position has been extracted from the General Purpose Consolidated Financial Statements of the Company for FY16.

The General Purpose Consolidated Financial Statements of the Company for FY14, FY15 and FY16 were audited by Ernst & Young in accordance with Australian Auditing Standards and upon which unmodified audit opinions were issued.

Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Statements of Financial Position have been derived from the Historical Statement of Financial Position of the Company, and adjusted for the effects of the Pro Forma Adjustments as though they had occurred as at 30 June 2016.

Readers of this Prospectus should note that past results are not indicative of future performance.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

5.3 Historical Statements of Profit and Loss for Continuing Operations for FY14, FY15 and FY16

The following table sets out the Historical Statements of Profit and Loss for Continuing Operations for FY14, FY15 and FY16.

Table 5.3.1

	Year ended 30-Jun-14	Year ended 30-Jun-15	Year ended 30-Jun-16
Continuing Operations	\$'000	\$'000	\$'000
Revenue ³	49,041	43,069	40,810
Other income	244	149	74
Changes in inventories	(1,879)	(2,452)	(1,206)
Raw materials expense	(27,113)	(23,254)	(24,344)
Employee benefits expense	(6,326)	(6,966)	(5,687)
Repairs, maintenance and consumables expense	(242)	(250)	(252)
Occupancy expense	(1,763)	(1,858)	(1,970)
Travel and communication expense	(401)	(278)	(311)
Freight and cartage expense	(706)	(682)	(645)
Depreciation and amortisation expense	(185)	(185)	(483)
Finance costs	(148)	(58)	(22)
Reversal of impairment expense	113	869	-
Other expenses	(1,955)	(1,017)	(1,134)
Profit from continuing operations before income tax	8,680	7,087	4,830
Income tax	(2,334)	(1,936)	(1,384)
Profit/(Loss) from continuing operations after income tax	6,346	5,151	3,446

3. Revenue has been updated in FY14 to be presented net of discounts and rebates, consistent with the presentation of revenue in the FY16 financial statements.

5.4 Historical Cash Flows for FY14, FY15 and FY16

The following table sets out the Historical Cash Flows for FY14, FY15 and FY16.

Table 5.4.1

	Year ended 30-Jun-14	Year ended 30-Jun-15	Year ended 30-Jun-16
	\$'000	\$'000	\$'000
Net cash provided by/(used in) operating activities	5,986	9,601	6,274
Net cash provided by/(used in) investing activities	(2,823)	20,083	(39)
Net cash provided by/(used in) financing activities	(3,177)	(2,191)	(13,667)
Net increase/(decrease) in cash and cash equivalents held	(14)	27,493	(7,432)
Cash and cash equivalents at the beginning of the financial year	6,600	6,681	34,174
Effect of exchange rate changes on the balance of cash held in foreign currencies	95	-	-
Cash and cash equivalents at the end of the financial year	6,681	34,174	26,742

The Historical Cash Flows for FY14 and FY15 above contain the cash flows associated with the discontinued operations. The cash flows associated with the discontinued operations are presented in the following table.

Table 5.4.2

	Year ended 30-Jun-14	Year ended 30-Jun-15	Year ended 30-Jun-16
	\$'000	\$'000	\$'000
Net cash provided by/(used in) operating activities of discontinued operations	(2,633)	419	-
Net cash (used in)/provided by investing activities of discontinued operations	(1,864)	(1,591)	-
Net cash provided by/(used in) financing activities of discontinued operations	(67)	(118)	-
Net increase/(decrease) in cash and cash equivalents held of discontinued operations	(4,564)	(1,290)	-

5. FINANCIAL INFORMATION

5.5 Historical Statement of Financial Position

The following table sets out the Historical Statement of Financial Position as at 30 June 2016.

Table 5.5.1

	As at 30-Jun-16
CURRENT ASSETS	\$'000
Cash and cash equivalents	26,742
Trade and other receivables	8,387
Inventories	11,027
Current tax assets	-
TOTAL CURRENT ASSETS	46,156
NON-CURRENT ASSETS	
Property, plant and equipment	469
Goodwill	7,192
Other intangible assets	1,969
Deferred tax assets	76
TOTAL NON-CURRENT ASSETS	9,706
TOTAL ASSETS	55,862
CURRENT LIABILITIES	
Trade and other payables	4,083
Current tax liabilities	566
Provisions	853
TOTAL CURRENT LIABILITIES	5,502
NON-CURRENT LIABILITIES	
Provisions	38
TOTAL NON-CURRENT LIABILITIES	38
TOTAL LIABILITIES	5,540
NET ASSETS	50,322
EQUITY	
Issued capital	28,520
Reserves	6,685
Retained earnings	15,117
TOTAL EQUITY	50,322

5.6 Pro Forma Historical Statements of Financial Position

The Pro Forma Historical Statements of Financial Position, set out below, have been prepared to illustrate the effects of the Share Buyback and assume completion of the Pro Forma Adjustments set out in Section 5.1 as if they had occurred on 30 June 2016.

Table 5.6.1

\$'000	5% Share Buy-back Scenario		10% Share Buy-back Scenario		
	Historical as at 30-Jun-16	Pro Forma Adjustments	Pro Forma Historical – 30-Jun-16	Pro Forma Adjustments	Pro Forma Historical – 30-Jun-16
CURRENT ASSETS					
Cash and cash equivalents	26,742	(2,913)	23,829	(5,126)	21,616
Trade and other receivables	8,387	-	8,387	-	8,387
Inventories	11,027	-	11,027	-	11,027
Current tax assets	-	-	-	-	-
TOTAL CURRENT ASSETS	46,156	(2,913)	43,243	(5,126)	41,030
NON-CURRENT ASSETS					
Property, plant and equipment	469	-	469	-	469
Goodwill	7,192	-	7,192	-	7,192
Other intangible assets	1,969	-	1,969	-	1,969
Deferred tax assets	76	168	244	168	244
TOTAL NON-CURRENT ASSETS	9,706	168	9,874	168	9,874
TOTAL ASSETS	55,862	(2,745)	53,117	(4,958)	50,904
CURRENT LIABILITIES					
Trade and other payables	4,083	-	4,083	-	4,083
Current tax liabilities	566	(42)	524	(42)	524
Provisions	853	-	853	-	853
TOTAL CURRENT LIABILITIES	5,502	(42)	5,460	(42)	5,460
NON-CURRENT LIABILITIES					
Provisions	38	-	38	-	38
TOTAL NON-CURRENT LIABILITIES	38	-	38	-	38
TOTAL LIABILITIES	5,540	(42)	5,498	(42)	5,540
NET ASSETS	50,322	(2,703)	47,619	(4,916)	45,406
EQUITY					
Issued capital	28,520	4,972	33,492	3,212	31,732
Reserves	6,685	(6,802)	(117)	(6,802)	(117)
Retained earnings	15,117	(873)	14,244	(1,326)	13,791
TOTAL EQUITY	50,322	(2,703)	47,619	(4,916)	45,406

5. FINANCIAL INFORMATION

The table below sets out the Pro Forma Adjustments under the 5% Share Buy-back Scenario.

Table 5.6.2

\$'000	PF #1 – Share Buy- Back	PF #2 – Transaction Costs	PF #3 – Reserve to Issued Capital	Total Pro Forma Adjustments
CURRENT ASSETS				
Cash and cash equivalents	(2,213)	(700)	-	(2,913)
TOTAL CURRENT ASSETS	(2,213)	(700)	-	(2,913)
NON-CURRENT ASSETS				
Deferred tax assets	-	168	-	168
TOTAL NON-CURRENT ASSETS	-	168	-	168
TOTAL ASSETS	(2,213)	(532)	-	(2,745)
CURRENT LIABILITIES				
Current tax liabilities	-	(42)	-	(42)
TOTAL CURRENT LIABILITIES	-	(42)	-	(42)
TOTAL LIABILITIES	-	(42)	-	(42)
NET ASSETS	(2,213)	(490)	-	(2,703)
EQUITY				
Issued capital	(1,760)	(70)	6,802	4,972
Reserves	-	-	(6,802)	(6,802)
Retained earnings	(453)	(420)	-	(873)
TOTAL EQUITY	(2,213)	(490)	-	(2,703)

PF#1 Share Buy-back: This adjustment shows the effect of the Share Buy-back assuming:

- 5% of the issued capital is bought back and cancelled by the Company; and
- a buy-back price of \$1.27 per share.

Please note that the actual Buy-back Price may differ from \$1.27 per share, as it will be the volume weighted average

price of the Company's shares on ASX over the five trading days prior to 18 November 2016, adjusted by the movement in the opening S&P/ASX 200 Index on 18 November 2016 compared to the closing S&P/ASX 200 Index on the Contract Date. \$1.27 per share is a hypothetical amount.

The capital component of the Share Buy-back is \$1.01 per share calculated as share capital of \$35,323,000 (which is the sum of issued capital of \$28,520,000 and the Class A Share

Reserve of \$6,802,000) divided by the total number of Shares on issue as at the date of this Prospectus. Included is an adjustment to retained earnings that represents an assumed dividend to Shareholders of \$0.26 per share (being the difference between the assumed buy-back price of \$1.27 and the capital component of \$1.01).

PF#2 Transaction Costs: The second pro-forma adjustment shows the impact of the estimated transaction costs the Company will incur related to the change in the nature of its activities and re-compliance with Listing Rules. Costs incurred that are directly attributable to the Share Buy-back have been shown as an offset against Issued Capital. Other transaction costs will be expensed. GST input credits have not been

recognised as receivable as management has not yet reviewed the eligibility to claim input tax credits. It has been assumed that transaction costs will be tax deductible over 5 years, giving rise to a deferred tax asset.

PF#3 Reserves to Issued Capital: This adjustment transfers the Class A Share Reserve back to Issued Capital. The Class A Share Reserve represents the difference between the issue price (less costs) 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.

The table below sets out the Pro Forma Adjustments under the 10% Share Buy-back Scenario.

Table 5.6.3

\$'000	PF #1 – Share Buy-Back	PF #2 – Transaction Costs	PF #3 – Reserve to Issued Capital	Total Pro Forma Adjustments
CURRENT ASSETS				
Cash and cash equivalents	(4,426)	(700)	-	(5,126)
TOTAL CURRENT ASSETS	(4,426)	(700)	-	(5,126)
NON-CURRENT ASSETS				
Deferred tax assets	-	168	-	168
TOTAL NON-CURRENT ASSETS		168		168
TOTAL ASSETS	(4,426)	(532)	-	(4,958)
CURRENT LIABILITIES				
Current tax liabilities	-	(42)	-	(42)
TOTAL CURRENT LIABILITIES	-	(42)	-	(42)
TOTAL LIABILITIES	-	(42)	-	(42)
NET ASSETS	(4,426)	(490)	-	(4,916)
EQUITY				
Issued capital	(3,520)	(70)	6,802	3,212
Reserves	-	-	(6,802)	(6,802)
Retained earnings	(906)	(420)	-	(1,326)
TOTAL EQUITY	(4,426)	(490)	-	(4,916)

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PF#1 Share Buy-back: This adjustment shows the effect of the Share Buy-back assuming:

- 10% of the issued capital is bought back and cancelled by the Company; and
- a buy-back price of \$1.27 per share.

