

Appendix 4D for the Half Year Ended 31 December 2013

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

This Half-Year Report is to be read in conjunction with the 2013 Annual Financial Report.

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

		Percentage Change %	Amount \$'000
Revenue	down	14%	to 49,473
Net profit before tax attributable to members from continuing operations	down	63%	to 3,154
Net profit/(loss) after tax attributable to members of the parent entity	down	64%	to 2,415

Dividends (Distributions)

	Amount per security	Franked amount per security
Interim dividend – Ordinary	3.00 ¢	3.00 ¢
- Payable 17 March 2014		

The dividend will be 100% franked.

Record date for determining entitlements to the dividend:

- interim dividend - Ordinary 3 March 2014

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

The Directors of CMI Limited announced today a net profit of \$2.4 million after tax for the half year to 31 December 2013. A summary of segment results can be found under Note 9 Segment Reporting and in the review of operations in the Directors Report of the Half Yearly Report for 31 December 2013.

The Electrical Division produced a pre-tax profit of \$6.4m, a decrease of \$3.9m on the 2012 half-year. Revenue decreased to \$27.1m, 27% (or \$9.8m) down on the prior comparative period.

CMI Electrical's performance was heavily influenced by softening demand in the resource sector. This, in combination with the weak economic conditions experienced in the lead up to Christmas, has impacted Electrical revenues. Potential growth in the civil infrastructure sector, together with the timing of a recovery in the mining industry, will be the key drivers for growth in demand for Electrical revenues going forward.

The TJM Products Division, comprising the Australian, Chinese and USA operations, produced a pre-tax loss of \$2.0m, a decrease in earnings of \$1.4m on the 2012 half-year. Revenue (excluding intercompany sales) increased to \$22.3m, 9% (or \$1.8m) up on prior comparative period. The result includes \$0.3m of one-off restructure costs.

Revenue from the TJM domestic stores network, excluding Original Equipment domestic sales, is up by 14% on the prior comparative period (PCP). This is a result of improved time to market on new product development, a more diversified product offering and more effective marketing programs. TJM has felt the impact of soft economic conditions in the lead up to Christmas with slowing demand and soft retail conditions in the OEM and the Australian aftermarket leading to reduced revenues in Q2 compared to Q1. Original Equipment revenues are up by 4% although sales are at significantly lower margins resulting in minimal or negative earnings growth on

increased sales. As outlined in the 2013 AGM presentation, sales are expected to decrease going forward due to aggressive pricing in this sector and softening demand. Export revenues are lower by 5% on PCP due to continuing weakness in some markets. Compared to the PCP, earnings are being impacted by margin pressure, predominantly caused by a lower AUD/USD exchange rate than experienced in the prior year and supplier cost increases.

The reform program for the TJM business is largely complete, with the Shenzhen manufacturing facility coming on line. This, together with the reforms to the TJM Australian franchise distribution model, more diversified product offerings to our distributors, improved speed to market for new products and expansion of our overseas outlets in high growth markets in Africa, Middle East and South America should result in an improved performance from the TJM business in FY15.

CMI has an ungeared balance sheet and is in a strong position to build value for its shareholders through a combination of selective acquisition of new businesses and investment in the organic growth of our existing businesses where the right opportunities arise.

The Directors propose to pay an interim dividend of \$0.03 per share in respect of Ordinary shares for the half year ended 31 December 2013. Dividend is payable on 17 March 2014 to shareholders registered on the Record Date of 3 March 2014.

Net Tangible Assets Per Ordinary Security

	31/12/13 \$	31/12/12 \$
Net tangible assets per ordinary security	\$1.32	\$1.24

Other Significant Information

Not Applicable

Information on Audit or Review

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

- | | | |
|---|--------------------------|---|
| <input type="checkbox"/> The accounts have been audited. | ✓ | The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

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

Not Applicable

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

Not Applicable

CMI Limited

**Results for Announcement to the Market
For the Half Year Ended 31 December 2013**

Half Yearly Report of CMI Limited for the Half Year Ended 31 December 2013

(ABN 98 050 542 553)

