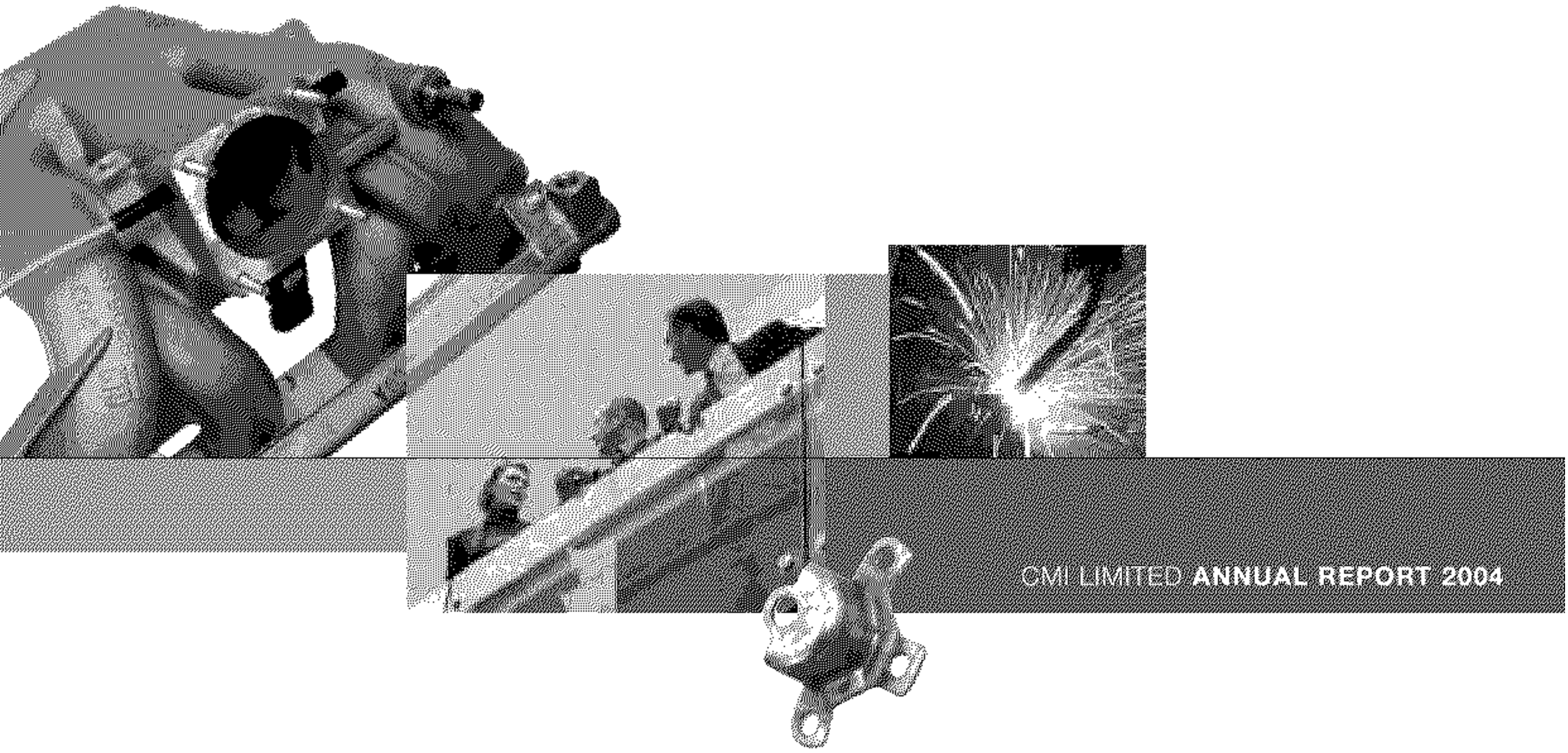


CMI LIMITED **ANNUAL REPORT 2004**

cmi

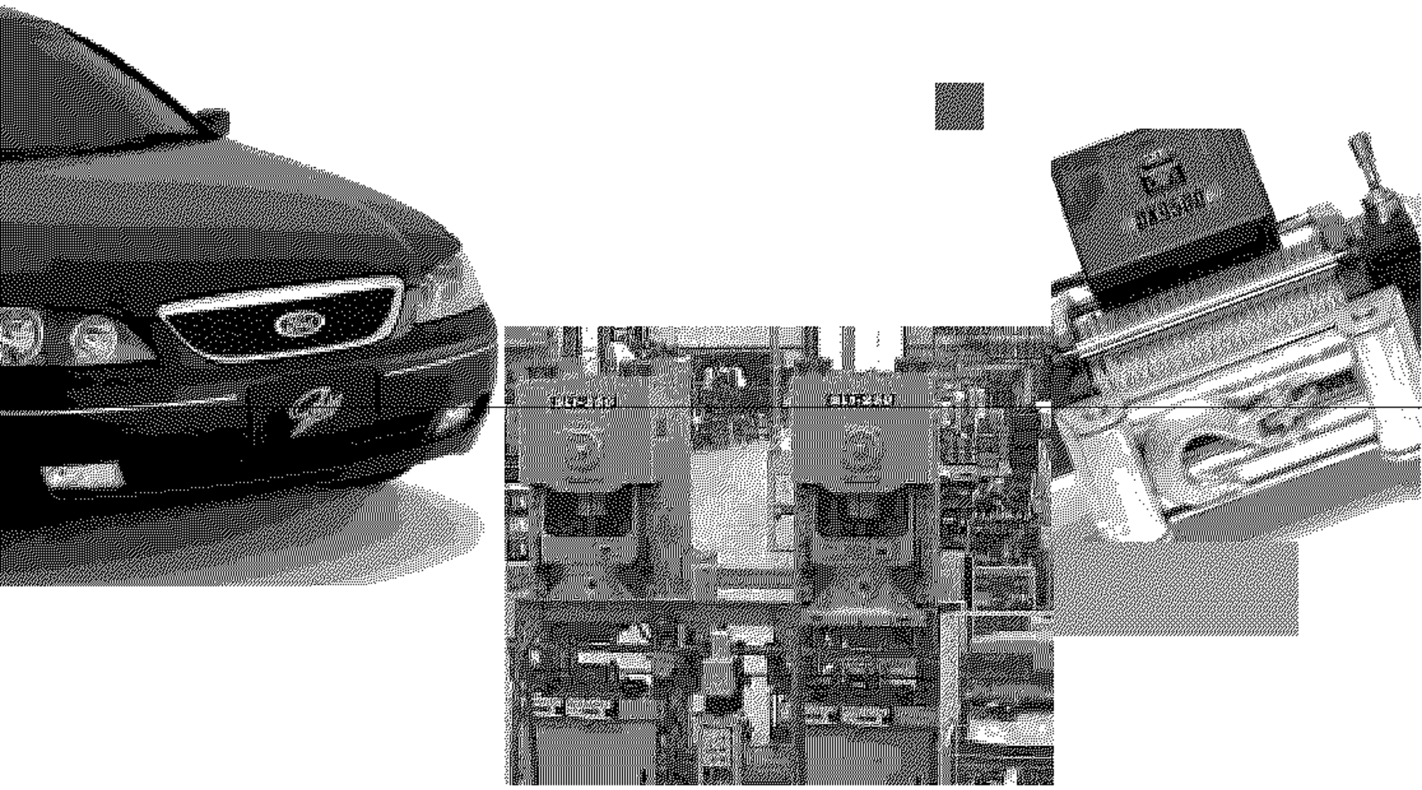
Contents

Annual General Meeting

The Annual General Meeting of CMI Limited will be held at McCullough Robertson Lawyers Auditorium, Level 16, Central Plaza Two, 66 Eagle Street, Brisbane on Tuesday, 26 October 2004 at 9.00 A.M. The business of the meeting is outlined in the formal Notice and Proxy Form that are enclosed with this report.

Financial Calendar

Financial year end	30 June 2004
ASX announcement of results and dividend	26 August 2004
Record closing date for final dividend (ordinary shares) entitlement	19 October 2004
Annual General Meeting	26 October 2004
Final dividend (ordinary shares) payment	2 November 2004



2004 Highlights

CMI

CMI Limited is an expanding Australian-based company which operates through two major business arms:

- manufacture and distribution of automotive, 4WD, heavy transport, electrical components and accessories through 14 facilities in Australia, New Zealand and the US.
- financial services through its fully owned subsidiary Capitalcorp Finance & Leasing Pty Ltd (Capitalcorp), which operates from 31 offices throughout Australia.