Please note that the actual Buy-back Price may differ from \$1.27 per share, as it will be the volume weighted average price of the Company's shares on ASX over the five trading days prior to 18 November 2016, adjusted by the movement in the opening S&P/ASX 200 Index on 18 November 2016 compared to the closing S&P/ASX 200 Index on the Contract Date. \$1.27 per share is a hypothetical amount.

The capital component of the Share Buy-back is \$1.01 per share calculated as share capital of \$35,323,000 (which is the sum of issued capital of \$28,520,000 and the Class A Share Reserve of \$6,802,000) divided by the total number of Shares on issue as at the date of this Prospectus. Included is an adjustment to retained earnings that represents an assumed dividend to Shareholders of \$0.26 per share (being the difference between the assumed buy-back price of \$1.27 and the capital component of \$1.01).

PF#2 Transaction Costs: The second pro forma adjustment shows the impact of the estimated transaction costs the Company will incur related to the change in the nature of its activities and re-compliance with Listing Rules. Costs incurred that are directly attributable to the Share Buy-back have been shown as an offset against Issued Capital. Other transaction costs will be expensed. GST input credits have not been recognised as receivable as management has not yet reviewed the eligibility to claim input tax credits. It has been assumed that transaction costs will be tax deductible over 5 years, giving rise to a deferred tax asset.

PF#3 Reserves to Issued Capital: This adjustment transfers the Class A Share Reserve back to Issued Capital. The Class A Share Reserve represents the difference between the issue price (less costs) 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.

5.7 Indebtedness

The Company has the following finance facilities available to it, all of which are secured by way of a security interest over all of the assets and undertakings of the Company:

- \$2.5 million business overdraft facility with National Australia Bank Limited (**NAB**);
- \$2 million finance lease facility with NAB; and
- \$1.8 million bank guarantee facility with NAB.

As at the date of this Prospectus, the only facility the Company has drawn on is the bank guarantee facility for \$253,121. The Company will use existing cash reserves to fund the Share Buy-back.

5.8 Segment information

At 30 June 2016 the Company had one operating and reporting segment being the CMI Electrical components division. Subject to the approval of the resolutions at the EGM, it is expected that the Company will have a new segment in relation to its investment activities.

5.9 Significant accounting policies

5.9.1 Accounting policies applicable to the Historical Financial Information and the Pro Forma Historical Financial Information

(a) Borrowings

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

(b) 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.

(c) Employee benefits

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

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

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

Contributions to defined contribution superannuation plans are expensed when incurred.

(d) Financial assets and liabilities

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Financial liabilities at fair value through profit or loss

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

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

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

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

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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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.

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These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(e) Financial instruments issued by the company

Debt and equity instruments

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

Compound instruments

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

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

(f) 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 statements 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.

(g) Goodwill

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

(h) Impairment of assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit and 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.

(i) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

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

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

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

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

(j) 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

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- 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.

(k) Inventories

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

(l) Payables

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

(m) Principles of consolidation

The Financial Information comprises the financial information of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

(n) Property, plant and equipment

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

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

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

- | | |
|----------------------------------|---------------|
| • Buildings | 25 – 50 years |
| • Plant and equipment | 3 – 20 years |
| • Equipment under finance leases | 3 – 5 years |

(o) Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is 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.

(p) Revenue recognition

Sale of goods and disposal of assets

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods. In 2016 revenue has been stated net of discounts and rebates given and the prior period comparative financial information has been restated to reflect the FY16 presentation. In previous periods revenue was presented on a gross basis with discounts and rebates included in Freight & Cartage expenses. The Directors believe this presentation provides more relevant information for the users of the Financial Information.

Interest received

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

Dividends received

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

(q) 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 profit or loss 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 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.

(r) Business combinations

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

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

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

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

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(s) **Significant accounting judgements, estimates and assumptions**

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts in the Prospectus. 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 Company's FY16 financial statements.

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 subsidiaries. This is re-assessed at each reporting period and could change depending on the Board's strategy.

Recovery of deferred tax assets

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

Taxation

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

Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in

foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

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

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

Impairment of receivable assets

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

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.

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 18.571% p.a in FY16, 12.057% p.a. in FY15 and 20.619% in FY14. The basis for these estimates is past experience of management.

Inventory obsolescence

The policy provides for inventory that has not been sold within 18 months for finished goods or utilised for two years for work in progress and raw materials. There is an element of judgement required from management when assessing the obsolescence of items that meet these criteria.

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.

(t) 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 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 statement of financial position 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 statement of financial position 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.

(u) Non-current assets and disposal group held for sale and discontinued operations

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

5.9.2 New accounting policies applicable to investments made under the Investment Mandate

In addition to the accounting policy at 5.9.1(d), the below accounting policies are potentially applicable to investments made under the Investment Mandate:

(a) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

5. FINANCIAL INFORMATION

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of financial position outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial information of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(b) Available For Sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS 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 AFS reserve to the statement of comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the effective interest rate (EIR) method.

The Group evaluates whether the ability and intention to sell its AFS 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 AFS 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 EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

5.9.3 Accounting policies applicable on adoption of AASB 9 Financial Instruments

AASB 9 Financial Instruments is effective for annual reporting periods beginning on or after 1 January 2018 and may impact the way the Company accounts for some of its investments. Described below are the high level changes that the Company may encounter upon transition from AASB 139 to AASB 9.

(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 AFS 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.

5.9.4 Other Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective and have not yet been adopted by the Company. The impact of the amended Standard AASB 15 – Revenue from Contracts with Customers is still being assessed in terms of any material financial effect on the Financial Information presented. The Company does not expect to early adopt these standards. Leases previously treated as operating leases will be recognised as assets and liabilities under AASB 16 – Leases.

5.10 Dividend policy

The Company's current dividend payout ratio is approximately 60% of earnings per Share payable to Shareholders twice per annum.

The payment of dividends by the Company is at the discretion of the Board. No guarantee can be given by the Board or the Company about the payment of dividends, the extent of the payout ratios for any period or the level of franking of such dividends (if any). These matters will depend on the future profits of the Company, its financial and taxation position, general business and financial conditions and any other factors that the Board may consider relevant. The Board intends to review the Company's dividend policy from time to time as the Manager makes investments for the Company and will advise Shareholders of any resulting change in policy.

6. RISKS

6.1 Introduction

The Company is subject to risks that are both of a general nature and risks which are specific to its business activities. Any, or any combination, of these risk factors may have a material adverse impact on the Company's business, financial performance and operations.

This section describes what the Company considers to be some of the potential risks associated with the Change of Business, an investment in the Company and the general risks associated with an investment in Shares.

The risks listed in this section should not be considered to be an exhaustive list of every possible risk associated with an investment in the Company. The types of risks to which the Company is exposed to can change over time and vary with changes in economic, technological, environmental and regulatory conditions. The occurrence or consequences of some of these risks are partially or completely outside the control of the Company, the Directors and the senior management team.

You should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of these potential risks. You should also consider whether an investment in the Company is suitable for you in light of your investment objectives, financial situation and particular needs. It is recommended that you seek professional advice from your accountant, financial adviser, stockbroker, solicitor or other independent and qualified professional adviser before decision whether to invest in the Company. In particular, readers should be aware that there is no certainty that the Company will achieve its stated objectives or that any forward-looking statements will occur. Any investment in the Company should only be considered in light of these risks, as the occurrence of any or a combination of these risks set out in the section could have a material adverse impact on the Company's business, financial performance and operations.

6.2 Risks specific to an investment in the Company

(a) Re-quotation of Shares on ASX

Entry into the Management Agreement, Sub-Management Agreement and Shareholders' Agreement constitutes a significant change in the nature of the Company's activities and the Company is required by ASX to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List.

There is a risk that the Company may not be able to meet the requirements of the Listing Rules for re-quotation of its Shares on ASX. Should this occur, the Shares would not be able to be traded on ASX until such time as those requirements can be met, if at all. Shareholders will be prevented from trading their Shares on ASX while the Company is suspended until such

time as it does re-comply with the Listing Rules. Shares may still be able to be traded off-market, but finding willing buyers and matching buyers with sellers will be much more difficult.

(b) Management Agreement or Sub-Management Agreement Termination

The Management Agreement and Sub-Management Agreement contain certain termination provisions, summaries of which are contained in Sections 9.2 and 9.3. The Manager is reliant on the Sub-Manager to carry out its obligations under the Sub-Management Agreement in order for the Manager to fulfil its obligations to the Company under the Management Agreement.

On termination of the Management Agreement or Sub-Management Agreement, termination fees may be payable by either the Company to the Manager (under the Management Agreement) or by the Manager to the Sub-Manager (under the Sub-Management Agreement). Please see Section 9.2(m) and 9.3(n) for further information about when termination fees may be payable. In some circumstances these fees may be substantial.

If the Sub-Management Agreement is terminated, the Company and Manager will need to identify and engage another qualified and experienced Sub-Manager to implement the Investment Strategy. There is no guarantee that the Company and the Manager will be able to find an appropriate replacement for the Sub-Manager or, if a replacement is appointed, that the replacement investment manager will be able to perform its duties under the Sub-Management Agreement to the standard required by the Company and Manager or to a level that meets or exceeds the performance of the Sub-Manager.

(c) Loss of AFSL

The Sub-Manager is required to hold an appropriate AFSL to operate its business. The Manager will be an Authorised Representative under the Sub-Manager's AFSL and if the Sub-Manager loses, or has restrictions imposed on, its AFSL, so as to prevent the Sub-Manager from continuing to manage the Company's Portfolio, the Company and the Manager will need to identify and engage an alternative investment manager that is suitably qualified and experienced to implement the Investment Strategy. This may take some time.

(d) Risks in investing in investee companies

The value of the investments selected by Glennon Capital may decline in value, resulting in a reduction in the value of the Company's Portfolio and its Shares. Security prices fluctuate and are dependent on the financial circumstances of the relevant company, its profits, earnings and cash-flow. The value of a security issued by a company may also be affected by the size and quality of the company's management, government policy and the outlook of the sector in which it operates. Given that the Company will be investing in other

companies, this risk applies both to the Company itself and in respect of each investment made by the Company in another company. Any change in the price or value of the underlying securities of the companies in which the Company invests may have an impact on the price or value of the Company's Shares.

(e) Unlisted securities risk

The Portfolio may have exposure to unlisted securities. In general, there is less regulation and supervision of transactions in the unlisted securities markets than of transactions entered into on organised securities exchanges. Many of the protections afforded to participants on some organised securities exchanges may not be available in connection with unlisted securities.

There may be little or no liquidity in unlisted securities, which could potentially be compounded by the Company having only a minority position with little control over the nature or timing of an exit event. This could enhance the volatility of the price of unlisted securities and make it difficult to sell the unlisted securities.

The valuation of unlisted securities is more difficult to determine than the value of listed securities. Difficulties in establishing a robust market price or valuation of unlisted securities may expose the Company to the risk of potential misstatement of the fair market value of unlisted investments in the Portfolio.

(f) Liquidity risk of investments

An investment in the Shares is subject to the risk that the Portfolio's underlying investments may not be easily converted into cash.

(g) Concentration risk

There is a potential for volatility in Share price due to the lack of diversity within the Portfolio. The lower the number of investments made by the Company, the higher the concentration of investments and, in turn, the higher potential volatility in Share price.

(h) Dividend risk

The ability of the Company to offer fully franked dividends is contingent on it making taxable profits. The Company's taxable profits may be volatile, making the reliable forecasting and payment of dividends difficult and unpredictable.