Current Reporting Period: Half Year ending 31 December 2013

Previous Corresponding Period: Half Year ending 31 December 2012

CMI Limited

Consolidated Statement of Comprehensive Income For the Half Year Ended 31 December 2013

	Note	31/12/13 \$'000	31/12/12 \$'000
Continuing operations			
Revenue	2(a)	49,473	57,501
Other income	2(b)	144	381
Changes in inventories		(2,046)	1,948
Raw materials expense		(27,515)	(33,873)
Sub-contractors expense		(521)	(553)
Employee benefits expense		(7,233)	(8,084)
Repairs, maintenance and consumables expense		(873)	(972)
ASX and share register expense		(71)	(46)
Occupancy expense		(2,224)	(1,988)
Travel and communication expense		(973)	(1,302)
Freight and cartage expense		(2,216)	(2,051)
Depreciation and amortisation expense	2(c)	(895)	(815)
Finance costs		(85)	(255)
Impairment expense	10	-	-
Other expenses		(1,811)	(1,449)
Profit from continuing operations before income tax expense		3,154	8,442
Income tax	5	(739)	(1,803)
Profit/(loss) for the period from continuing operations after income tax expense		2,415	6,639
Profit/(loss) for the period		2,415	6,639
Other comprehensive income/(loss) – Items That May be Reclassified Subsequently to Profit or Loss			
Foreign currency translation		190	(125)
Other comprehensive income/(loss) for the period, net of tax		190	(125)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		2,605	6,514
Profit/(loss) for the period is attributable to the owners of the parent		2,415	6,639
Total comprehensive income/(loss) for the period is attributable to the owners of the parent		2,605	6,514
<i>Earnings/(loss) Per Share:</i>			
From continuing operations:			
Basic (cents per share)	7	7.00	19.67
Diluted (cents per share)	7	6.91	19.43

Notes to the financial statements are included on pages 6 to 20

CMI Limited

Consolidated Statement of Financial Position As at 31 December 2013

	Note	31/12/13 \$'000	30/6/13 \$'000
Current Assets			
Cash and cash equivalents		2,684	6,600
Trade and other receivables		17,934	19,536
Inventories		27,384	29,430
Current Tax Assets		2,713	438
Total Current Assets		50,715	56,004
Non-Current Assets			
Other financial assets	10	-	-
Property, plant and equipment		5,549	5,351
Goodwill		7,149	6,850
Other intangible assets		4,177	3,387
Deferred tax assets		206	384
Total Non-Current Assets		17,081	15,972
Total Assets		67,796	71,976
Current Liabilities			
Trade and other payables		9,030	13,834
Borrowings		57	55
Other financial liabilities	12	7	-
Provisions		1,393	1,453
Total Current Liabilities		10,487	15,342
Non-Current Liabilities			
Borrowings		89	118
Provisions		160	128
Total Non-Current Liabilities		249	246
Total Liabilities		10,736	15,588
Net Assets		57,060	56,388
Equity			
Issued Capital		38,555	37,680
Reserves		7,170	7,715
Retained Profits		11,335	10,993
Total Equity		57,060	56,388

Notes to the financial statements are included on pages 6 to 20

CMI Limited

Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2013

	Issued Capital	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Class A Shares Reserve	Retained Profits / (Losses)	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013	37,680	239	674	6,802	10,993	56,388
Profit for the period	-	-	-	-	2,415	2,415
Net foreign exchange differences	-	190	-	-	-	190
Total comprehensive income for the half-year	-	190	-	-	2,415	2,605
Transactions with owners in their capacity as owners:						
Cash dividends	-	-	-	-	(2,073)	(2,073)
Employee equity-settled benefits	-	-	140	-	-	140
Exercise of performance rights	875	-	(875)	-	-	-
Balance at 31 December 2013	38,555	429	(61)	6,802	11,335	57,060
At 1 July 2012	37,227	(10)	162	6,680	1,181	45,240
Profit/(Loss) for the period	-	-	-	-	6,639	6,639
Net foreign exchange differences	-	(125)	-	-	-	(125)
Total comprehensive income/(loss) for the half-year	-	(125)	-	-	6,639	6,514
Transactions with owners in their capacity as owners:						
Class A share cancellation	-	-	-	(3)	-	(3)
Employee equity-settled benefits	-	-	37	-	-	37
Balance at 31 December 2012	37,227	(135)	199	6,677	7,820	51,788