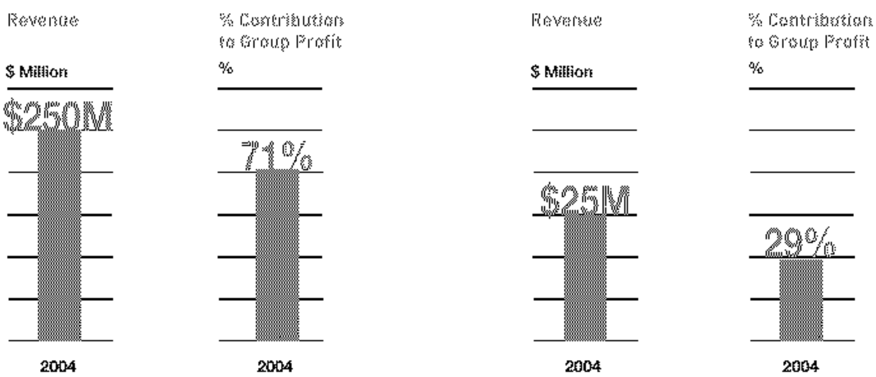
CMI has progressively expanded its revenue base from around $25 million at the time of its ASX listing in 1993, to in excess of $275 million in 2003/2004 through organic growth and a number of strategic acquisitions.

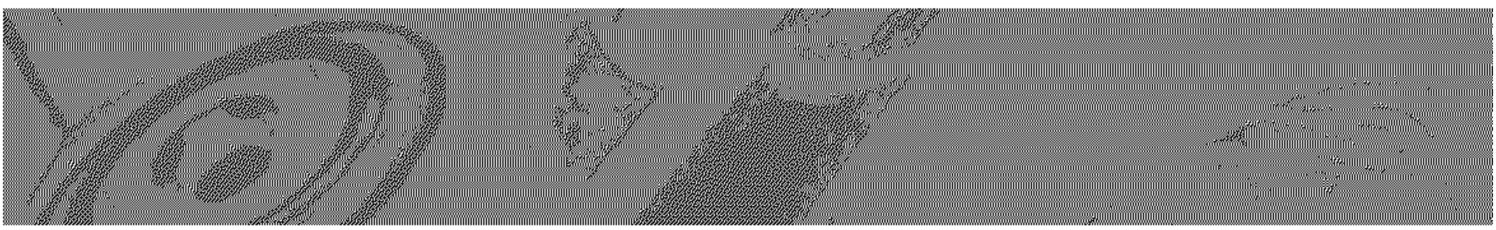
Among the company's major customers are Holden, Ford, Nissan, Dana, Autoliv, Bosch and Meritor in Australia; and Pacifica Limited in the US.

Head-officed in Brisbane, CMI employs over 1,300 people and as at 30 June 2004, had approximately 5,200 shareholders.

Manufacturing/ Distribution

Finance





Financial

- Operating profit after tax increases 46% to a record $10.6 million, with the group's new Financial Services arm producing an outstanding first-up contribution of $3.1 million.
- Group revenue increases 41% to $275.6 million as a result of first full year contributions from CMI Forge, Toowoomba Metal Technologies (TMT), the new Financial Services arm (Capitalcorp) and solid gains by the group's core manufacturing and distribution businesses.
- Basic earnings per share also strengthened, up from 18.29 cents to 26.41cents.
- EBIT increases to $19.7 million by year end compared with $14.0 million 12 months prior.
- Operating cash flow increased to $17.2 million up from $5.1 million for the prior year.
- A one cent increase to the final dividend lifts full-year payment to ordinary shareholders to 12 cents per share fully franked, up from 10 cents in the prior year.
- Announcement (10th September 2004) of Share Purchase Plan to all shareholders offering acquisition of up to $5,000 of additional ordinary shares at $1.95 per share.

Operational

- Diversification of the group's revenue base with the creation of a new Financial Services arm following the acquisition of the national chattel finance broker network, Capitalcorp.
- Record automotive sales and new model releases drive production volumes up at all CMI's core manufacturing businesses.
- CMI's Engineered Components Division finalised several forward supply arrangements to come on-stream progressively from 2004/2005 with Holden and Mitsubishi.
- CMI Springs New Zealand reports record year and relocates to new, enlarged premises to increase capacity.
- TMT commences pilot program to supply wheel assemblies to Dana Canada.
- TJM commences construction of new 9,100 m^2 facility at Geebung which is due for completion in October 2004.
- TJM develops a range of smooth shell canopies and stainless steel products for launch in 2004/2005 year.
- CMI USA successfully extends supply arrangement with PBR until 2008.

Financial Summary

	2000 $'000	2001 $'000	2002 $'000	2003 $'000	2004 $'000	% Change
Group Revenue	144,864	123,081	130,389	195,045	275,604	41
Earnings before Depreciation, Interest & Tax	13,900	14,811	14,013	19,655	26,926	37
Depreciation & Amortisation	(3,956)	(3,847)	(4,247)	(5,678)	(7,235)	25
Earnings before Interest & Tax	9,944	10,964	9,766	13,977	19,691	41
Interest & Finance Charges	(2,393)	(1,927)	(1,973)	(3,197)	(3,674)	15
Operating Profit before Tax	7,551	9,037	7,793	10,780	16,017	49
Operating Profit after Tax	5,010	6,609	5,167	7,229	10,585	46
Earnings per Share						
- Basic (Cents)	16.71	17.29	12.12	18.29	26.41	44
Dividends						
- Ordinary ($'000)	2,701	3,822	2,208	2,704	2,989	11
- Preference ($'000)	1,244		2,219	2,546	3,405	34
Dividends per Share						
- Ordinary (Cents)	10.00	10.00	10.00	10.00	12.00	20
- Preference (Cents)	13.00		12.00	12.50	13.25	6
Shareholders Funds ($'000)	39,174	41,598	51,023	65,619	70,177	7
Net Tangible Assets per Share (cents)*	76.20	89.06	79.70	90.42	43.62	(52)
Number of Employees	761	675	699	1,146	1,311	14

** The reduction in Net Tangible Assets per Share reflects the difference between the purchase price and net assets acquired of Capitalcorp.*

Chairman's Review

There has been an undoubted transformation of CMI over the last 24 months, with the size of the businesses we manage growing in both scale and diversity.

This change has primarily resulted from the investments made in improving our existing businesses, and accelerating our organic growth through selected acquisitions. Over this period we have added some excellent new businesses to our core operations, including CMI Forge and Toowoomba Metal Technologies which are already making pleasing contributions to our earnings base.