No guarantee can be given concerning the future earnings of the Company, the earnings and capital appreciation of the Company's Portfolio or the return of the capital invested by Shareholders. Specifically, the Sub-Manager may make poor investment decisions resulting in the returns being inadequate to pay an annual dividend to Shareholders.

(i) Interest rate risk

Changes in short and long-term interest rates can have a positive or negative impact on investment returns for both the Company and Shareholders.

(j) Capital losses

At 30 June 2015, the Company carried forward capital losses of approximately \$32.3 million, which is the latest information available pending completion of the Company's 2016 tax return. Subject to satisfying the Continuity of Ownership Test (**COT**) or, failing that, the Same Business Test (**SBT**), under Australian tax law, capital losses may be carried forward and offset against any future capital gains generated by the Company. Broadly, the COT requires that the same persons beneficially have more than 50% of the underlying voting power, rights to dividends and rights to capital distributions in the Company from the start of the income year the loss was incurred (the loss year) through to the end of the income year in which the losses are sought to be recouped (the ownership test period).

In the event that the COT is failed, the Company must satisfy the SBT. The SBT requires that the Company carries on the 'same business' just before the time of the COT failure and in the income year in which the losses are sought to be recouped. The Australian Taxation Office's interpretation of the SBT is strict. The Company's ability to satisfy the SBT has not been considered, as this is only relevant if the COT is failed. The Directors believe that the Company satisfies the COT currently but this will ultimately have to be demonstrated to the taxation authorities at the time that the Company seeks to recoup such losses.

(k) Manager and Sub-Manager performance

The future success and profitability of the Company and the Portfolio will be reliant on the ability of the Sub-Manager to devise and maintain an investment portfolio that complies with the Company's Investment Mandate and Investment Strategy. Further, the Sub-Manager's performance is largely reliant on the skills and efforts of its investment team, in particular Michael Glennon.

(l) Reliance on key personnel

Skilled personnel are essential to the successful delivery of the Company's Investment Strategy. In particular, the ability of Glennon Capital to manage the Company's Portfolio is dependent on Michael Glennon, who is the investment manager currently engaged by Glennon Capital. If Michael Glennon cannot or does not provide the investment management services required under the Sub-Management Agreement, the Sub-Manager will need to engage another investment manager or it will be unable to provide the services it is required to provide under the Sub-Management Agreement.

6. RISKS

(m) Corporate Structure

The Manager will not be wholly-owned by the Company. As such, the Company will not have complete control of the management of the Manager or the satisfaction of the Manager's obligations under the Management Agreement. For further information about the Company's power in relation to the Manager, please see Section 9.4.

(n) Risks relating to CMI Electrical and divested operations

Page 11 of the 2016 Annual Report sets out the specific risks associated with CMI Electrical and divested operations.

The risks identified include:

- exposure to the domestic resource, building and construction industries have the potential to impact revenues and margin. Growth or contraction in these industries affects both activity and competition which in turn impact revenues and margin for CMI Electrical and the Company;
- the Group is a net importer of product and the reducing strength of the Australian dollar poses a risk to the profitability of the group as landed cost of products could potentially increase;
- 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 in terms of impacts on revenues;
- 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;
- the departure of key management personnel could pose succession and transition risks and loss of company historical knowledge. In this regard note Section 7.3 which identifies senior management departures and CMI's plans to replace the departing personnel; and
- the Company has given certain warranties and indemnities to the purchaser of TJM that are contained and specified in the share sale agreement that effected the sale. 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 company with various expiry dates up to 5 years from completion.

Other risks associated with CMI Electrical include :

- CMI Electrical's exposure to commodity prices, as increases in commodity prices for components of CMI Electrical's products may impact on its profitability and margin; and

- underperformance of CMI Electrical may affect the ability of the Company to successfully deploy the Investment Strategy if revenue generated by the Portfolio is required for the operation of CMI Electrical and not available to be re-invested into the Portfolio.

(o) Small Shareholdings

Shareholders holding small parcels of Shares will have all their Shares bought back if they accept the Share Buy-back offer provided:

- CMI continues to meet the Shareholder spread requirements in the Listing Rules after completion of the Share Buy-back; and
- the Buy-back Price is not less than 86% of the five-day volume weighted average price of Shares traded up to and including the Contract Date.

If you are a Shareholder that holds a parcel of Shares with a value of \$2,000 or less and you accept the Company's offer under the Share Buy-back to have your Shares bought back, the Company will buy-back all of your Shares. If you are a Shareholder that accepts the Company's offer under the Share Buy-back to have your Shares bought back and, on completion of the Share Buy-back, you will hold a parcel of Shares with a value of \$500 or less, the Company will also buy-back all of your Shares. In either situation, you will no longer hold any Shares even if the number of acceptances under the Share Buy-back exceeds the Limit.

(p) Future capital requirements

The Company may need to raise additional capital in the future to fully exploit investment opportunities available to it. There can be no guarantee that the Company will be able to raise such capital on favourable terms (if at all), or, if the Company is able to raise the capital, that it will be able to invest that capital efficiently.

If the Company is unable to obtain or invest such additional capital, the Company may be required to reduce the scope of its investment activities or forego an investment opportunity, which could adversely affect its business, financial condition and results of its operation.

(q) Shareholder activism

The proposed Change of Business is subject to the passing of an ordinary resolution of Shareholders at the EGM. There is a risk that that Shareholders will not pass the resolution consenting to the Change of Business as proposed under this Prospectus. In that event, the Company will not be able to derive income from its Investment Strategy, as set out in Section 3.6 of this Prospectus. The Company will need to find alternative ways to deploy its capital and derive returns for its Shareholders.

6.3 General risks

(a) Share price may fluctuate

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. There is no assurance that the price of Shares will increase following re-listing on ASX, even if the Company's earnings increase.

Some of the factors which may affect the price of Shares include: fluctuations in the domestic and international market for listed stocks; general economic conditions, including interest rates, inflation rates and exchange rates; changes to government fiscal, monetary or regulatory policies; legislation or regulation; inclusion in or removal from market indices; the impact of one or more of the risks described above; actual or anticipated fluctuations in the Company's results and recommendations of analysts in relation to those results and fluctuations in the sectors in which the Company operates and invests.

(b) Share trading liquidity

There can be no guarantee that an active market in Shares will continue after the Company is relisted on ASX or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of Shares on ASX at any time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid for their Shares.

(c) Shareholder dilution

In the future, the Company may elect to issue Shares to engage in fundraising and also to fund, or raise proceeds for, investments the Company may decide to make. While the Company will be subject to the constraints of the Listing Rules regarding the percentage of the Company's capital that can be issued within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

(d) Taxation changes may occur

Changes in tax law or changes in the way taxation laws are interpreted, in particular, both the level and basis of taxation, may impact the tax liabilities of the Company. Any such change may have an adverse impact on the Company's business, financial performance and operations.

(e) Australian Accounting Standards may change

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of the Company or its Directors. Any changes to the accounting standards or to the interpretation of those standards may have a material adverse effect on the reported financial performance or financial position of the Company.

(f) Force majeure risk

Events may occur within or outside the markets in which the Company operates that could impact on the global and Australian economies, the operations and investments of the Company and the price of the Shares. These events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, pandemics, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the Company's ability to conduct business. Given that the Company has only a limited ability to insure against some of these risks, its business, financial performance, investments and operations may be materially adversely affected if any, or a combination of, the events described above occurs.

(g) Regulatory

Changes in legislation and government policy in Australia and internationally (including taxation policies, monetary policies and laws governing corporations and corporate conduct) could materially affect the operating results of the Company.

7. KEY PEOPLE, INTERESTS AND BENEFITS

7.1 Board of Directors

The Directors, and proposed Directors of the Company are set out below:

Name and title	Profile
Leanne Catelan <i>Non-Executive Director</i> (Appointed 30 August 2011)	<p>Ms Catelan has commercial and management experience within both private and public company structures, including more than 8 years in the information technology industry. Ms Catelan also has experience in the sports management industry, including contract and endorsement negotiations both domestically and internationally. Ms Catelan is a member of the Australian Institute of Company Directors.</p>
Craig Green <i>Independent Non-Executive Director</i> (Appointed 18 February 2016)	<p>Mr Green is a solicitor with more than 35 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 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.</p> <p>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.</p>
Steven Miotti <i>Independent Non-Executive Director</i> (Appointed 1 March 2016)	<p>Mr Miotti is a solicitor who has practiced law for over 25 years. During his years of practice he has developed extensive experience and expertise in the legal practice areas relating to corporate advisory, property, wills and estate planning and sports law. Previously, 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.</p> <p>Mr Miotti was discharged from a personal bankruptcy on 15 December 2015.</p>
Michael Glennon <i>Proposed Director</i>	<p>Mr Glennon has 17 years' experience in financial markets and over 15 years' experience as a portfolio manager and director of several boutique investment management firms. Mr Glennon has extensive contacts in listed companies and has accumulated a wealth of knowledge of smaller listed companies over the time he has been operating in the market.</p> <p>Mr Glennon has worked with some of Australia's most respected small company fund managers. He has also managed a Listed Investment Company, as well as portfolios for public superannuation funds, family offices, financial planner clients, insurance companies, charities and other professional investors.</p> <p>Mr Glennon holds a Bachelor of Commerce degree from the University of Western Sydney.</p>

7.2 Independence of Directors

As set out in Section 7.4(a), Shareholders controlled by Ms Leanne Catelan hold 13,829,800 Shares in the Company, which represents 39.68% of the Shares on issue at the date of this Prospectus. Ms Catelan is not considered to be an independent director.

Mr Craig Green and Mr Steven Miotti are considered independent directors and are free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Mr Michael Glennon is the Sole Director of Glennon Capital. Glennon Capital will receive management fees indirectly from the Company (through the Manager) for provision of investment management services (through the Manager) to the Company. Please see Section 9.2 for a summary of the Management Agreement terms and Section 9.3 for a summary of the Sub-Management Agreement terms. Mr Glennon will not be considered to be an independent director.

7.3 Senior executives

The key management personnel of the Group are as follows:

Name and title	Profile
Sharyn Williams <i>CFO and Company Secretary</i> (departing 15 December 2016)	<p>Sharyn Williams joined CMI Limited in July 2007 and was appointed Company Secretary and Chief Financial Officer in April 2008. Ms Williams holds a Masters of Business Administration, Bachelor degrees in Business and Education, is a member of CPA Australia and a Chartered Company Secretary, a Fellow of the Governance Institute and a Graduate Member of the Australian Institute of Company Directors.</p> <p>As part of the Board strategy to move the corporate head office to Sydney, Ms Williams will depart the Company on 15 December 2016. Upon Ms Williams' departure, the Board intends to outsource the Company Secretary and Chief Financial Officer roles to third party service providers.</p>
Jeffrey Heslington <i>General Manager CMI Electrical</i> (departing 17 January 2017)	<p>Jeffrey Heslington joined the Company's Hartland Cables business in 1999. Since then, he has focused on strengthening CMI Electrical's product range, including new design development. Mr Heslington, who is based in Sydney, was appointed General Manager of CMI Electrical in 2002. He has over 30 years' experience in the electrical industry, having worked for a range of companies including MM Cables where he was heavily involved in exports and government contracts.</p> <p>Mr Heslington gave notice of resignation on 18 March 2016 to the Board. The Board continues discussions with Mr Heslington with respect to his role moving forward.</p>
James Johnson <i>General Manager CMI Electrical</i> (commencing 18 January 2017)	<p>Mr Johnson will commence employment with the Company as the General Manager of CMI Electrical on 18 January 2017.</p> <p>Mr Johnson has worked in the electrical industry for the last two decades, predominantly in general management roles. He has broad experience in sales, marketing, training, manufacturing and distribution. Mr Johnson has a Master of Business degree from the University of Technology, Sydney and attended Harvard Business School's Global Strategic Management Program.</p>

7. KEY PEOPLE, INTERESTS AND BENEFITS

7.4 Interests and benefits

(a) Directors' interests and remuneration

Directors are entitled to remuneration out of the funds of the Company, but the remuneration of non-executive Directors may not exceed, in any year, the amount fixed by the Company in general meeting for that purpose. The maximum aggregate remuneration of the non-executive Directors is fixed at \$390,000 per annum to be apportioned among all of the non-executive Directors in such a manner as the Board determines.