Notes to the financial statements are included on pages 6 to 20

CMI Limited

Consolidated Statement of Cash Flows For the Half Year Ended 31 December 2013

	Note	31/12/13 \$'000	31/12/12 \$'000
<i>Cash Flows From Operating Activities</i>			
Receipts from customers (inclusive of GST)		59,439	63,528
Payments to suppliers and employees (inclusive of GST)		(56,330)	(57,184)
Interest and other costs of finance paid		(79)	(246)
Income tax (paid)/refunded		(2,837)	(4,374)
Net cash provided by operating activities	4(d)	193	1,724
<i>Cash Flows From Investing Activities</i>			
Interest received		41	36
Payment for property, plant and equipment		(379)	(496)
Acquisition of business	13	(573)	-
Proceeds from sale of property, plant and equipment		77	5
Payment for deferred expenditure		(1,262)	(656)
Net cash (used in) investing activities		(2,096)	(1,111)
<i>Cash Flows From Financing Activities</i>			
Proceeds from borrowings		-	240
Proceeds from share issue		-	-
Payment for share buyback		-	(3)
Repayment of borrowings		(33)	(3,887)
Dividends paid		(2,073)	-
Net cash provided by/(used in) financing activities		(2,106)	(3,650)
<i>Net Increase/(Decrease) In Cash and Cash Equivalents</i>		(4,009)	(3,037)
<i>Cash and Cash Equivalents At The Beginning Of The Financial Period</i>		6,600	5,622
Net foreign exchange differences		93	(118)
<i>Cash and Cash Equivalents At The End Of The Financial Period</i>		2,684	2,467
	4(a)		

Notes to the financial statements are included on pages 6 to 20

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

Note	Contents
1	Summary of Accounting Policies
2	Profit from Operations
3	Subsequent Events
4	Notes to the Statement of Cash Flows
5	Income Taxes
6	Details relating to Dividends (Distributions)
7	Earnings Per Share
8	Contingent Liabilities, Contingent Assets and Commitments
9	Operating Segments
10	Other Non-Current Financial Assets
11	Share-based Payments
12	Other Financial Liabilities
13	Business Combination

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

1. Summary of Accounting Policies

Basis of Preparation

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

The half year financial report does not include notes of the type normally included in an annual financial report and it is recommended that the half-year report be read in conjunction with the 2013 annual financial report and considered together with any public announcements made by CMI Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

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

This half-year consolidated financial report has been prepared by adopting accounting policies that are consistent with those accounting policies adopted in the annual financial statements for the year ended 30 June 2013.

New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2013 have been adopted. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

The new standards adopted include:

- AASB10 Consolidated Financial Statements,
- AASB11 Joint Arrangements
- AASB12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

The fair value of financial liabilities approximates carrying value, therefore no additional disclosure has been made.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods and have not yet been applied in the financial report. The Directors consider that these new or amended Standards and Interpretations do not have any material financial effect on the financial statements presented.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

	31/12/13	31/12/12
	\$'000	\$'000
2. Profit From Operations – continuing operations		
Profit from continuing operations before income tax includes the following items of revenue and expense:		
(a) Revenue		
Sales of goods	49,432	57,465
Interest – other persons	41	36
	49,473	57,501
(b) Other income		
Other income	144	381
	144	381
(c) Expenses		
Depreciation and amortisation of:		
Property, plant and equipment	(413)	(386)
Leased assets	(5)	(6)
Brandnames	-	-
Other intangibles	(477)	(423)
	(895)	(815)

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

3. Subsequent Events

In respect of the financial period ended 31 December 2013, the directors recommend the payment of an interim dividend to the holders of fully paid ordinary shares of \$0.03 per share. The dividend is payable on 17 March 2014 to shareholders registered on the Record Date of 3 March 2014.