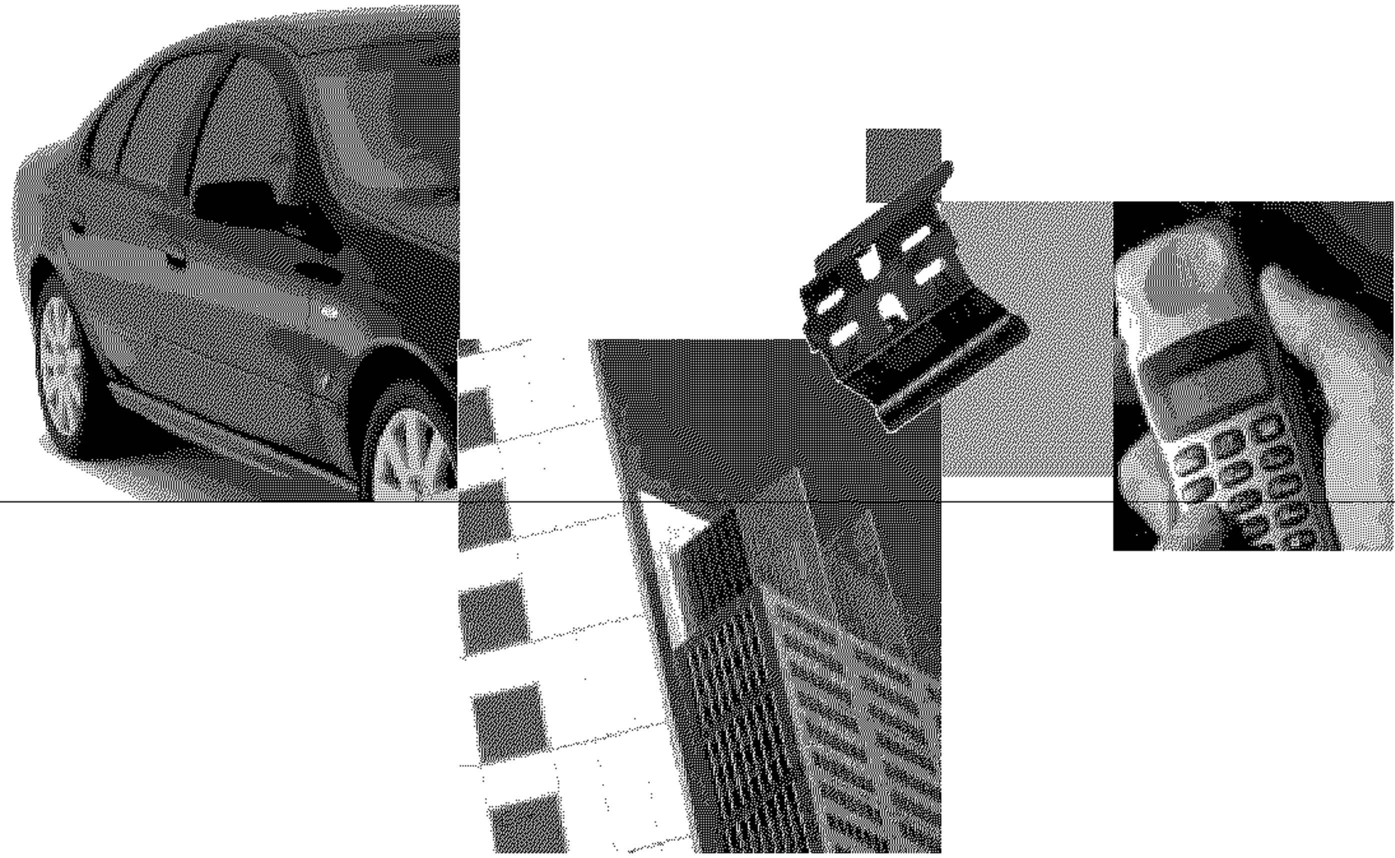
In 2003/2004 CMI made the strategic decision to diversify outside our traditional operations by investing in the financial services sector. As shareholders will read, this acquisition, Capitalcorp, made a positive initial contribution to our profit in 2003/2004 and we are confident of expanding this side of our business in the years ahead.

The substantial progress CMI has made over the past two years is clearly reflected by our revenue base climbing to over $275 million, which represents an eleven-fold increase over the past 10 years. The past year also witnessed our first double-digit net profit result of $10 million plus, and a record dividend payment of 12 cents per ordinary share fully franked to shareholders.

Most pleasingly, the continued transformation of CMI has been achieved in accordance with the board's previously well-documented commitment to shareholders. The underlying principles of this commitment are:

- Quarantine high risk opportunities from our growth strategy;
- Not sacrificing profit for growth;
- Ensuring all new ventures or investments are cash flow positive;
- Rewarding shareholders with increased franked dividends as profitability rises; and
- Providing existing shareholders with preferential access to increase their holdings during capital raisings.

In formally reviewing this year's results, directors were made aware of the returns generated by CMI on the $54.9 million capital that shareholders have invested since our listing on the ASX in 1993. As a function of shareholders' capital CMI's net profit after tax of $10.6 million represents an annual yield of 19.3%, or 29.1% on a before tax basis.



Judged from any perspective, I believe these returns clearly indicate that CMI's directors and management have managed shareholders' investment in the company judiciously.

Shareholders would recently have received details of a Share Purchase Plan. Under this offer which is restricted to existing shareholders, all holders of ordinary and preference shares are entitled to purchase up to $5,000 of additional CMI ordinary shares. The offer is being made at a 12.8% discount to the weighted average share price of $2.24 for all shares traded through the ASX in the 4 weeks to 9 September 2004. The price is free of all brokerage, commission and stamp duty fees. Proceeds of the Share Purchase Plan, through which we expect to raise between $8 million to $10 million, will be used to assist funding the growth planned for our existing businesses.

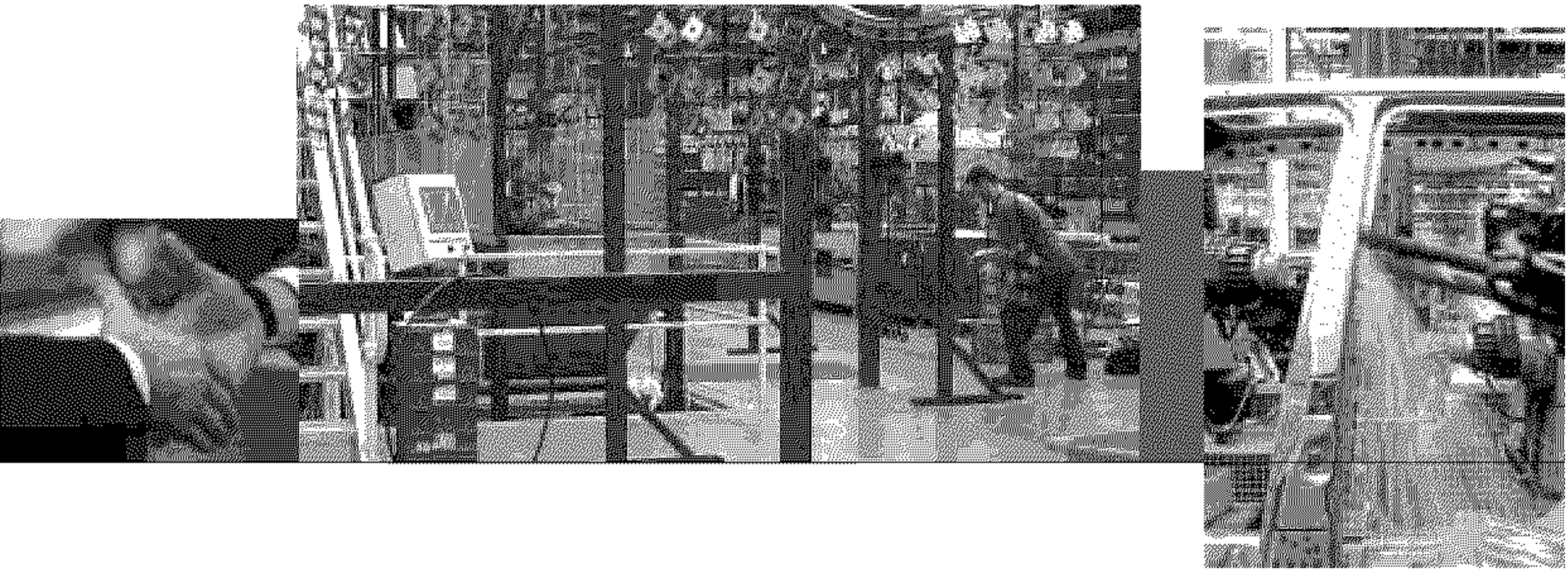
As part of this strategy we are currently investing in additional capacity at our TJM and Toowoomba Metal Technologies factories and are planning geographical expansion in our Electrical Components Division.

While these initiatives will help underpin CMI's future growth platform, our focus in the year ahead will be on consolidating our existing businesses through further improving efficiencies and reducing costs where applicable.

All our existing businesses have growth opportunities and it is essential that we don't sacrifice this future potential by simply aiming for short-term gain rather than building sound bases for the longer term. In 2004/2005 we are expecting to achieve further increases to CMI's profitability, albeit not as spectacular as last year, but certainly solid and in line with prevailing economic conditions.

Max Hofmeister
Chairman

Chief Operating Officer's Review



A successful year

2003/2004 was a year of considerable progress and achievement for CMI. Above all it was a period in which the company made a strategic diversification outside its traditional operations by investing in an established and successful Financial Services business, Capitalcorp.

This key investment, which made an outstanding contribution to group earnings in 2003/2004, now provides CMI with two major operating arms – Manufacturing/Distribution and Financial Services.

This acquisition undoubtedly makes CMI a more robust company with diversified income streams and one which is naturally more resilient to any future cyclical fluctuations in the automotive and transport sectors.