Name	Remuneration (per annum)	Interests in the Company as at the date of this Prospectus
Leanne Catelan <i>Non-Executive Director</i>	\$70,000 + 9.5% superannuation. Entitled to be reimbursed for all reasonable travel, accommodation or other expenses incurred as a result of carrying out duties as a director. The Company maintains directors and officers insurance.	13,829,800 Shares: <ul style="list-style-type: none"> Catelan Securities Pty Ltd as trustee for the Catelan Securities Trust (12,420,484 Shares) Leanne Catelan Superannuation Fund Pty Ltd as trustee for the Leanne Catelan Superannuation Fund (1,409,316 Shares)
Craig Green <i>Independent Non-Executive Director</i>	\$70,000 + 9.5% superannuation. Entitled to be reimbursed for all reasonable travel, accommodation or other expenses incurred as a result of carrying out duties as a director. The Company maintains directors and officers insurance.	10,000 Shares: Opencote Pty Ltd ACN 062 058 566 ATF the Craig Green Superannuation Fund.
Steven Miotti <i>Independent Non-Executive Director</i>	\$70,000 + 9.5% superannuation. Entitled to be reimbursed for all reasonable travel, accommodation or other expenses incurred as a result of carrying out duties as a director. The Company maintains directors and officers insurance.	No Shares held by Mr Miotti
Michael Glennon <i>Proposed Director</i>	\$70,000 + 9.5% superannuation. Entitled to be reimbursed for all reasonable travel, accommodation or other expenses incurred as a result of carrying out duties as a director. The Company maintains directors and officers insurance.	No Shares held by Mr Glennon

(b) Senior executives' interests and remuneration

Name	Remuneration	Interests
Sharyn Williams	\$275,000 + 9.5% superannuation. Entitled to be reimbursed for all reasonable travel, accommodation or other expenses incurred as a result of carrying out her duties. The Company maintains directors and officers insurance.	3,622 Shares 70,395 performance rights ⁴
Jeffrey Heslington	\$375,000 + \$16,200 car allowance + 9.5% superannuation. Entitled to be reimbursed for all reasonable travel, accommodation or other expenses incurred as a result of carrying out his duties. The Company maintains directors and officers insurance.	No Shares or performance rights held by Mr Heslington
James Johnson	\$245,000 + \$25,000 car allowance + 9.5% superannuation. Entitled to be reimbursed for all reasonable travel, accommodation or other expenses incurred as a result of carrying out his duties. The Company maintains directors and officers insurance.	No Shares or performance rights held by Mr Johnson

4. *These rights will lapse on Ms Williams ceasing to be employed by the Group.*

(c) Employee equity plan

The Company has an ownership-based remuneration scheme for its 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 23 in the 2016 Annual Report.

There are currently 70,395 performance rights outstanding. These performance rights will lapse on 15 December 2016 when Ms Williams departs the Company.

7.5 Corporate governance

(a) Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's functions and powers; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to:

- set the strategic direction of and financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial targets;
- review and oversee the operation of systems of risk management and internal compliance and control, codes of ethics and conduct and legal and regulatory compliance;
- maintain a strategy for identifying, assessing, monitoring and managing risks affecting the Company's businesses;

7. KEY PEOPLE, INTERESTS AND BENEFITS

- appoint and oversee the performance of executive management; and
- ensure that Shareholders are kept informed of the Company's performance and major developments.

Matters which are specifically reserved for the Board or its committees include:

- appointment and removal of the Chief Executive Officer, Chief Financial Officer and Company Secretary;
- appointment of directors to fill a vacancy or as an additional director;
- establishment of Board committees, their membership and delegated authorities;
- calling of meetings of Shareholders; and
- any other specific matters nominated by the Board from time to time.

(b) Corporate governance policies

The Company has also adopted the following policies, each of which reflects the ASX Corporate Governance Principles and is available on the Company's website at www.cmilimited.com.au.

- (i) **Code of Conduct** – This policy sets out the standards of ethical behaviour that the Company expects from its directors, senior executives and employees.
- (ii) **Conduct of Ethics and Values** – This policy provides a guide to directors in performing their duties with a view to enabling them to achieve the highest possible standards in the discharge of their obligations.
- (iii) **Continuous Disclosure Policy** – The Company is listed on ASX, and needs to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of its Securities. This policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.
- (iv) **Risk Management Policy** – ASX Corporate Governance Principle 7.1 recommends the Company establishes a risk committee. Instead, given its size, the Board will maintain responsibility for implementing a risk management policy that is designed to identify, assess, monitor and manage risks affecting the Company's businesses. The policy is referred to in the Board Charter and Corporate Governance Statement on the Company's website at www.cmilimited.com.au.

(v) **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws.

(vi) **Shareholder Communications Policy** – This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders. The policy is referred to in the Board Charter and Corporate Governance Statement on the Company's website at www.cmilimited.com.au.

(vii) **Diversity Policy** – The Company's approach to business will promote a culture of equal opportunity and has the core principles of meritocracy based on ability, fairness and equality. The Company will not discriminate on gender, race, religion or cultural backgrounds.

(viii) **Privacy Policy** – This policy sets out the ways that the Company handles, uses and discloses personal information, as that term is defined in the Privacy Act 1988 (Cth).

(c) Corporate governance statement

The Company's corporate governance statement, which sets out the main corporate governance practices adopted by the Board for the year ended 30 June 2016, is available on the Company's website at www.cmilimited.com.au.

Subject to the below, the Board has adopted policies which substantially reflect the ASX Corporate Governance Principles. The following ASX Corporate Governance Principles have not been followed by the Company:

Recommendation Number	Recommendation	Explanation
2.1	The board of a listed entity should have a nomination committee, which has at least three members, a majority of whom are independent directors, and is chaired by an independent director.	The Board as a whole performs the duties of the nomination committee. There is no formal established nomination committee. Due to the small number of Directors, it is unlikely the Company would obtain additional benefits from a formal committee structure.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the Chief Executive Officer of the entity.	The Board acknowledges the recommendation of the ASX Corporate Governance Council that the Chairperson and Managing Director/Chief Executive Officer roles should not be exercised by the same individual. There is currently no formally appointed Chairperson or Managing Director/Chief Executive Officer. The appointment of a Chairperson and Chief Executive Officer may occur in the future.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Company has an informal process to induct and educate new directors about the nature of its business, current issues, the Group strategy and the expectations of the performance of directors. Executive management presents to the Board on a regular basis to enable the directors to gain a better understanding of the business operations. directors are expected to be involved in appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.
7.1	The board of a listed entity should have a committee to oversee risk, which has at least three members, a majority of whom are independent directors, and is chaired by an independent director.	As the Board maintains a comprehensive risk management policy, as explained above in Section 7.5(b), a formal risk committee has not been established under ASX Corporate Governance Principle 7.1.

(d) Current Board committees

(i) Audit Committee – The role of the audit committee is to assist the Board with verifying and safeguarding the integrity of the Company's financial reporting and overseeing the independence of external auditors. The members of the Audit Committee comprise currently of Leanne Catelan, Craig Green and Steven Miotti. It is proposed that Michael Glennon will also join this committee if appointed as a director of the Company.

(ii) Remuneration Committee – The role of the remuneration committee is to advise on remuneration and issues relevant to remuneration policies and practices for senior management of the Company. The members of the remuneration committee comprise currently of Leanne Catelan, Craig Green and Steven Miotti. It is proposed that Michael Glennon will also join this committee if appointed as a director of the Company.

(e) Appointment of Michael Glennon

The Board is aware that, should the Change of Business be approved, the appointment of Michael Glennon as a director of the Company, together with his becoming a member of the audit and remuneration committees as currently composed, will result in the Company also then becoming non-compliant with recommendations 2.4, 4.1 and 8.1 of the ASX Corporate Governance Principles relating to the number of independent directors. The Board will consider how best to address these further matters of non-compliance in light of all the then circumstances should this eventuate.

8. INDEPENDENT LIMITED ASSURANCE REPORT



Ernst & Young Transaction Advisory
Services Limited
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

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

18 November 2016

The Board of Directors
CMI Limited
485A Zillmere Road
ZILLMERE QLD 4034

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by CMI Limited (**CMI** or the **Company**) to report on the historical financial information and pro forma historical financial information for inclusion in the prospectus (**Prospectus**) to be dated on or about 18 November 2016, and to be issued by CMI, in respect of re-complying with the ASX admission requirements following a change to the nature of the Company's activities and an offer to buy-back up to 10% of the Company's existing shares on issue (the **Share Buy-back Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the Corporations Act 2001. Ernst & Young Transaction Advisory Services Limited (**Ernst & Young Transaction Advisory Services**) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Angus Blackwood is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information of CMI:

- ▶ the historical consolidated statements of profit and loss for continuing operations for the years ended 30 June 2014 (**FY14**), 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**) (**Historical Statements of Profit and Loss for Continuing Operations**) as set out in Table 5.3.1 in Section 5.3 of the Prospectus;
- ▶ the historical consolidated cash flows for FY14, FY15 and FY16 (**Historical Cash Flows**) as set out in 5.4.1 in Section 5.4 of the Prospectus; and
- ▶ the historical consolidated statement of financial position as at 30 June 2016 (**Historical Statement of Financial Position**) as set out in Table 5.5.1 in Section 5.5 of the Prospectus.

(Hereafter the **Historical Financial Information**).

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Ernst & Young Transaction Advisory Services Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585

The Historical Statement of Profit and Loss for Continuing Operations for FY14 has been derived from the general purpose consolidated financial statements of the Company for FY15. These financial statements contained comparative information for FY14 which was restated from that originally published in the FY14 financial statements due to the impact of discontinued operations, which occurred during FY15. The Historical Statements of Profit and Loss for Continuing Operations for FY15 and FY16 have been derived from the general purpose consolidated financial statements of the Company for FY16. These financial statements contained comparative information for FY15 which was restated from that originally published in the FY15 financial statements due to revenue being stated net of discounts and rebates.

The Historical Cash Flows have been derived from the respective general purpose consolidated financial statements of the Company for FY14, FY15 and FY16 and includes cash flows associated with discontinued operations.

The Historical Statement of Financial Position has been extracted from the general purpose consolidated financial statements of the Company for FY16.