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

31/12/13	31/12/12
\$'000	\$'000

4. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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

Cheque Accounts	2,684	2,467
Term Deposit	-	-
	2,684	2,467
Bank Overdraft	-	-
	2,684	2,467

CMI Limited

Notes to the Financial Statements For the Half Year Ended 31 December 2013

	31/12/13 \$'000	31/12/12 \$'000
4. Notes to the Statement of Cash Flows (continued)		
<i>(b) Non-Cash Financing and Investing Activities</i>		
<p>During the financial period, the economic entity acquired plant and equipment with an aggregate fair value of \$nil (2012: \$nil) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.</p>		
<i>(c) Financing Facilities</i>		
<p>The Group has a multi-option and bill acceptance/discount facility with the National Australia Bank, which is reviewed annually:</p>		
Amount used	-	4,000
Amount unused	11,000	7,000
	11,000	11,000
<p>The Group has a finance lease facility with the National Australia Bank, which is reviewed annually:</p>		
Amount used	146	199
Amount unused	1,854	1,801
	2,000	2,000
<i>(d) Reconciliation of Profit/(Loss) for the Period to Net Cash Flows From Operating Activities</i>		
Profit/(loss) for the period	2,415	6,639
(Gain)/loss on disposal of non-current assets	(53)	(4)
Depreciation and amortisation of non-current assets	895	815
Interest income classified as investing cash flow	(41)	(36)
Finance lease interest	6	10
Equity settled share-based payment	140	37
Unrealised Foreign Exchange (Gain)/Loss	7	-
(Increase)/ decrease in current tax balances	(2,276)	(2,989)
(Increase)/ decrease in deferred tax balances	179	417
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Current receivables	1,977	(1,630)
Current inventories	2,020	(1,953)
Increase/(decrease) in liabilities:		
Current payables	(5,049)	357
Current provisions	(59)	63
Non-current provisions	32	(2)
Net cash from operating activities	193	1,724

CMI Limited

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

5. Income Taxes

	31/12/13	31/12/12
	\$'000	\$'000

(a) Income tax recognised in profit or loss

Tax expense comprises:

The prima facie income tax on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Total profit/(loss) before income tax	3,154	8,442
Income tax calculated at 30%	946	2,533
Add/(Deduct)		
Research & development incentive	(300)	-
Other items	93	(149)
(Over)/Under provision of income tax in previous year-continuing operations	-	(581)
Aggregate income tax expense	739	1,803

6. Details Relating to Dividends (Distributions)

		Amount per security	Franked Amount per security
		€	€
Interim dividend – Ordinary	2014	3.00	3.00
Final dividend – Ordinary	2013	6.00	6.00

Interim dividend (distribution) on all securities

	31/12/13	31/12/12
	\$'000	\$'000
Ordinary securities	1,037	-
Total	1,037	-

Any other disclosures in relation to dividends (distributions):

The Directors propose to pay an interim dividend of \$0.03 per share in respect of Ordinary shares for the half year ended 31 December 2013. Dividend is payable on 17 March 2014 to shareholders registered on the Record Date of 3 March 2014.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

7. Earnings Per Share

	31/12/13	31/12/12
	¢ per share	¢ per share
Basic earnings per share	7.00	19.67
Diluted earnings per share	6.91	19.43

Basic Earnings per Share

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

	31/12/13	31/12/12
	\$'000	\$'000
Net profit/(loss)	2,415	6,639
Earnings used in the calculation of basic EPS	2,415	6,639

	31/12/13	31/12/12
	No. '000	No. '000
Weighted average number of ordinary shares (a)	34,470	33,753

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

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

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

Diluted Earnings/(Loss) per Share

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

	31/12/13 \$'000	31/12/12 \$'000
Net profit/(loss)	2,415	6,639
Earnings used in the calculation of diluted EPS	2,415	6,639
	31/12/13 No. '000	31/12/12 No. '000
Weighted average number of ordinary shares and potential ordinary shares (a)	34,920	34,171

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

	31/12/13 No. '000	31/12/12 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	34,470	33,753
Share options and performance share rights (i)	450	418
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	34,920	34,171

- (i) Share options and performance share rights are included on the basis that they are dilutive.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