Most importantly and as is outlined later in this report in more detail, the establishment of this secondary arm opens CMI's earnings base to the services sector of the Australian economy.

Record Results

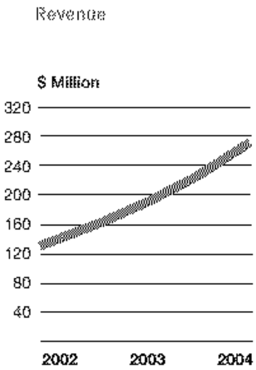
Another record output by Australia's car makers plus contributions from recent acquisitions including our new Financial Services arm combined to push revenue 41% higher to $275.6 million in the year to 30 June 2004.

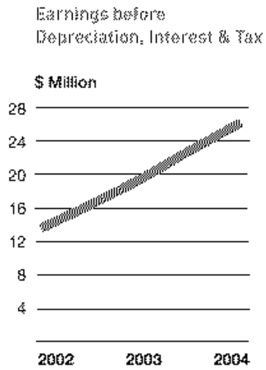
Sustained demand from a buoyant domestic car industry resulted in revenue from our core manufacturing and distribution activities increasing 14% over the prior year.

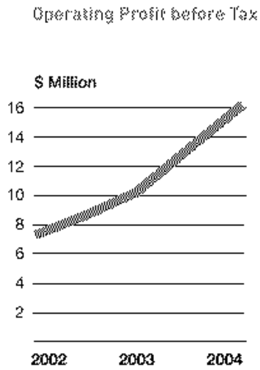
In addition the two acquisitions settled in October and December 2002, Toowoomba Metal Technologies (TMT) and CMI Forge made their first full year contributions to group results.

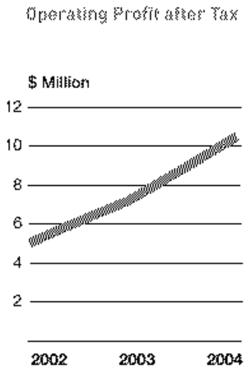
Our new Financial Services arm, Capitalcorp, traded ahead of budget and accounted for 9% of total revenue.

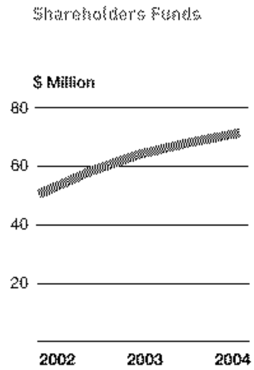
Heavy global demand for steel products increased raw material costs in the Engineering Components Division during the second half and we expect this trend to continue during the 2004/2005 year.











The effect of these cost increases was somewhat offset by an outstanding profit contribution from the new Financial Services business and contributions by our Electrical Components Division and TJM which both returned record performances.

As a result CMI's operating profit before tax increased 49% to $16.0 million. Following income tax expenses of $5.4 million, our net profit after tax rose 46% to a record $10.6 million.

The results represent earnings per share on a diluted basis of 23.91 cents per share, a 39% rise over 2002/2003.

In declaring a final fully franked dividend of six cents per ordinary share, directors lifted the year's fully franked payout to 12 cents per ordinary share, 2¢ or 20% up on the prior year.

Directors also declared a final quarter payment of 3.3125 cents per share fully franked on the company's preference shares, resulting in a full year payout to preference shareholders of 13.25 cents fully franked.

In total, dividends paid to CMI's ordinary and preference shareholders in the 2003/2004 financial year amounted to $6.395 million, representing around 60% of the net profit result.

Outlook

The investments made over recent years to expand and upgrade our production capabilities in the Engineered Components area have provided CMI with a base from which we can continue to grow this traditional side of our business. Importantly, our manufacturing operations can now provide our customers with a broader range of products and services along the supply chain.

This extended platform helped us to gain new business in 2003/2004, some of which will come on-stream as revenue in the current financial year. These new supply arrangements include:

- a number of parts for the 2006 Commodore;
- drive shaft components for the new Toyota Camry;
- a first with Mitsubishi to supply components for the new Magna,
- forgings to be exported to Mexico; and
- four wheel drive accessories for Nissan.

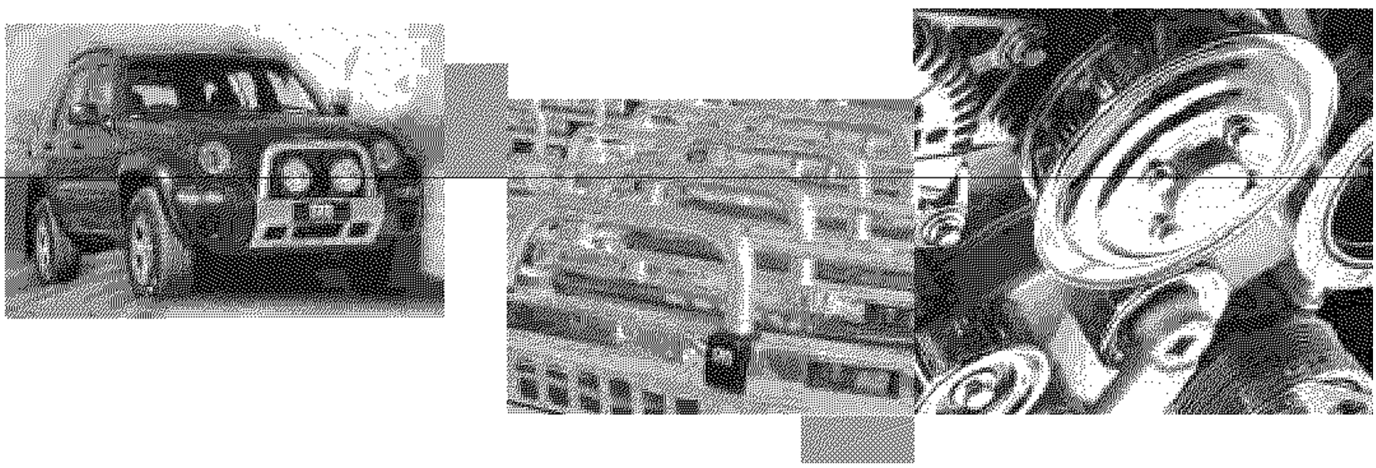
We also expect our 4WD Components business, TJM, to make further market in-roads in 2004/2005. Several new products are due for release during the year and when combined with the enhanced logistics and distribution capability afforded by the new premises to be opened in October 2004, provide a base from which the business can continue to grow.

CMI's Electrical Components Division is also expected to expand during the year ahead and is well placed to make another positive contribution to group earnings in 2004/2005.

Based on the strong first year performance by CMI's new Financial Services arm and our plans to expand the scale of operations in the current financial year, we are confident the business will make another significant contribution to earnings in 2004/2005. Our planned expansion of Capitalcorp's commercial lending operations should result in both revenue and profit gains in the current year.

While the group is budgeting for improved financial performance in 2004/2005, shareholders should remain mindful of the impact made on group results in the 2003/2004 financial year by the first full year effects of our acquisitions in both the traditional and new areas of our business.