The general purpose consolidated financial statements of the Company for FY14, FY15 and FY16 were audited by Ernst & Young in accordance with Australian Auditing Standards and upon which unmodified audit opinions were issued.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent to International Financial Reporting Standards issued by the International Accounting Standards Board.

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of CMI:

- ▶ the pro forma historical consolidated statement of financial position as at 30 June 2016 based on the 5% share buy-back scenario as set out in Table 5.6.1 in Section 5.6 of the Prospectus; and
- ▶ the pro forma historical consolidated statement of financial position as at 30 June 2016 based on the 10% share buy-back scenario as set out in Table 5.6.1 in Section 5.6 of the Prospectus.

(Hereafter the ***Pro Forma Historical Financial Information***).

(Collectively, the ***Financial Information***).

The Pro Forma Historical Financial Information has been derived from the Historical Statement of Financial Position of CMI, and adjusted for the effects of pro forma adjustments described in Tables 5.6.2 and 5.6.3 of Section 5.6 of the Prospectus.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards other than that it includes

8. INDEPENDENT LIMITED ASSURANCE REPORT



Page 3

adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they occurred on 30 June 2016.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

3. Directors' Responsibility

The directors of CMI are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

Our engagement did not involve re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information comprising:

- ▶ the historical consolidated statements of profit and loss for continuing operations for FY14, FY15 and FY16 as set out in Table 5.3.1 in Section 5.3 of the Prospectus;

- ▶ the historical consolidated cash flows for FY14, FY15 and FY16 as set out in 5.4.1 in Section 5.4 of the Prospectus; and
- ▶ the historical consolidated statement of financial position as at 30 June 2016 as set out in Table 5.5.1 in Section 5.5 of the Prospectus

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2(a) of the Prospectus.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- ▶ the pro forma historical consolidated statement of financial position as at 30 June 2016 based on the 5% share buy-back scenario as set out in Table 5.6.1 in Section 5.6 of the Prospectus; and
- ▶ the pro forma historical consolidated statement of financial position as at 30 June 2016 based on the 10% share buy-back scenario as set out in Table 5.6.1 in Section 5.6 of the Prospectus

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2(a) of the Prospectus.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 5.2(a) of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of this Share Buy-back Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited



Angus Blackwood
Director and Representative

8. INDEPENDENT LIMITED ASSURANCE REPORT



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18 November 2016

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$16,500 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in this Prospectus in section 9.9, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

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9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Scheme: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

9. ADDITIONAL INFORMATION

9.1 Existing and proposed capital structure

Fully paid ordinary shares on issue at the date of the Prospectus – 34,852,634

Maximum shares cancelled under the Share Buy-back – 3,485,263

Total number of Shares on issue after completion of the Share Buy-back (assuming the maximum number of Shares are bought back by the Company) – 31,367,371

The Company adopted its current constitution in 2012. No changes have been made since. The rights attaching to Shares are set out in that Constitution.

9.2 Management Agreement

(a) Background and term

If the Change of Business is approved by the Shareholders at the EGM, the Company will enter into the Management Agreement with the Manager for a term of five years commencing on the date that the Management Agreement is executed by both the Company and the Manager. The term of the Management Agreement automatically renews for a further five years after expiry of the initial term. Unless the Management Agreement is terminated earlier in accordance with its terms, the Management Agreement will be extended for a further five year term without either party being required to take any further action (such as provide a renewal notice). Shareholder consent will not be sought before renewing or extending the Management Agreement. When the Management Agreement ends, whether by termination or expiry, the Company proposes to either renegotiate a new agreement with the Manager, or manage the Portfolio itself until a new manager is appointed (depending on the circumstances).

(b) Duties of the Manager

The Management Agreement requires the Manager to:

- (i) manage, on behalf of the Company, the Portfolio and advise the Company regarding investment and management of the Portfolio;
- (ii) provide general investment, consultation, advisory and management services to the Company in relation to the Portfolio;
- (iii) give proper and timely instructions to the Custodian in relation to transactions concerning the Portfolio;
- (iv) monitor and review the Portfolio and confer, at regular intervals, with and advise the Company regarding the investment and management of the Portfolio;
- (v) keep proper books of account in relation to the Portfolio recording transactions by the Manager in accordance with generally accepted accounting standards;

- (vi) arrange for calculation of the value of the Portfolio at least monthly;
- (vii) comply with the Investment Mandate of the Company agreed to by the Manager and the Company, being initially the Investment Strategy set out in this Prospectus (in Section 3.6) in investing and managing the Portfolio; and
- (viii) provide sufficient information to enable the Company to assess the capability of the Manager to manage the investments of the Company and for the Company to comply with any relevant law.

(c) Powers of the Manager

In order to perform its management duties, the Manager is permitted under the Management Agreement to deal with the Portfolio and to do everything necessary or desirable for the investment and management of the Portfolio.

With prior written approval of the Company, the Manager may (subject to any relevant laws) appoint or employ in writing any person to be a sub-contractor for the Manager to perform any or all of the duties and obligations imposed on it by the Management Agreement.

The Manager is expressly given the power to appoint Glennon Capital as the Sub-Manager under the Sub-Management Agreement.

(d) Conflicts of Interest

The Company acknowledges that the Manager may invest in, deal with or engage the services of the Manager's Related Corporations engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business and on arm's length terms (or better, from the perspective of the Company).

The Manager must notify the Company as soon as reasonably practicable after identifying any potential or actual conflict of interest for the Manager in connection with the proposed provision of services under the Management Agreement.

In managing the Portfolio, the Manager may buy and sell investments for the Portfolio from or to its Associates or other clients of the Manager only if the sale or purchase is made as a bona fide and arm's length transaction (or better, from the perspective of the Company), for proper and adequate consideration and made in the best interests of the Company.

Subject to the above paragraph, the Manager may, without reference to the Company, effect any transaction for the Portfolio in which it:

- (i) sells the investment to or buys the investment from any Associate or other client of the Manager; or
- (ii) is the agent for the Company and also the counter-party or the agent of the counter-party.

9. ADDITIONAL INFORMATION

(e) Exclusivity

Under the Management Agreement, the Company exclusively appoints the Manager to manage the Portfolio. The Company must not, directly or indirectly, prejudice or support any action that the Manager considers (acting reasonably) might have a material adverse effect on this exclusivity.

The Company acknowledges that the Manager may at any time:

- (i) buy and sell investments on its own account; and
- (ii) provide investment management services to Associates and other clients of the Manager,

provided that the Manager's participation in any such activity does not cause the Manager to be in breach of any of its obligations and duties under the Management Agreement or the Sub-Management Agreement or to waive, surrender or abrogate any of its rights and benefits under the Sub-Management Agreement.

(f) Voting

The Manager is authorised to exercise any right to vote attached to a share, unit or interest forming part of the Portfolio.

(g) Expenses

The Company is generally liable for (and must reimburse the Manager where necessary) all costs, charges and expenses properly incurred in connection with the investment and management of the Portfolio or the performance of the Manager's obligations under the Management Agreement.

(h) Management Fee

The Manager is entitled to be paid a management fee, which is a fixed component fee, equal to the greater of:

- (i) \$23,334 per month; and
- (ii) 0.11667% per month (comparable to a fee of 1.4% per annum) of the gross value of the Portfolio.

(i) Performance Fee

The Manager is also entitled to a performance fee calculated on the basis of the investment return of the investments in the Portfolio. The performance fee is calculated and payable by the Company quarterly.

The performance fee will be calculated in accordance with the following formula and is subject to the High Water Mark:

$$\text{Performance Fee} = \text{MP} \times (\text{GPR} - \text{BM}) \times 20\%$$

where:

MP is the value of the Portfolio at the end of the immediately preceding Performance Period or the average gross value of the Portfolio over the previous Performance Period, whichever is higher.

GPR is the Gross Portfolio Return over the Performance Period expressed as a percentage.

BM is the Benchmark Return divided by 4 (to align the Benchmark Return to the Performance Period) expressed as a percentage.

Where the result of the formula is less than zero, no Performance Fee is payable for that Performance Period.

(j) Warranties and indemnities – Manager

The Manager gives a number of warranties under the Management Agreement, including that:

- (i) it will, for the period beginning on the commencement of the Management Agreement and ending on termination of the Management Agreement, hold the necessary authorisations required for it to perform its obligations under the Management Agreement; and
- (ii) it has the power to enter into the Management Agreement and to comply with its obligations and rights under it.

The Manager will indemnify the Company against any loss, damage, liability, cost or expense (including legal expenses on a full indemnity basis) reasonably incurred by the Company arising out of or in connection with any negligence of the Manager, its officers, employees or Supervised Agents in performing the Manager's functions and obligations under the Management Agreement.

(k) Warranties and indemnities - Company

The Company gives a number of warranties under the Management Agreement, including that it will:

- (i) except as provided in the Management Agreement, not sell, dispose of or part with possession of any of the investments or mortgage or charge any of the investments that form part of the Portfolio;
- (ii) not carry on any business in relation to the Portfolio (including the investment of any funds or dealing in the Portfolio or any part of it) other than pursuant to or as contemplated in the Management Agreement; and
- (iii) without delay forward to the Manager copies of all notices, reports, circulars and other documents relating to the investments of the Portfolio received by it.

The Company must indemnify the Manager against any loss, damage, liability, cost or expense (including legal expenses on a full indemnity basis) reasonably incurred by the Manager arising out of or in connection with the Manager or any of its officers, employees or Supervised Agents doing anything that must or may be done under the Management Agreement, or on account of any bona fide investment decision made, by the Manager or its officers, employees or Supervised Agents except and to the extent that any such loss, damage, liability, cost or expense is caused by the negligence, default,

fraud or dishonesty of the Manager or its officers, employees or agents.

The indemnities by the Manager and Company continue after termination of the Management Agreement.

(l) Limitation of Liability

Subject to the Corporations Act, the Listing Rules and the Manager's duties and obligations under the Management Agreement, the Manager will, in relation to all the powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to:

- (i) whether or not to exercise them; and
- (ii) the manner or mode of, and time for, their exercise,

and, in the absence of negligence, default, fraud or dishonesty of the Manager, its officers, employees or agents, the Manager will not be in any way responsible for any loss, damage, liability, cost, expense or inconvenience that may result from the exercise or failure to exercise those powers, authorities and discretions.

(m) Termination and removal of the Manager

Termination by shareholder resolution

The Management Agreement will terminate:

- (i) following the expiry of the initial five year term, on three months' written notice after an ordinary resolution of the Company is passed to terminate the Management Agreement; or
- (ii) immediately on the passing of a resolution by shareholders to voluntarily wind-up the Company.

If the Management Agreement is terminated for the reasons set out in paragraphs (i) and (ii) above, the Manager will be entitled to a termination payment equal to the Termination Percentage of the gross value of the Portfolio on the date of the termination.

Termination Percentage means:

- (iii) if the Management Agreement is terminated before the last day of the initial term of five years, 5%; and
- (iv) if the Management Agreement is terminated on or after the last day of the initial term of five years, 5% reduced by one sixtieth (1/60th) for each whole calendar month that has elapsed between the last day of the initial term and the date of termination of the Management Agreement.

Termination by Manager

The Manager may terminate the Management Agreement:

- (v) with the consent of Glennon Capital (as Sub-Manager), on three months' written notice to the Company at any time after the first anniversary of the Management Agreement; or

- (vi) on six months' written notice to the Company at any time after the initial term of the Management Agreement expires.