8. Contingent Liabilities, Contingent Assets and Commitments

	31/12/13 \$'000	30/06/13 \$'000
<i>Contingent liabilities</i>		
Guarantees issued to bank in respect of lease of premises and supply contract performance	748	1,164
Letters of credit in respect of overseas purchases	125	753
	873	1,917

Guarantees over CMI Industrial Premises Leases

CMI Limited has provided guarantees in respect of certain land and buildings leased by CMI Industrial Pty Ltd which were granted prior to the sale of the engineering division to CMI Industrial Pty Ltd by CMI Limited. The lessors under those leases may look to CMI for any unpaid amounts due by Industrial under those leases. A payment of \$213 thousand was made relating to these guarantees during the 2012 year and resulted in a Deed of Release being finalised for one property leaving one guarantee in place. At this stage, no material net cash outflows by CMI Limited are expected.

Contingent assets

Option to purchase

The sale of the Engineering business to CMI Industrial Pty Ltd included a vendor loan provided by CMI Limited to CMI Industrial Pty Ltd (refer Note 10) and an option granted to CMI Limited to purchase a portion of the entity that acquired the Engineering business should certain trigger events such as failure to repay the vendor loan, failure to transfer certain leases or failure to settle creditors occur. As noted in Note 10, entities associated with this option have entered liquidation. Exercise of the option by CMI Limited would require the surrender of the vendor loan and approval of the liquidator.

The Directors have assessed the fair value of this option as \$nil at 31 December 2012 and 31 December 2013 and do not expect to exercise this option at any point unless circumstances change.

CMI Limited

Notes to the Financial Statements For the Half Year Ended 31 December 2013

9. Operating Segments

Information on reportable operating segments from continuing operations:

BUSINESS	CONTINUING OPERATIONS									
	TJM Products – Australia/USA		TJM Product – China		TJM Product – Total		Electrical Components		Consolidated	
	31/12/13 \$'000	31/12/12 \$'000	31/12/13 \$'000	31/12/12 \$'000	31/12/13 \$'000	31/12/12 \$'000	31/12/13 \$'000	31/12/12 \$'000	31/12/13 \$'000	31/12/12 \$'000
REVENUE										
External sales – Domestic	17,011	14,951	-	-	17,011	14,951	27,142	36,955	44,153	51,906
External sales – Export	4,303	5,417	985	158	5,288	5,575	-	-	5,288	5,575
Intersegment sales (i)	-	-	1,758	1,510	-	-	-	-	-	-
Total Segment Revenue	21,314	20,368	2,743	1,668	22,299	20,526	27,142	36,955	49,441	57,481
Interest income									32	20
Total revenue per the statement of comprehensive income									49,473	57,501
RESULT										
Segment result	(1,815)	(794)	(177)	212	(1,992)	(582)	6,430	10,281	4,438	9,699
Reconciliation of segment net profit before tax to net profit/(loss) after tax per the statement of comprehensive income										
Interest income									32	20
Employee benefits									(540)	(594)
ASX and share register expense									(71)	(46)
Borrowing costs									(79)	(246)
Other expenses from ordinary activities									(626)	(391)
Income tax expense									(739)	(1,803)
Profit/(loss) after tax per the statement of comprehensive income									2,415	6,639

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

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

CMI Limited

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

9. Operating Segments (continued)

BUSINESS	TJM Products – Australia/USA		TJM Product – China		TJM Product – Total		Electrical Components		Consolidated	
	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000
SEGMENT ASSETS										
Segment assets	26,627	26,131	2,623	2,789	29,250	28,920	34,223	38,141	63,473	67,061
Reconciliation of segment assets to the statement of financial position										
Cash and cash equivalents									1,144	3,903
Other financial assets									-	-
Future income tax benefits									356	535
Property, Plant & Equipment									5	6
Other assets									105	33
Current tax assets									2,713	438
Total assets from continuing operations per the statement of financial position									<u>67,796</u>	<u>71,976</u>