Warren Hill
Chief Operating Officer



CMI Business Overview

	Engineered Components & 4WD Components		Electrical Components	US Operations	Financial Services
BUSINESS ACTIVITY	- Manufacture of precision engineered components for end manufacturers	- Manufacture and marketing of components and accessories for 4WD and light commercial vehicles	- Manufacture of specialist cabling and electrical products	- Distribution of CMI manufactured brake and 4WD components	- Consumer and commercial brokerage
BUSINESS NAMES	- CMI Operations - CMI Forge - Toowoomba Metal Technologies	- TJM Products	- Hartland Cables - Mano Industrial Products	- CMI Operations - TJM USA	- Capitalcorp Finance and Leasing
PRODUCTS	- Seat belt, suspension and brake components, inlet, exhaust manifolds, axle and transmission components - Truck, trailer and bus brake drums, wheel assemblies - Railway components - Water reticulation fittings, centrifugal pumps	- Vehicle Frontal Protection Systems (VFPS), canopies, sidesteps/protection bars, roof racks, water tanks, winches, suspension, rear bars, snorkels and other specialist accessories	- Power and communication cable assemblies, computer cabling, plugs and high voltage couplers	- Brake components and a select range of 4WD components	- Personal loans – car loans, boat loans, unsecured personal loans - Commercial finance – leases, hire purchase, operating and rental finance, novated leases, business loans and factoring - Insurance – motor vehicle insurance, personal loan protection insurance, gap cover insurance
MAJOR CUSTOMERS	- Holden, Ford, Autoliv, Bosch Australia, PBR, Bendix, [illegible], Cooper Standard, Dana, [illegible], [illegible], Fisher and Paykel, [illegible], Arvin Meritor, [illegible], BPW, Tyco	- 4WD Specialist Distributors for after-market products - Original Equipment market – Mitsubishi, Nissan, Mazda, Ford and Holden	- BHP Coal, MM Electrical, Sony and [illegible]	- Direct – PBR (Pacifica Limited subsidiary) - Indirect – Ford, General Motors - 4WD – 4x4 Connection, Ramsey, Expedition Exchange and Tellico 4x4	**MAJOR FINANCE PROVIDERS** - GE Automotive Financial Services, Esanda, Westpac, ANZ, NAB and St. George
OPERATING LOCATIONS	- Ballarat, Horsham, Campbellfield, [illegible], Footscray, Toowoomba, Auckland, Christchurch	- Brisbane and distribution in all capital cities and major provincial areas	- Sydney, Brisbane, Rockhampton, Perth	- Knoxville, Tennessee, Columbia, South Carolina	- 31 branches throughout Australia
OUTLOOK 2004/2005	- Strong demand for Australian cars and further new model releases to continue driving growth for auto components - TMT to benefit from continuation of freight demand and overseas opportunities	- Continued demand for 4WD's to increase domestic sales - Stronger distribution channels to increase sales in US and other export markets	- Sales growth expected	- Strong sales growth for brake components – increased opportunities for 4WD components	- Further growth in all operating sectors - Focus on expanding commercial lending

2004 Operational Review

ENGINEERED AND 4WD COMPONENTS

Acquisitions made during the first half of 2003/2004 and another record output by Australia's car makers drove revenue from CMI's Engineered Components operations up by approximately 30% in the 2003/2004 financial year.

The large number of new models launched onto the market during the year benefited all our manufacturing facilities. Among the many new model releases during the year CMI supplied parts for the Holden Adventra and Crewman, the Ford Territory and accessories for Nissan. The early market success of manufacturers' new model releases obviously makes a significant impact on output levels at our manufacturing facilities, as is evidenced by the market's warm reception for the Ford Territory which sold 2,418 units in only the final two months of the financial year following its release in May 2004.

CMI Forge and Campbellfield

Our Campbellfield and Forge businesses experienced sustained demand on the back of their component supply agreements with Dana for the BA model Ford Falcon and the new Ford Territory.

CMI Kensington

Our Kensington plant exceeded budgeted volumes during the year following the Holden Engine Company's revival of the ex-Daewoo operations. CMI has an on-going supply arrangement with this customer to machine and assemble exhaust manifolds, and assemble inlet manifolds for the company's "family two" engines which are exported to Korea and China.

CMI New Zealand

CMI's New Zealand Springs business successfully consolidated on its excellent performance during the prior year, to again increase revenue in 2003/2004. Significantly increased demand for garage springs and farming products stretched the businesses' production capacity to its limits. As a result the business was relocated to new premises late in the second half of the 2003/2004 year.

Toowoomba Metal Technologies

Our manufacturing operations at Toowoomba Metal Technologies, experienced a strong year. As Australia's largest supplier of heavy transport wheel products, the business' revenue base benefited from domestic truck sales which were up approximately 20% over the prior year. Increased freight movements throughout most of Australia driven by the buoyant domestic economy and strong building and construction sectors increased demand for its product range. TMT also commenced a trial in North America to supply wheel assemblies fitted to axles for new trailers being produced by Dana Canada.

TJM

Another record sales year for Sports Utility Vehicles (SUV's) in Australia underpinned a strong performance by our 4WD Components business, TJM.

To create further sales opportunities within the expanding SUV market, TJM is launching a number of new products in the 2004/2005 financial year including:

- Smooth shell canopies and utility lids
- Stainless steel nudge bars, sports bars and side steps
- Upgraded suspension, cell X9 adjustable shock absorbers
- Increased accessory and recovery gear
- A full range of new Nissan specific products.

As flagged in last year's Annual Report, construction works commenced during the year on a new building to house TJM's operations. Located on the business' existing Geebung site, the new 9,100m2 facility will provide the business with a significantly enhanced manufacturing and distribution capacity. The new facility is planned to be finished and operational by October 2004.

ELECTRICAL COMPONENTS

The Electrical Components Division again returned a pleasing result in 2003/2004 with profit tracking ahead of budget.

The more flexible supply chain which has been created over recent years through supplementing the division's Australian manufactured product range with selected imports helped strengthen margins and the division's overall contribution to group earnings.

These initiatives, along with continued cost control and product rationalisation, have undoubtedly combined to underpin the Electrical Components Division's competitive standing in the marketplace. As such it is expected to again perform strongly in the 2004/2005 financial year.

US OPERATIONS

Our operations in the US encountered difficult trading conditions during much of the 2003/2004 financial year. Higher than forecast stainless steel prices and adverse currency movements impacted on the division's contribution to the group bottom-line.

The USA Division renewed its major contract with Pacifica's US subsidiary PBR for the on-going supply of brake components to General Motors to 2008. In addition to the extension of this existing supply arrangement, CMI was also selected to participate in a new PBR project for General Motors, the GMT 900 program.

FINANCIAL SERVICES

Capitalcorp Finance & Leasing Pty Ltd

The acquisition of Capitalcorp effective from July 2003 represents a strategic and long-term diversification for CMI. As the cornerstone of our new financial services division, this business underscored the important role it will play in our future growth by making a pleasing first-up contribution to group earnings in 2003/2004.

In the 12 months to 30 June 2004 Capitalcorp performed ahead of budget to generate revenues of $24.9 million and contribute $3.1 million to the group's profit after tax.

This result was struck off net introduced loans during the year of over $500 million. Of total loans originated to 30 June 2004 approximately 60% of earnings were from consumer loans, a majority of which were for motor vehicle financing. Commercial transactions such as equipment finance accounted for around 35% of Capitalcorp's earnings, with housing loans making up the remainder.

As an established finance brokerage business Capitalcorp loans are originated through more than 80 different lenders, however primary finance providers to the company in 2003/2004 included Esanda, GE Automotive Financial Services, Westpac, ANZ, NAB and St George.

Capitalcorp has a well established national distribution network and since acquisition we have opened two additional offices, increasing the network's size to 31 branches.

From this broad and expanding distribution base we will increase our product offering to build Capitalcorp into a finance brokerage with products to satisfy all consumer and small business needs.

A major priority for Capitalcorp in the 2004/2005 financial year will be to bolster the business's commercial lending which is a market segment identified as having significant growth potential.

As part of this strategy we've introduced a dedicated training program which has been developed with the support of the Mortgage Industry Association of Australia and is designed to equip existing independent mortgage brokers for an extension of their business in commercial lending.

We are also targeting growth opportunities that are emerging as the regulation of the industry and increasingly complex compliance requirements force smaller, independent brokers to aggregate under the banner of larger, established business networks. We will be actively pursuing these opportunities for market growth in the year ahead.