Removal by Company

The Company may remove the Manager on three months' written notice on the occurrence of any one of the following events:

- (vii) a controller or similar person is appointed with respect to any of the assets and undertakings of the Manager; or
- (viii) the Manager:
 - (A) ceases carrying on business as an investment manager;
 - (B) is in material default or material breach of its obligations or warranties under the Management Agreement and does not rectify that breach or failure within 30 days after receipt by it of written notice from the Company specifying and requiring rectification of the breach or default;
 - (C) the Manager ceases to be an Authorised Representative of Glennon Capital's AFSL at any time; or
 - (D) the Manager sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Manager, other than to an Associate of the Manager as part of a corporate restructure previously approved by the Company in writing.

Replacement of Manager

Where, during the initial term of five years, the Company removes the Manager other than under paragraphs (B) and (C) above, the Company must appoint Glennon Capital as the replacement manager under the Management Agreement, whereupon the Manager must assign all its rights, title and interest in and to the Management Agreement to Glennon Capital.

Where, during the initial term of five years:

- (ix) the Company removes the Manager under paragraphs (B) and (C) above,
- (x) such removal is not attributable to an act or omission of the Sub-Manager (whether or not in breach of the Sub-Management Agreement);
- (xi) any material default or material breach of the Manager's obligations or warranties under this Agreement is or has been rectified by the Sub-Manager within 30 days after receipt by it of written notice from the Company specifying and requiring rectification of the breach or default; and

9. ADDITIONAL INFORMATION

- (xii) the Sub-Manager continues to hold its Australian Financial Services Licence,

the Sub-Manager will be appointed by the Company as the replacement manager under the Management Agreement, whereupon the Manager must assign all its rights, title and interest in and to this Agreement to the Sub-Manager as the replacement manager under the Management Agreement.

If the Manager is removed by the Company in accordance with the Management Agreement after the initial term of five years, the Company may appoint the Sub-Manager as the replacement manager under the Management Agreement, whereupon the Manager will assign all its rights, title and interest in and to this Agreement to the Sub-Manager as the replacement manager under the Management Agreement.

Manager's obligations after termination

After termination of the Management Agreement, the Manager must do everything necessary to vest the Portfolio in the Company or a Custodian (as directed by the Company). The Company must take all necessary steps to facilitate the transfer of the Portfolio from the Manager.

(n) Change of Control

The Manager has no right to terminate the Management Agreement in the event of a change of control of the Company.

The Company has no right to terminate the Management Agreement in the event of a change of control of the Manager.

(o) Assignment

Subject to the provisions allowing the Company to replace the Manager with Glennon Capital in certain circumstances, neither party to the Management Agreement may assign or novate any of its rights and obligations under the Management Agreement without the prior written consent of the other party (which the other party may give, give conditionally or withhold at its absolute discretion).

(p) Amendment

The Management Agreement may be amended only by a further agreement executed by the parties. ASX has advised the Company that, as a condition to the Company's re-admission to the Official List, ASX may require any material amendment to the Management Agreement to be approved by an ordinary resolution of Shareholders in relation to which the Manager, Sub-Manager and their associates are subject to a voting exclusion statement.

9.3 Sub-Management Agreement

(a) Background and term

If the Change of Business is approved by the Shareholders at the EGM, the Manager will enter into the Sub-Management Agreement with the Sub-Manager for a term of five years

commencing on the date that the Sub-Management Agreement is executed by both the Manager and the Sub-Manager. The term of the Sub-Management Agreement automatically renews for a further five years after expiry of the initial term. Unless the Sub-Management Agreement is terminated earlier in accordance with its terms, the Sub-Management Agreement will be extended for a further five year term without either party being required to take any further action (such as provide a renewal notice). Shareholder consent will not be sought before renewing or extending the Sub-Management Agreement.

(b) Duties of the Sub-Manager

The Sub-Management Agreement requires the Sub-Manager to:

- (i) manage, on behalf of the Manager, the Portfolio and advise the Manager regarding investment and management of the Portfolio;
- (ii) provide general investment, consultation, advisory and management services to the Manager in relation to the Portfolio;
- (iii) give proper and timely instructions to the Custodian in relation to transactions concerning the Portfolio;
- (iv) monitor and review the Portfolio and confer, at regular intervals, with and advise the Manager regarding the investment and management of the Portfolio;
- (v) keep proper books of account in relation to the Portfolio recording transactions by the Sub-Manager in accordance with generally accepted accounting standards;
- (vi) arrange for calculation of the value of the Portfolio at least monthly;
- (vii) comply with the Investment Mandate of the Company agreed to by the Manager and the Company, being initially the Investment Strategy set out in this Prospectus (in Section 3.6) in investing and managing the Portfolio; and
- (viii) if requested to do so by the Manager, the Sub-Manager will promptly provide (and by no later than 7 Business Days of such request) any additional information that the Manager is required to deliver to the Company in accordance with the Manager's agreement.

(c) Powers of the Sub-Manager

For the purpose of carrying out its duties and obligations under the Management Agreement, the Manager delegates all of its powers to manage the Portfolio set out in the Management Agreement to the Sub-Manager.

As such, the Sub-Manager is permitted under the Sub-Management Agreement to deal with the Portfolio and to do everything necessary or desirable for the investment and management of the Portfolio.

With prior written approval of the Manager, the Sub-Manager may (subject to any relevant laws) appoint or employ in writing any person to be a sub-contractor for the Sub-Manager to perform any or all of the duties and obligations imposed on it by the Sub-Management Agreement.

(d) Directions from Manager

The Sub-Manager agrees that the Manager may, at any time, instruct the Sub-Manager or vary any decision of the Sub-Manager in the performance of the Sub-Manager's functions from that time, in which circumstances the Manager has the sole responsibility for the consequences of that instruction or variation. However, the Sub-Manager may complete any transaction already commenced provided it does not act contrary to any reasonable direction by the Manager.

(e) Conflicts of Interest

The Manager acknowledges that the Sub-Manager may invest in, deal with or engage the services of the Sub-Manager's Related Corporations engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business and on arm's length terms (or better, from the perspective of the Manager).

The Sub-Manager must notify the Manager as soon as reasonably practicable after identifying any potential or actual conflict of interest for the Sub-Manager in connection with the proposed provision of services under the Sub-Management Agreement.

In managing the Portfolio, the Sub-Manager may buy and sell investments for the Portfolio from or to its Associates or other clients of the Sub-Manager only if the sale or purchase is made as a bona fide and arm's length transaction (or better, from the perspective of the Manager), for proper and adequate consideration and made in the best interests of the Manager and the Company.

Subject to the above paragraph, the Sub-Manager may, without reference to the Manager, effect any transaction for the Portfolio in which it:

- (i) sells the investment to or buys the investment from any Associate or other client of the Sub-Manager; or
- (ii) is the agent for the Manager and also the counter-party or the agent of the counter-party.

(f) Exclusivity

Under the Sub-Management Agreement, the Manager exclusively appoints the Sub-Manager and delegates its obligations under the Management Agreement to manage

the Portfolio. The Manager must not, directly or indirectly, prejudice or support any action that the Sub-Manager considers (acting reasonably) might have a material adverse effect on this exclusivity.

The Manager acknowledges that the Sub-Manager may at any time:

- (i) buy and sell investments on its own account; and
- (ii) provide investment management services to Associates and other clients of the Sub-Manager,

provided that the Sub-Manager's participation in any such activity does not cause the Sub-Manager to be in breach of any of its obligations and duties under the Sub-Management Agreement or cause the Manager to breach any of the Manager's obligations under the Management Agreement.

(g) Voting

The Manager delegates to the Sub-Manager its authorisation from the Company to exercise any right to vote attached to a share, unit or interest forming part of the Portfolio.

(h) Expenses

The Manager is generally liable for (and must reimburse the Sub-Manager where necessary) all costs, charges and expenses properly incurred in connection with the investment and management of the Portfolio or the performance of the Sub-Manager's obligations under the Sub-Management Agreement.

(i) Management Fee

The Sub-Manager is entitled to be paid a management fee, which is a fixed component fee, equal to the greater of:

- (i) \$16,666 per month; and
- (ii) 0.08333% per month (comparable to a fee of 1.0% per annum) of the gross value of the Portfolio.

(j) Performance Fee

The Sub-Manager is also entitled to a performance fee calculated on the basis of the investment return of the investments in the Portfolio. The performance fee is calculated and payable by the Company quarterly.

The performance fee will be calculated in accordance with the following formula and is subject to the High Water Mark:

$$\text{Performance Fee} = \text{MP} \times (\text{GPR} - \text{BM}) \times 20\%$$

where:

MP is the value of the Portfolio at the end of the immediately preceding Performance Period or the average gross value of the Portfolio over the previous Performance Period, whichever is higher.

GPR is the Gross Portfolio Return over the Performance Period expressed as a percentage.

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BM is the Benchmark Return divided by 4 (to align the Benchmark Return to the Performance Period) expressed as a percentage.

Where the result of the formula is less than zero, no Performance Fee is payable for that Performance Period.

(k) Warranties and indemnities – Sub-Manager

The Sub-Manager gives a number of warranties under the Sub-Management Agreement, including that:

- (i) it will, for the period beginning on the commencement of the Sub-Management Agreement and ending on termination of the Sub-Management Agreement, hold the necessary authorisations required for it to perform its obligations under the Sub-Management Agreement; and
- (ii) it has the power to enter into the Sub-Management Agreement and to comply with its obligations and rights under it.

The Sub-Manager will indemnify the Manager against any loss, damage, liability, cost or expense (including legal expenses on a full indemnity basis) reasonably incurred by the Manager arising out of or in connection with any negligence of the Sub-Manager, its officers, employees or Supervised Agents in performing the Sub-Manager's functions and obligations under the Sub-Management Agreement.

(l) Warranties and indemnities – Manager

The Manager gives a number of warranties under the Sub-Management Agreement, including that it will:

- (i) except as provided in the Sub-Management Agreement, not sell, dispose of or part with possession of any of the investments or mortgage or charge any of the investments that form part of the Portfolio; and
- (ii) without delay forward to the Sub-Manager copies of all notices, reports, circulars and other documents relating to the investments of the Portfolio received by it.

The Manager must indemnify the Sub-Manager against any loss, damage, liability, cost or expense (including legal expenses on a full indemnity basis) reasonably incurred by the Sub-Manager arising out of or in connection with the Sub-Manager or any of its officers, employees or Supervised Agents doing anything that must or may be done under the Sub-Management Agreement, or on account of any bona fide investment decision made, by the Manager or its officers, employees or Supervised Agents except and to the extent that any such loss, damage, liability, cost or expense is caused by the negligence, default, fraud or dishonesty of the Sub-Manager or its officers, employees or agents.

The indemnities by the Sub-Manager and Manager continue after termination of the Sub-Management Agreement.

(m) Limitation of Liability

Subject to the Corporations Act, the Listing Rules and the Sub-Manager's duties and obligations under the Sub-Management Agreement, the Sub-Manager will, in relation to all the powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to:

- (i) whether or not to exercise them; and
 - (ii) the manner or mode of, and time for, their exercise,
- and, in the absence of negligence, default, fraud or dishonesty of the Sub-Manager, its officers, employees or agents, the Sub-Manager will not be in any way responsible for any loss, damage, liability, cost, expense or inconvenience that may result from the exercise or failure to exercise those powers, authorities and discretions.