CMI Limited

Notes to the Financial Statements For the Half Year Ended 31 December 2013

9. Operating Segments (continued)

BUSINESS	TJM Products – Australia/USA		TJM Product – China		TJM Product – Total		Electrical Components		Consolidated	
	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000
SEGMENT LIABILITIES										
Segment liabilities	6,053	5,626	886	1,265	6,939	6,891	3,329	7,720	10,268	14,611
Reconciliation of segment liabilities to the statement of financial position										
Other Liabilities									468	977
Total liabilities from continuing operations per the statement of financial position									<u>10,736</u>	<u>15,588</u>

Products and Services within each Business Segment

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

- TJM Products – the design, distribution and marketing of components and parts for 4WD, light commercial and heavy transport vehicles.
- Electrical Components – the manufacture and distribution of specialist cabling and electrical products for a range of industry sectors.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

10. Other Non-Current Financial Assets

	31/12/13	30/06/13
	\$'000	\$'000
Other receivables		
Loan receivable	17,000	17,000
Provision for Impairment	(17,000)	(17,000)
	-	-

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

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

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

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

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

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

Administrators and Receivers were appointed to CMI Industrial Pty Ltd on 26 April 2012. An amount of \$186 thousand was received during the prior year from the administrator. A further \$18 thousand was received in the current period. These amounts are provisional payments only and subject to variation. As a result of this, the amount has not yet been recognised as income. The amount is recorded as a current liability at 31 December 2013.

At 31 December 2013, principal and interest arrears, including default interest and charges, and earlier adjustments due under the original sale agreements total, \$22.7 million.

In forming the accounts at 31 December 2013 and subsequent to this date the Board's assessment of the recoverable value of the loan and guarantee has not changed with respect to this asset. The loan is carried at a nil value and is classified as a non-current asset as the Board of CMI Limited does not expect the loan to be repaid in the following 12 month period.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

11. Share-based Payment

Issued During the Period

There were nil (2012: 500,000) performance rights issued during the period.

Existing at Beginning of Period

At 31 December 2013, 450,000 performance rights, exercisable at \$nil per right, were outstanding. These performance rights were on issue for the whole of the period ended 31 December 2013.

At 1 July 2013, 950,000 performance share rights over ordinary shares were outstanding. 500,000 performance rights were exercised in August 2013. As a result, 500,000 ordinary shares were issued to Colin Ryan.

Total Options and Performance Share Rights

At 31 December 2013, 450,000 performance share rights, over ordinary shares were outstanding. At 19 February 2014, an invitation for 350,000 performance share rights remains extended to the General Manager – Electrical under the Company's Performance Rights Plan (PRP). The exercise price of the rights is nil.

For the six months ended 31 December 2013, the Group has recognised \$140,195 of share-based payment transactions expense in the statement of comprehensive income (2012: \$37,021).

12. Other Financial Liabilities

	31/12/13 \$'000	30/06/13 \$'000
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts	7	-
	7	-
	7	-

At 31 December 2013, the company had entered into \$900,000 of US dollar forward contracts and options. The contracts had a fair value of \$7,069 (liability) at 31 December 2013. The company has not applied hedge accounting and all fair value movements are thus recorded in the profit and loss. Future fair value movements until expiry of these contracts in June 2014 will be recorded in the profit and loss.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2013**

13. Business Combination

Businesses Acquired

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

	31/12/13 \$'000
Consideration	
Cash and cash equivalents	573
	573
 Fair Value of Net Assets Acquired	
Current assets:	
Inventories	72
Non-current assets:	
Property, plant and equipment	202
Net assets acquired	274
Goodwill on acquisition	299
	573
 Net Cash Outflow on Acquisition	
Cash and cash equivalents consideration	573
Less cash and cash equivalents balances acquired	-
	573

The consolidated statement of comprehensive income includes sales revenue and net profit/(loss) for the half year ended 31 December 2013 of \$nil and (\$41,522) respectively, as a result of the acquisition of the assets of Flameproof Engineering.

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

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

CMI LIMITED
DIRECTORS' REPORT

The Directors of CMI Limited submit herewith the financial report for the half-year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

Name

Danny Herceg (Chairman)
Ross K. Rolfe (Director)
Leanne J. Catelan (Director)
Sharyn R. Williams (Director)

Danny Herceg, Ross Rolfe, Leanne Catelan and Sharyn Williams held office during the entire half-year and all have held office since the end of the half-year.