CMI Locations

Manufacturing/Distribution

Engineered & 4WD Components

Ballarat

903 Latrobe Street
Ballarat VIC 3350
Telephone: 03 5335 8121
Facsimile: 03 5335 5446
Email: ballarat@cmilimited.com.au

Melbourne (Campbellfield)

76-106 National Boulevard
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Telephone: 03 9358 8300
Facsimile: 03 9358 8350
Email: campbellfield@cmilimited.com.au

Melbourne (Kensington)

133 – 165 Kensington Road
Kensington VIC 3031
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Facsimile: 03 9689 9627
Email: kensington@cmilimited.com.au

Melbourne (West Footscray)

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Facsimile: 03 8325 5299
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Horsham

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Toowoomba

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Facsimile: 07 4638 3559
Email: sales@tmettec.com

Brisbane (4WD Components)

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Telephone: 07 3865 9999
Facsimile: 07 3865 3677
Email: info@tjmproducts.com.au

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Facsimile: 649 579 2595
Email: sales@cmisprings.co.nz

Christchurch

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Christchurch NZ
Telephone: 643 343 4460
Facsimile: 643 343 4469
Email: sales@cmisprings.co.nz

Electrical Components

Sydney

18 - 20 Railway Road
Meadowbank NSW 2114
Telephone: 02 9807 6155
Facsimile: 02 9808 2033
Email: hartland@hartland.com.au

Brisbane

150 Robinson Road
Geebung QLD 4034
Telephone: 07 3865 4745
Facsimile: 07 3865 7494
Email: hartland@gil.com.au

Rockhampton

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Rockhampton QLD 4700
Telephone: 07 4921 0978
Facsimile: 07 4921 0981

Perth

12/96-100 Briggs Street
Welshpool WA 6106
Telephone: 08 9355 1259
Facsimile: 08 9355 1166

US Operations

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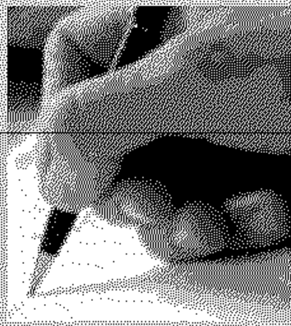
2510 Quality Lane
Knoxville, Tennessee 37931 USA
Telephone: 865 670 1556
Facsimile: 865 670 1993
Email: CMIKnoxUSA@aol.com

Columbia, South Carolina

1025 Technology Drive
West Columbia, SC 29170 USA
Telephone: 803 822 0655
Facsimile: 803 822 0654
Email: cmicolusa@aol.com



Financial Services

Brisbane (Head Office)

Garden City Office Park, Building 5
2404 Logan Road
Upper Mt Gravatt Qld 4122
Telephone: 3112.2222
Facsimile: 3112.2229
Email: enquiries@capitalcorp.com.au

Branches

31 branches throughout Australia
(details available
www.capitalcorp.com.au)

QLD

Bundaberg
Cairns
Chermside
Gold Coast
Mt Gravatt
Mackay
Maroochydore
Rockhampton
Toowoomba
Townsville

NSW

Sydney
Albury
Newcastle
Orange
Penrith
Wollongong

VIC

Ballarat
Bendigo
Geelong
Gippsland
Melbourne
Ringwood
Shepparton
Warrnambool

ACT

Canberra

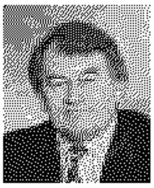
SA

Adelaide
Mt Gambier
Port Lincoln

TAS

Burnie
Launceston
Hobart

Directors and Senior Management



Max Hofmeister

Executive Chairman

Max Hofmeister founded CMI in July 1991, following an extensive involvement with other successful rural products, engineering and manufacturing companies. He played an instrumental role in the company's listing on ASX in the 1993 financial year and has overseen its expansion both in Australia and overseas from a $25 million turnover company at the time to its revenue base of around $275 million in the 2003/2004 financial year.

John Johnson

Non-Executive Director

John Johnson has been a director of CMI since 1993. He has 35 years experience in marketing and business development through a number of previous senior managerial positions with several leading companies. He was the managing director and chief executive officer of The Stubbies Clothing Company Pty Ltd from 1983 to 1992 and was responsible for the expansion of that business into the US and Asia. Prior to this he was for many years a senior executive of the multinational 3M company. John was previously chairman of the Workplace Resource Centre in Brisbane and served as chairman of the St Johns Cathedral Completion Committee.

Warren Hill

Chief Operating Officer / Executive Director

Warren Hill was appointed Chief Operating Officer of CMI in November 2002 and is responsible for the company's Australian and New Zealand operations.

He has over 27 years experience in sales and marketing in Australia and South East Asia. In 1991 Warren was appointed General Manager and later Managing Director of the Stubbies Clothing Company Pty Ltd which was a division of the Chicago based Sara Lee Corporation. From 1994 he was President of Sara Lee Apparel and in 1997 was appointed a director of Sara Lee Holdings (Australia) Pty Ltd.

Mark Laidlaw

Chief Financial Officer and Company Secretary

Mark Laidlaw joined CMI in 1997. He is a former audit manager of international accountancy firm, Deloitte Touche Tohmatsu. Mark worked for Deloitte in both Australia and the US and was responsible for the CMI audit from 1991 to 1997. He is a member of the Institute of Chartered Accountants in Australia. He holds a Bachelor of Commerce (Honours) from the University of Queensland.

Dan Gallagher

Executive General Manager - Engineering

Dan Gallagher is responsible for the management of the company's Engineered Components operations in Australia and New Zealand. He has extensive experience in the automotive manufacturing sector, having held positions with Ford and Autoliv before joining CMI in 1993.

Dan has played a key part in maximising the company's production efficiencies, and has been responsible for the restructure and implementation of lean manufacturing through many of CMI's manufacturing facilities.

He is a member of the Australian Industry Group and the Federation of Automotive Products Manufacturers.

Ian Whittle

Managing Director – Financial Services

Ian Whittle was appointed Managing Director of Capitalcorp by CMI in November 2003. Ian has over 29 years experience in the financial services industry, including 8 years as a member of the Bank of Queensland's Senior Executive Team. Prior to joining Capitalcorp he was the Bank of Queensland's General Manager, Business Acquisition, with a focus on acquiring new commercial and high net worth individual customers.

Arthur Vlahogenis

General Manager – TJM

Arthur joined the company's 4WD division, TJM in 1998 and was appointed General Manager in October 2002. He has extensive experience in manufacturing, research and development and quality assurance.

Mr Vlahogenis is a mechanical engineer who has a focus on productivity improvements. He is a member of the Australian Institute of Engineers and has worked actively with Standards Australia.

Vince Misztowt

Vice President – US Division

Vince Misztowt has managed CMI's US Division which is based in Knoxville, Tennessee, since its establishment in 1997. Prior to his current position, he had been involved operationally for many years with a number of companies associated with the Executive Chairman. Besides managing the distribution of CMI's products to PBR's Tennessee and South Carolina brake manufacturing operations, Vince also has responsibility for distributing the company's 4WD accessories in the US market.

Jeff Heslington

General Manager – Electrical Components Division

Jeff Heslington joined CMI's Hartland Cables business in 1999. Since then he has focused on strengthening the Electrical Components Division's product range, including new design development.

Jeff, who is based in Sydney, was appointed General Manager of the Electrical Components Division in 2002. He has over 20 years experience in the electrical industry having worked for a range of companies including MM Cables where he was heavily involved in exports and government contracts.

Doug Harland

General Manager – Toowoomba Metal Technologies

Doug Harland's experience with Toowoomba Metal Technologies spans more than 25 years.

Since his appointment as General Manager in 1993, he has been instrumental in driving sales and profit growth by refocusing and rebuilding Toowoomba Foundry into today's world-class facility.

Doug, a mechanical engineer, is Queensland Past President and Past National Vice President of the Australian Industry Group and Chairman of the National Cast Metals Council.

Geoff Fussell

Corporate Finance Manager

Geoff Fussell joined CMI in February 2003. He is a former client director of Deloitte Touche Tohmatsu – Assurance and Advisory division. He has also worked as a Senior Manager in the Corporate Finance division of Deloitte Touche Tohmatsu in the United Kingdom.

He is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce from the University of Queensland.

Allan Thomson

Manager – Tax and Treasury

Allan Thomson joined CMI in 2000. He is a former tax manager of Deloitte Touche Tohmatsu.

Allan is a member of the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia and holds a Bachelor of Commerce and Bachelor of Law from the University of Queensland.