(n) Termination

Termination of Management Agreement

The Sub-Management Agreement will terminate immediately:

- (i) on termination of the Management Agreement; or
- (ii) on novation or assignment of the Management Agreement to the Sub-Manager in accordance with the Management Agreement.

Termination by Sub-Manager

The Sub-Manager may terminate this Agreement:

- (i) on 75 days' written notice to the Manager at any time after the first five years of the Sub-Management Agreement;
- (ii) immediately on written notice to the Manager if:
 - (A) Michael Glennon ceases to be a director of the Manager or the Company;
 - (B) the Manager is in default or breach of its obligations under the Sub-Management Agreement in a material respect and such default or breach cannot be rectified;
 - (C) the Manager is in default or breach of its obligations under the Sub-Management Agreement in a material respect and fails to remedy that default or breach within 30 days after receiving written notice from the Sub-Manager of that default or breach;
 - (D) the Manager is in material default or material breach of its obligations under the Management Agreement or the Manager persistently fails to comply with its obligations under the Management Agreement or the Sub-Management Agreement;
 - (E) a controller or similar person is appointed with respect to any of the assets and undertakings of the Manager;

- (F) the Manager:
- (1) goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved by the Company); or
 - (2) ceases carrying on business as an investment manager;
- (G) an administrator is appointed to the Manager; or
- (H) the Manager sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Manager, other than to the Sub-Manager.

Termination by Manager

The Manager may terminate this Agreement:

- (i) on 75 days' written notice to the Sub-Manager;
- (ii) immediately on written notice to the Sub-Manager if:
 - (A) the Sub-Manager is in default or breach of its obligations under the Sub-Management Agreement in a material respect and such default or breach cannot be rectified;
 - (B) the Sub-Manager is in default or breach of its obligations or warranties under the Sub-Management Agreement in a material respect and fails to remedy that default or breach within 30 days after receiving written notice from the Manager of that default or breach;
 - (C) a controller or similar person is appointed with respect to any of the assets and undertakings of the Sub-Manager;
 - (D) the Sub-Manager:
 - (1) goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved by the Manager); or
 - (2) ceases carrying on business as an investment manager; or
 - (E) an administrator is appointed to the Sub-Manager.

Termination payment

If the Sub-Management Agreement is terminated in certain circumstances (generally being those where the Sub-Manager is not responsible for the termination), the Sub-Manager will be entitled to a termination payment equal to the Termination Percentage of the gross value of the Portfolio on the date of the termination.

Termination Percentage means:

- (i) if the Sub-Management Agreement is terminated before the last day of the initial term of five years, 5%; and
- (ii) if the Sub-Management Agreement is terminated on or after the last day of the initial term of five years, 5% reduced by one sixtieth (1/60th) for each whole calendar month that has elapsed between the last day of the initial term and the date of termination of the Sub-Management Agreement.

Sub-Manager's obligations after termination

After termination of the Sub-Management Agreement, the Sub-Manager must do everything necessary to vest the Portfolio in the Manager or a Custodian. The Manager must take all necessary steps to facilitate the transfer of the Portfolio from the Sub-Manager.

(o) Assignment

Neither party to the Sub-Management Agreement may assign or novate any of its rights and obligations under the Sub-Management Agreement without the prior written consent of the other party (which the other party may give, give conditionally or withhold at its absolute discretion).

(p) Amendment

The Sub-Management Agreement may be amended only by a further agreement executed by the parties.

Unless the Sub-Management Agreement is terminated earlier in accordance with its terms, the Sub-Management Agreement will be extended for a further five year term without either party being required to take any further action (such as provide a renewal notice). Shareholder consent will not be sought before renewing or extending the Sub-Management Agreement.

9.4 Shareholders' Agreement

The Shareholders' Agreement is the agreement under which the Manager and its shareholders, CMI and Glennon Capital, agree on the operation and management of the Manager. Generally, this agreement provides for director appointment rights, the approvals required for board and shareholder matters, ongoing requirements for the operation of the Manager as well as restrictions on transferring shares.

(a) Conditions Precedent

The Shareholders' Agreement and the material obligations of the parties under that Agreement are subject to the prior satisfaction of the following conditions precedent:

- (i) **(shareholder approval)** the shareholders of CMI approving the proposed change to the nature of CMI's activities, as set out in the Prospectus, at the EGM to be held on or about 21 December 2016;

9. ADDITIONAL INFORMATION

(ii) **(general meeting)** a general meeting of the Manager must be held for the following purposes, at which the shareholders must vote in favour of the resolutions (in a form previously approved by each shareholder):

- (A) adopting the constitution; and
- (B) adopting the agreed name for the Manager.

(iii) **(board meeting)** a meeting of the board must be convened and resolutions must be passed at that meeting in the following order:

- (A) **(auditors)** appointing the auditors;
- (B) **(secretary and public officer)** appointing the secretary and public officer of the Manager;
- (C) **(registered office)** changing the registered office of the Manager;
- (D) **(financial year)** adopting 30 June as the Manager's balance date for taxation and financial reporting purposes with its first financial year commencing on the date of its registration and terminating on 30 June 2017;
- (E) **(joint venture agreements)** approving the execution, delivery and performance by the Manager of each of the joint venture agreements to which it is a party; and
- (F) **(business plan)** approving and adopting an initial business plan for the operations and activities of the Manager and its subsidiaries (if any).

(iv) **(joint venture agreements)** upon satisfaction of the condition precedent set out in clause 9.4(a)(iii) (E), the parties executing the following documents (as applicable):

- (A) management agreement;
- (B) sub-management agreement;
- (C) custodial services agreement; and
- (D) administrative services agreement; and

(v) **(Authorised Representative)** the Manager being appointed an Authorised Representative under the Australian Financial Services Licence of Glennon Capital on terms and conditions set out in the Shareholders' Agreement.

(b) Termination of Shareholders' Agreement

The Shareholders' Agreement will terminate on the earlier of the time at which only one party holds shares, or as agreed in writing between the shareholders.

(c) Governance of the Manager

The Shareholders' Agreement contains detailed provisions dealing with the governance and operation of the Manager.

These include:

- **Director appointment rights:** CMI is entitled to appoint one director to the Manager. Glennon is entitled to appoint one director to the Manager.
- **Board decisions:** all actions and resolutions of the Manager's board must be unanimous, except for a list of 'reserved matters' that can be approved by a simple majority of directors, with the chair (who is to be appointed by CMI) having the casting vote in instances of deadlock. Reserved matters include:

- approving the execution of, and reviewing performance by the Manager under, the Management Agreement and Sub-Management Agreement;
- instructing or varying decisions of the Sub-Manager under the Sub- Management Agreement;
- terminating the Management or Sub-Management Agreements in accordance with the terms of the relevant agreement;
- making decisions regarding the Manager's operation policies; and
- paying a dividend.

A quorum for a board meeting is constituted by the attendance (in person or by alternate) of at least one director appointed by CMI and one director appointed by Glennon Capital.

- **Shareholder decisions:** any action or resolution in respect of any matter put to shareholders will be made by the affirmative vote of a simple majority of shareholders, except where the matter relates to:

- (A) **(constitution)** the making of any amendment to the Manager's constitution or the modification or abrogation of any rights attached to any class of its shares whether issued or unissued;
- (B) **(alteration of capital)** the reduction or alteration of the Manager's capital in a manner provided for in the Corporations Act (including a purchase of its shares);
- (C) **(winding up)** the making of an application or the commencement of any proceedings or the taking of any other steps for the winding up, dissolution, or appointment of an administrator of the Manager or its subsidiaries (if any) or the entering into by the Manager or its subsidiaries (if any) of an arrangement, compromise or composition with or assignment for the benefit of its creditors, a class of them or any of them; and
- (D) **(auditors)** the appointment of and any change in the auditors of the Manager,

in which case the matter must be approved shareholders that together hold more than 75% of the total voting rights of shareholders present at the meeting of shareholders and entitled to vote on the resolution concerned. A quorum for a meeting of shareholders is constituted by the presence of at least one representative or proxy of each of CMI and Glennon Capital.

- **Business plan and budget:** At least 90 days before the commencement of each financial year of the Manager, the Manager must prepare and submit to the directors for approval a detailed draft business plan together with a detailed draft operating budget for the Manager and its subsidiaries (if any) for that next financial year.
- **Ongoing requirements:** the shareholders must ensure that the Manager and each of the entities it controls conducts the business in a proper and efficient manner in accordance with sound business practice and for its own benefit and so as to give effect to the approved business plan. The Manager must also provide its directors with information on an ongoing basis, such as management accounts (generally on a monthly basis) and audited financial statements at the end of each financial year.

(d) Issue of Shares

The board cannot approve the issue of shares to anyone without unanimous approval from the directors.

(e) Further Financing of the Manager

If the Manager requires any capital to fund its projected cash requirements it must:

- firstly, seek to obtain funding from the shareholders in their specified proportions, in the proportions of debt and equity and at the times determined by the Board and in the most tax efficient manner reasonably practicable for the shareholders; or
- if a shareholder decides not to provide the funding requested by the Manager, seek to borrow the required additional finance from its bankers or from other third party financiers on reasonable commercial terms providing such security as may be reasonably necessary.

(f) Dividends

Subject to the Manager's constitution, a decision to pay and the amount of any dividend will be:

- at the sole discretion of the board;
- based on the audited annual results of the Manager; and
- reviewed annually.

(g) Transfers of Shares

A shareholder cannot dispose of its shares unless it:

- complies with provisions of the Shareholders' Agreement regarding pre-emption; or

- obtains approval from each other shareholder.

The pre-emption rights referred to above provide that the shares offered for transfer will be offered to the remaining shareholder/s in proportion to their existing holdings. If the offer is not accepted, the shares are able to be transferred to a third party (nominated in advance by the shareholder disposing of its shares).

(h) Events of Default

An event of default generally occurs in respect of a shareholder in cases of unremedied breach of a material obligation by that shareholder, failure by a shareholder to provide capital or a guarantee or indemnity to or in respect of the Manager as required under any joint venture agreement, an insolvency event occurring to the shareholder or a change of control of the shareholder without consent of all other shareholders.

If an event of default occurs, non-defaulting shareholders have a right to purchase the defaulting shareholders' shares at a price determined by an independent expert.

Defaulting shareholders may not exercise any voting rights during the period that they are in default.

(i) Confidentiality

Each party to the Shareholders' Agreement must not use or disclose any confidential information relating to any other party, subject to standard exceptions.

(j) Relationship with the Manager's Constitution

If there is any inconsistency between the provisions of the Shareholders' Agreement and the provisions of the Manager's constitution, then the provisions of the Shareholders' Agreement prevail to the extent of the inconsistency and the Manager's constitution must be read and construed accordingly.

9.5 Custody Agreement and Administrative Services Agreement

If the Change of Business is approved by the Shareholders at the EGM, the Company will enter into a custody agreement and an administrative services agreement with an unrelated third party service provider for the provision of certain services relating to the management of the Portfolio.

Under the custody agreement, the investments forming part of the Portfolio will be held by the third-party custodian on behalf of the Company in exchange for an annual fee of \$10,000 (excluding GST) and a one-time set-up fee of \$10,000 (excluding GST). The custody agreement can be terminated for convenience by giving 180 days' notice or for material breach, insolvency of a party or loss of required licences or authorities.