REVIEW OF OPERATIONS

Revenue for the half-year from continuing operations was \$49.473 million (2012: \$57.501 million). The company's profit after tax from continuing operations was \$2.415 million (2012: profit \$6.639 million).

The Electrical Division produced a pre-tax profit of \$6.4m, a decrease of \$3.9m on the 2012 half-year. Revenue decreased to \$27.1m, 27% (or \$9.8m) down on the prior comparative period.

CMI Electrical's performance was heavily influenced by softening demand in the resource sector. This, in combination with the weak economic conditions experienced in the lead up to Christmas, has impacted Electrical revenues. Potential growth in the civil infrastructure sector, together with the timing of a recovery in the mining industry, will be the key drivers for growth in demand for Electrical revenues going forward.

The TJM Products Division, comprising the Australian, Chinese and USA operations, produced a pre-tax loss of \$2.0m, a decrease in earnings of \$1.4m on the 2012 half-year. Revenue (excluding intercompany sales) increased to \$22.3m, 9% (or \$1.8m) up on prior comparative period. The result includes \$0.3m of one-off restructure costs.

Revenue from the TJM domestic stores network, excluding Original Equipment domestic sales, is up by 14% on the prior comparative period (PCP). This is a result of improved time to market on new product development, a more diversified product offering and more effective marketing programs. TJM has felt the impact of soft economic conditions in the lead up to Christmas with slowing demand and soft retail conditions in the Original Equipment (OEM) and the Australian aftermarket leading to reduced revenues in Q2 compared to Q1. Original Equipment revenues are up by 4% although sales are at significantly lower margins resulting in minimal or negative earnings growth on increased sales. As outlined in the 2013 AGM presentation, sales are expected to decrease from the OEM sector going forward due to aggressive pricing in this sector and softening demand. Export revenues are lower by 5% on PCP due to continuing weakness in some markets. Compared to the PCP, earnings are being impacted by margin pressure, predominantly caused by a lower AUD/USD exchange rate than experienced in the prior year and supplier cost increases.

The reform program for the TJM business is largely complete, with the Shenzhen manufacturing facility coming on line. This, together with the reforms to the TJM Australian franchise distribution model, more diversified product offerings to our distributors, improved speed to market for new products and expansion of our overseas outlets in high growth markets in Africa, Middle East and South America should result in an improved performance from the TJM business in FY15.

CMI has an ungeared balance sheet and is in a strong position to build value for its shareholders through a combination of selective acquisition of new businesses and investment in the organic growth of our existing businesses where the right opportunities arise.

A summary of segment results can be found under Note 9 Segment Reporting and the review of operations in the Directors Report of the Half Yearly Report for 31 December 2013.

The Directors propose to pay an interim dividend of \$0.03 per share in respect of Ordinary shares for the half year ended 31 December 2013. The dividend is payable on 17 March 2014 to shareholders registered on the Record Date of 3 March 2014.

INDEPENDENCE DECLARATION BY AUDITORS

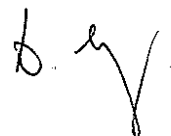
The auditor's independence declaration is included on page 26.

ROUNDING OFF OF AMOUNTS

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

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors



Danny Herceg
Chairman



Sharyn R. Williams
Director

BRISBANE Dated: 19 February 2014

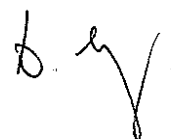
CMI LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the consolidated entity.
 - (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Danny Herceg
Chairman



Sharyn R. Williams
Director

BRISBANE

Dated: 19 February 2014

Report on the Half-Year Financial Report to the members of CMI Limited

We have reviewed the accompanying half-year financial report of CMI limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CMI Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

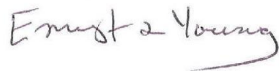
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.


Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Brad Tozer
Partner
Brisbane
19 February 2014



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Auditor's Independence Declaration to the Directors of CMI Limited

In relation to our review of the financial report of CMI Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Brad Tozer
Partner
19 February 2014