Corporate Directory

Registered Office

(Head Office)

Level 4, 240 Margaret Street
Brisbane QLD 4000
Telephone: 07 3004 8188
Facsimile: 07 3004 8180
Email: corporate@cmilimited.com.au
www.cmilimited.com.au
ACN: 050 542 553

Directors

Max Hofmeister (Executive Chairman)

John Johnson

Warren Hill

Secretary

Mark Laidlaw

Auditor

Deloitte Touche Tohmatsu
Level 26, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Bankers

National Australia Bank Limited
Level 12, 255 Adelaide Street
Brisbane QLD 4000

Share Registry

Pitcher Partners
Level 22, HSBC Building
300 Queen Street
Brisbane QLD 4000
Telephone: 07 3228 4219
Facsimile: 07 3221 3149

Lawyers

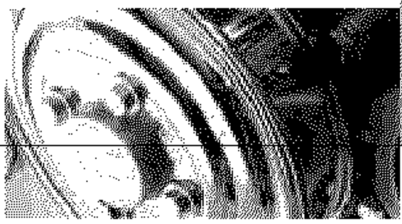
McCullough Robertson Lawyers
Level 12, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

Hopgood Ganim Lawyers
Level 8, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

ASX Codes

CMI - ordinary shares

CMIPB - preference shares



Financial Report

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") is responsible for the corporate governance practices of the Company. Following the release of the Principles of Good Corporate Governance and Best Practice Recommendations by the ASX Corporate Governance Council on 31 March 2003, the Board has formalised a new Corporate Governance Charter. The summary of the Corporate Governance Charter is available on the Company's website (www.cmilimited.com.au).

The following statement sets out the main corporate governance practices adopted by the Board and discloses any instances of non-compliance with, and reasons for not adopting, the best practice recommendations of the ASX Corporate Governance Council.

Lay Solid Foundations for Management and Oversight

The Board is responsible for, and has the authority to determine, all matters relating to the running of the Company including the policies, practices, management, operations and objectives of the Company. It is the role of management to manage the Company in accordance with the directions of the Board. The functions reserved to the Board, and those delegated to management, are disclosed in the Corporate Governance Charter.

Structure the Board to Add Value

As at the date of this statement, the Board comprises three directors - two executive and one non-executive. Details of the directors, including their skills, expertise, length of service and independence, are set out in the Directors' Report.

The Board consists of a majority of executive directors. The Board acknowledges the ASX Corporate Governance Council recommendation that the board should consist of a majority of independent directors, however, the Board is of the view that the specialist knowledge of the operations and industry possessed by the directors outweighs the potential loss of existing expertise through a change to the board structure and to increase the size of the board to comply with the recommendation would be an unnecessary expense for the company and its shareholders.

The Executive Chairman currently carries out the roles of Chairman and Chief Executive Officer and has done so since the inception of the Company, which he founded. The Board acknowledges the ASX Corporate Governance Council recommendation that these roles be carried out by different people and that the Chairman be a non-executive director, but it believes that the wealth of knowledge and expertise of the current Executive Chairman, and his interest as a substantial shareholder in the Company, make it appropriate for him to be the Chairman and Chief Executive Officer.

The Board considers that one director is independent. An independent director is one who is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the company.

The non-executive director has been in office since the year indicated within the Directors Report. The Board does not consider that the independence can be assessed with reference to an arbitrary and set period of time. The Company has diverse operations that have grown considerably and in the Board's view derives the benefits from having long serving directors with detailed knowledge of its history and experience of its operations.

With the prior approval of the Board, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil his duties and responsibilities.

The Board established an Audit Committee in 1994 and a Remuneration Committee in 1998. Each has had a formal charter since that time. A summary of the charters is available on the Company's website.

The Board performs the duties of the Nomination Committee. There is no established formal Nomination Committee. Due to the small number of directors it is unlikely that the company would obtain additional benefits from a formal committee structure.

Promote Ethical and Responsible Decision Making

It is part of the philosophy of the Company that it will at all times comply with the law and behave ethically.

The Company has a Code of Ethics to guide directors, the Chief Executive Officer, and other executives as to the practices necessary to maintain confidence in the Company's integrity, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The directors and employees must be aware of, and comply with the provisions of, the Corporations Act 2001 in relation to insider trading. The Company has Security Transaction Rules that set out the policy of the Company on dealing in shares and securities by directors and employees. These are formally acknowledged by all directors and relevant employees of the Company.

A summary of The Code of Ethics and the Security Transaction Rules are available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

Safeguard Integrity in Financial Reporting

The Executive Chairman and Chief Financial Officer verify in writing to the Board and to the Auditors that the financial reports of the Company present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are drawn up in accordance with relevant Accounting Standards.

The Audit Committee consists of two executive directors and one non-executive director, who is independent. The Chairman of the Audit Committee is a non-executive director. The Board acknowledges the ASX Corporate Governance Council recommendation that the Audit Committee should consist of at least three members, all of whom are non-executive directors. Consideration is being given as to how and when this can be achieved without unnecessary cost to the Company.

The Committee's responsibility is to independently verify and safeguard the integrity of the Company's financial reporting and oversee the independence of the external auditors. Details of the names and qualifications of the members of the Audit Committee, and their attendance at meetings, are disclosed in the Directors' Report.

A formal charter which outlines the audit committee's role, responsibilities, composition, structure and membership requirements and a summary of its main provision has been published on the Company's website.

Make Timely and Balanced Disclosures

The Board complies with the continuous disclosure obligations of the Australian Stock Exchange ("ASX") and, in so doing, immediately notifies the market by disclosing any information in relation to the business of the Company that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of the Company's shares. The Company Secretary is responsible for communications with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information released to the ASX and shareholders.

Respect the Rights of Shareholders

In addition to market disclosure, the Company has a policy to ensure shareholders are able to gain access to information about the Company.

The principal communication with shareholders is through the provision of the Annual Report and Financial Statements, through the interim reports and at the Annual General Meeting. Shareholders are encouraged to participate at general meetings. There is also the Company's website, which includes major briefings and announcements, the Corporate Governance Charter, other policies and committee charters and terms of reference.

The Board of Directors has, for a number of years, requested that the Company's external auditor attend all Annual General Meetings and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report thereon.

Recognise and Manage Risk

The Board recognises that the management of risk is an integral part of the management process and adheres to the general principles of Standards Australia Risk Management Standard 4360:1999. With effect from 1 April 2003, the Executive Chairman and Chief Financial Officer advise the Board in writing that the integrity of financial systems is founded on a sound system of risk management and internal compliance and control, which adheres to the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Encourage Enhanced Performance

The Executive Chairman is a key member of the Board and the key employee of the Company. An Operating Report is provided monthly to each of the directors. The report keeps them informed of the Company's activities and performance.

The Remuneration Committee undertakes a detailed evaluation of the Executive Chairman's performance on an annual basis. This evaluation utilises both quantitative and qualitative measures, and is judged against approved plans.

In addition, the Remuneration Committee, in conjunction with the Executive Chairman, reviews in a similar manner the performance of the senior executives of the Company who report directly to the Executive Chairman.

The results of these evaluations are tabled to the Board as part of the Remuneration Committee's report. At this meeting, the Board and Executive Chairman discuss and agree goals (both quantitative and qualitative) for the coming year.

Remunerate Fairly and Responsibly

In accordance with its charter, the Remuneration Committee supports and advises the Board on appropriate remuneration policies, designed to meet the needs of the Company and enhance corporate and individual performance, as well as to attract and retain competent new talent.

It is responsible for reviewing and recommending salary package arrangements for the Executive Chairman, senior executives and directors, having regard to the performance of the Company and the individuals. Details of the names and qualifications of the members of the Remuneration Committee, and their attendance at meetings during the financial year, are disclosed in the Directors' Report.

In recommending remuneration levels for the Executive Chairman, senior executives and directors, the committee considers several factors. The Company believes that it is imperative that these levels are commensurate with current market trends in relevant businesses, so as to ensure that high calibre employees and directors are attracted to and retained by the Company.

Other than for directors, remuneration packages usually include bonus and option elements, thus providing maximum benefits to both the Company and its shareholders.

In accordance with the Company's Constitution, the total remuneration payable to non-executive directors is not to exceed $130,000 per annum as approved by the shareholders at a general meeting.

The policy on bonuses for the Executive Chairman and senior executives takes into account both quantitative and qualitative measures and, while profit performance is a key factor, revenue, market share, production hours, customer satisfaction and achievement of strategic objectives are considered, as well as the individual's performance. Payment is always at the discretion of the Board, which takes into account the Company's overall financial and strategic performance.

The Company operates the CMI Employee Incentive Scheme, approved by the shareholders in accordance with the requirements of the ASX. The intention of the Scheme is to assist in the attraction and retention of employees and executives. The Board will determine in its absolute discretion the eligibility and the number of options to be offered, having regard to length of service, contribution, and potential contribution to the Company. Further detail is contained in the Directors' Report and the Financial Statements.

Details of directors' and senior executives' remuneration are disclosed in the Directors' Report.