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Under the administrative services agreement, the service provider will perform administrative services in respect of the Portfolio, such as cash reconciliation, monthly reporting and valuations. The annual fee payable by the Company under the administrative services agreement is \$18,000 (excluding GST) plus one basis point for any funds under management over \$50 million. There is a one-time set-up fee of \$3,000 (excluding GST) payable by the Company and a trade matching fee of \$5 per equity trade (excluding GST) payable by the Company. The administrative services agreement can be terminated for convenience by giving 180 days' notice or for material breach, insolvency of a party or loss of required licences or authorities.

9.6 NAB financing facilities

The Company has negotiated an extension of existing financing facilities it has in place with NAB (described in Section 5.7). These facilities have been extended until October 2017 on the same terms and conditions, with one addition: CMI must notify NAB within 7 days of investing cash in a trading entity outside of the current principal activities of CMI or, if as a result of investment, the principal activities of CMI are changed. When such a notification is given, NAB is entitled to review the facilities.

However:

- a waiver in respect of any particular investment can be obtained from NAB in advance;
- NAB has already consented to the Change of Business, so NAB only needs to be notified of particular investments that are made as noted above; and

- renegotiation or refinancing of the facilities will be required in any event by October 2017.

As at the date of this Prospectus, the only facility the Company has drawn on is the bank guarantee facility for \$253,121.

9.7 Litigation and claims

The Board is not aware of any actual or potential material litigation.

9.8 Consents to be named and disclaimers of responsibility

Each of the following parties (each a Consenting Party) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent to:

- be named in this Prospectus in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Prospectus; and
- the inclusion of other statements in this Prospectus which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by that party in the form and context in which they are included.

Name of Person	Capacity	Reports or Statements
Allens	Legal adviser to the Company	N/A
Ernst & Young	Auditor, tax advisor, and provider of financial due diligence services to the Company	Auditor of the Company's financial statements for FY14, FY15 and FY16 and provider of financial due diligence and taxation advisory services to the Company in connection with the Prospectus
Ernst & Young Transaction Advisory Services Limited	Investigating Accountant	Independent Limited Assurance Report in Section 8
Link Market Services Limited	CMI share registry	N/A
Michael Glennon	Proposed Director of the Company and controller of Glennon Capital	Statements referring to Michael Glennon being a proposed Director of the Company and statements referring to Michael Glennon controlling Glennon Capital
Glennon Capital Pty Ltd	Sub-Manager	Statements attributed to Glennon Capital in Sections 1.2, 3 and 4.3
Excelsior Asset Management Pty Ltd	Manager	Statements referring to the Manager's roles and responsibilities throughout this Prospectus

Each of the Consenting Parties:

- (i) to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, and makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus other than as described in this Section with that Consenting Party's consent;
- (ii) has not authorised or caused the issue of this Prospectus, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this Prospectus;
- (iii) excludes and disclaims all liability or any damage, loss (whether direct, indirect or consequential), cost or expense that may be incurred by you as a result of this Prospectus being inaccurate or incomplete in any way for any reason;
- (iv) has not made, or purported to make, any statement in this Prospectus other than those statements referred to above and as consented to by that Consenting Party.

9.9 Interests of advisors and experts

The Company has engaged the following professional advisors:

- (i) Allens has acted as Australian legal advisor in relation to the Prospectus, Change of Business and Share Buy-back. The Company has paid, or agreed to pay, approximately \$272,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Allens in accordance with its normal time based charges;
- (ii) Ernst & Young has provided financial due diligence services and acted as tax advisor to the Company. The Company has paid, or agreed to pay, approximately \$215,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Ernst & Young in accordance with its time-based charges; and
- (iii) Ernst & Young Transaction Advisory Services Limited has acted as Investigating Accountant and has prepared the Independent Limited Assurance Report included in this Prospectus in Section 8. The Company has paid, or agreed to pay, approximately \$15,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Ernst & Young Transaction Advisory Services Limited in accordance with its time-based charges.

9.10 Governing law

This Prospectus is governed by the law applicable in Queensland.

9.11 Authorisation of this Prospectus

Each Director has consented to the lodgement of this Prospectus with ASIC, as required by section 720 of the Corporations Act, and has not withdrawn that consent.

GLOSSARY

In this Prospectus:

2016 Annual Report	The Company's annual report for the 2015/2016 financial year The Company's annual report for the 2015/2016 financial year, available at http://www.cmilimited.com.au/Investor-Centre/?page=Annual-Reports . A copy may also be obtained free of charge by contacting the Share Registry using the details set out in the Corporate Directory.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
AEDT	Australian Eastern Daylight Time.
AFS	Available for sale.
AFSL	Australian Financial Services Licence.
ASIC	Australian Securities and Investments Commission.
Associate	Has the meaning given to that term in the Corporations Act.
ASX	ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires.
ASX Corporate Governance Principles	The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this Prospectus.
ATO	Australian Taxation Office.
Australian Accounting Standards	The Australian accounting standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
Australian Auditing Standards	The Australian auditing standards and other authoritative pronouncements issued by the Auditing and Assurance Standards Board.
Authorised Representative	A representative of an AFSL holder who is authorised to provide specific financial services on behalf of that AFSL holder.
Benchmark Return	The RBA Cash Rate on the last Business Day of the immediately previous Performance Period expressed as a percentage, plus 2% per annum.
Board	The board of directors of the Company.
Business Day	A day that is not a Saturday, Sunday, gazetted public holiday or bank holiday in New South Wales and concludes at 5.00pm on that day.
Buy-back Price	Has the meaning given in Section 2.3.
Change of Business	The Company's change in the nature of its activities to become an Investment Entity.
CMI Electrical	The business owned and operated by the Company, as described in Section 3.2(c).
Company or CMI	CMI Limited ACN 050 542 553.
Contract Date	The date on which an unconditional contract is formed between the Company and Shareholders who accept the Share Buy-back Offer, being 5 January 2017.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).

Custodian	A corporation which may be appointed by the Company from time to time as custodian of the whole or part of the Portfolio.
Directors	The directors (including any alternate directors) of the Company as at the date of this Prospectus.
EIR	Effective interest rate.
Extraordinary General Meeting or EGM	The extraordinary general meeting of Shareholders to be held on 21 December 2016.
Financial Information	Has the meaning given in Section 5.1.
FVOCI	Fair value through other comprehensive income.
FY14	The Company's financial year ended 30 June 2014.
FY15	The Company's financial year ended 30 June 2015.
FY16	The Company's financial year ended 30 June 2016.
Glennon Capital	Glennon Capital Pty Ltd ACN 137 219 866, AFSL 338567.
Gross Portfolio Return	The performance of the Portfolio before all fees, expenses or taxes. dividends, interest and other distributions are included on an accrual basis period. The Gross Portfolio Return is adjusted for the effect of contributions and withdrawals from the Portfolio.
Gross Portfolio Return Index	The index, being 1 on the commencement date under the Management Agreement or the Sub-Management Agreement (as applicable) and adjusted by the performance of the Gross Portfolio Return during each Performance Period.
Group	CMI Limited and its subsidiary entities.
GST	Goods and services tax.
High Water Mark	The highest Gross Portfolio Return Index at the end of each of the previous 4 Performance Periods, provided that during the first year of the Management Agreement or the Sub-Management Agreement (as applicable), the High Water Mark is the higher of 1 or the Gross Portfolio Return Index at the end of any preceding Performance Periods.
Historical Financial Information	Has the meaning given in Section 5.1.
Historical Cash Flows	Has the meaning given in Section 5.1.
Historical Statements of Profit and Loss for Continuing Operations	Has the meaning given in Section 5.1.
Historical Statement of Financial Position	Has the meaning given in Section 5.1.
Independent Limited Assurance Report	The report prepared by the Investigating Accountant in Section 8.
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited ACN 003 599 844.
Investment Entity	An investment entity as defined in the Listing Rules.

GLOSSARY

Investment Mandate	The investment mandate set out in Section 3.3.
Investment Strategy	The investment strategy set out in Section 3.6.
Listed Investment Company	An investment company listed on ASX, as defined by the <i>Income Tax Assessment Act 1997</i> (Cth).
Listing Rules	The official Listing Rules of ASX as amended or waived from time to time.
Manager	Excelsior Asset Management Pty Ltd (ACN 615 789 583), an incorporated joint venture company that will be owned in equal proportions by the Company and Glennon Capital.
Management Agreement	The management agreement proposed to be entered into between the Company and the Manager and summarised at Section 9.2.
NAB	National Australia Bank Limited.
Official List	The official list of ASX.
Performance Period	<p>The calendar quarter ending on the last Business Day of March, June, September and December of the relevant year that provided that:</p> <p>the first Performance Period commences on the commencement date of the Management Agreement or Sub-Management Agreement (as applicable) and ends on last Business Day of that calendar quarter; and</p> <p>the last Performance Period commences on the day after the immediately preceding calendar quarter ended and ends on the termination date of the Management Agreement or Sub-Management Agreement (as applicable).</p>
Portfolio	The portfolio of investments managed on behalf of the Company by the Manager and Sub-Manager, comprising initially of at least \$20 million.
Pro Forma Adjustments	Has the meaning given in Section 5.1.
Pro Forma Historical Financial Information	Has the meaning given in Section 5.1.
Pro Forma Historical Statement of Financial Position	Has the meaning given in Section 5.1.
Prospectus	This Prospectus, dated 18 November 2016.
RBA Cash Rate	The cash rate set by the Reserve Bank of Australia.
Share	A fully paid ordinary share in the capital of the Company.
Share Buy-back	The Company's offer to buy back 100% of each Shareholder's Shares up to an aggregate maximum of 10% of the Company's issued capital.
Shareholder	A registered holder of a Share.
Shareholders' Agreement	The shareholders' agreement proposed to be entered into between the Company and Glennon Capital in respect of the Manager.
Sub-Management Agreement	The sub-management agreement proposed to be entered into between the Manager and the Sub-Manager and summarised at 9.3.

Sub-Manager	Glennon Capital Pty Ltd ACN 137 219 866.
Supervised Agents	<p>An agent of the Manager under the Management Agreement or an agent of the Sub-Manager under the Sub-Management Agreement (as applicable), which acts under the control and supervision of the Manager or Sub-Manager (as applicable), not including a person which:</p> <p>is either a broker, a clearing house or a counterparty, or another person who acts in a broker, a clearing house or a counterparty capacity;</p> <p>is an agent whose conduct or actions is not capable of supervision by the Manager or Sub-Manager (as applicable) in respect of the particular matter to which reference is made (which, for the avoidance of doubt, does not include the Sub-Manager with reference to the Management Agreement); or</p> <p>acts in accordance with a direction of the Board or the board of the Manager (as applicable in respect of the particular matter to which reference is made).</p> <p>For the avoidance of doubt, a Supervised Agent of the Manager under the Management Agreement includes the Sub-Manager.</p>
TJM or TJM Products	TJM Products Pty Ltd ACN 009 887 325.
5% Share Buy-back Scenario	Has the meaning given in Section 5.1.
10% Share Buy-back Scenario	Has the meaning given in Section 5.1.

CORPORATE DIRECTORY

DIRECTORS

Leanne Catelan

Craig Green

Steven Miotti

COMPANY SECRETARY

Sharyn Williams

REGISTERED OFFICE

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