Recognise the Legitimate Interests of Stakeholders

The Company has developed a new a Code of Conduct to guide compliance with legal and other obligations of legitimate shareholders. This Code of Conduct is available on the Company's website.

The directors are responsible for the corporate governance practices of the company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

DIRECTORS' REPORT

The directors of CMI Limited submit herewith the annual financial report for the financial year ended 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The name and particulars of the directors of the company during or since the end of the financial year are:

Maxwell J. Hofmeister

Chairman - Appointed 7 July 1994

Executive Director – Appointed 20 June 1991

Director of:

CMI Operations Pty Ltd

TJM Products Pty Ltd

CMI Limited (New Zealand)

Metlcast Manufacturing Pty Ltd

Capitalcorp Finance & Leasing Pty Ltd and subsidiaries

Whittle Capital Limited (resigned 25 June 2004)

During the financial year he attended 10 of the 10 directors' meetings held and 5 of the 5 audit committee meetings.

John J.A. Johnson

Non Executive Director – Appointed 25 February 1993

Mr Johnson has had extensive marketing and business development experience.

Director of:

CMI Operations Pty Ltd

TJM Products Pty Ltd

CMI Limited (New Zealand)

Metlcast Manufacturing Pty Ltd

Capitalcorp Finance & Leasing Pty Ltd and subsidiaries

During the financial year he attended 10 of the 10 directors' meetings held, 5 of the 5 audit committee meetings and the 1 remuneration committee meeting.

Warren V. Hill

Executive Director – Appointed 22 September 2003

Mr Hill was appointed Chief Operating Officer of CMI Limited in November 2002 and is responsible for the company's Australian and New Zealand operations.

Director of:

CMI Operations Pty Ltd

TJM Products Pty Ltd

CMI Limited (New Zealand)

Metlcast Manufacturing Pty Ltd

Capitalcorp Finance & Leasing Pty Ltd and subsidiaries

During the financial year he attended 7 of the 7 directors' meetings held, 3 of the 3 audit committee meetings and the 1 remuneration committee meeting.

Graeme C. Fry FCA

Non Executive Director - Appointed 16 September 1994

Mr Fry has had extensive experience as a former partner in an international audit, tax and consulting firm.

Director of:

CMI Operations Pty Ltd

TJM Products Pty Ltd

CMI Limited (New Zealand)

Metlcast Manufacturing Pty Ltd

Australian Rugby League Foundation Limited

Queensland Cotton Holdings Ltd

Unitab Ltd

During the financial year he attended 3 of the 3 directors' meetings held and 2 of the 2 audit committee meetings.

The above named directors held office during and since the end of the financial year except for Mr Graeme C. Fry who retired from office on 28 October 2003.

Details of directors' shareholdings:

Name	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	Fully Paid Convertible Preference Shares	Executive Share Options
M.J. Hofmeister as:				
Carluke Capital Pty Ltd	2,999,349	-	365,755	-
P.A. Jordan Pty Ltd	20,000	-	3,334	-
Max Hofmeister Holdings Pty Ltd	49,990	-	-	-
Consolidated Manufacturing Industries Pty Ltd	-	750,000	-	-
J.J.A. Johnson as:				
J.J.A. Johnson	50,000	-	-	-
Johnson Superannuation Fund	100,000	-	20,000	-
W.V.Hill as:				
Hill Superannuation Account	-	-	20,250	-

DIRECTORS' REPORT

Principal Activities

The consolidated entity's principal activities in the course of the financial year were the manufacture and marketing of precision engineered components, particularly for the automotive industry, the manufacture and marketing of components and parts for 4WD, light commercial and heavy transport vehicles, the manufacture and marketing of specialist cabling and electrical products for a range of industry sectors and the provision of chattel finance to both consumer and commercial borrowers.

Review of Operations

Consolidated revenue for the year was $275,603,919 (2003: $196,044,781). The consolidated entity's profit before tax was $16,016,610 (2003: $10,780,144) and the profit after tax was $10,584,740 (2003: $7,229,081). Refer to the Chairman's Review and the Chief Operating Officer's Review for more details.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

On 9 August 2004, 200,000 fully paid ordinary shares were issued to JWV Holdings Pty Ltd, a company of which Mr J.W. Vogler (former Company Secretary of CMI Limited) is a director, pursuant to the exercise of unquoted options.

On 17 August 2004, 1,000,000 fully paid ordinary shares were issued to Carluke Capital Pty Ltd, a company of which Mr M.J. Hofmeister is a director, pursuant to the exercise of unquoted options. Carluke Capital Pty Ltd has entered into a loan agreement for $1,000,000 with CMI Operations Pty Ltd and voluntary restriction deed. The loan is on interest free terms and is payable by 21 August 2011 but the borrower has agreed that the shares are excluded from trading until the loan is repaid.

On 17 August 2004, 50,000 fully paid ordinary shares were issued to Mr J.J.A. Johnson pursuant to the exercise of unquoted options. Mr J.J.A. Johnson has entered into a loan agreement for $50,000 with CMI Operations Pty Ltd and voluntary restriction deed. The loan is on interest free terms and is payable by 21 August 2011 but the borrower has agreed that the shares are excluded from trading until the loan is repaid.

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

Future Developments

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

Environmental Regulations

The consolidated entity's operations are subject to various environmental regulations governed by State, Federal and Local legislation. The impact on the business is constantly reviewed to ensure it complies with and exhibits best practice within the following areas of environmental regulation: air, water, noise, hazardous chemicals and contaminated land waste.

Appropriate licenses have been obtained where necessary and procedures implemented to ensure that the consolidated entity operates under the conditions imposed by the license or regulation. During the year, no areas of non-compliance were identified.

Dividends

In respect of the financial year ended 30 June 2003, as detailed in the directors' report for that financial year, a final dividend of $814,900 (3.125 cents per share) franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid non-redeemable non-cumulative convertible preference shares on 2 September 2003.

In respect of the financial year ended 30 June 2003, as detailed in the directors' report for that financial year, a final dividend of $1,354,578 (5 cents per share) franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 27 October 2003.

In respect of the financial year ended 30 June 2004, interim dividends of $863,794 (3.3125 cents per share) franked to 100% at 30% corporate income tax rate were paid to the holders of fully paid non-redeemable non-cumulative convertible preference shares on 2 December 2003, 2 March 2004 and 2 June 2004.

In respect of the financial year ended 30 June 2004, an interim dividend of $1,634,493 (6 cents per share) franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 28 May 2004.

In respect of the financial year ended 30 June 2004, the directors recommend the payment of a final dividend of $863,794 (3.3125 cents per share) franked to 100% at 30% corporate income tax rate to the holders of fully paid non-redeemable non-cumulative convertible preference shares on 2 September 2004.

In respect of the financial year ended 30 June 2004, the directors recommend the payment of a final dividend of $1,709,183 (6 cents per share) franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 2 November 2004.

Share Options

Share Options Granted to Directors and Executives

During and since the end of the financial year an aggregate of 52,500 share options were granted to the following directors and executives of the company:

Directors and Executives	Number of Options Granted	Issuing Entity	Number of Ordinary Shares under Option
G. Fussell	10,000	CMI Limited	10,000
D. Harland	10,000	CMI Limited	10,000
J. Heslington	10,000	CMI Limited	10,000
A. Vlahogenis	10,000	CMI Limited	10,000
J. Drago	5,000	CMI Limited	5,000
J. Leong	5,000	CMI Limited	5,000
P. Wajszel	2,500	CMI Limited	2,500

Share Options Exercised During the Year

On 2 October 2003, 50,000 fully paid ordinary shares at $1.00 were issued to Mr D.J. Gallagher pursuant to the exercise of unquoted options.

On 4 November 2003, 150,000 fully paid ordinary shares at $1.00 were issued to Mr G.C. Fry pursuant to the exercise of unquoted options.

Employee Incentive Scheme

In accordance with the provisions of the employee incentive scheme, as at the date of this report, employees are entitled to purchase an aggregate of 400,000 ordinary shares of CMI Limited at an issue price of $1.00 per ordinary share during the period of 5 years after 28 September 1999.

Further details of the employee incentive scheme are disclosed in note 29 to the financial statements.

Directors' and Executive Remuneration

The remuneration committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages contain the following key elements:

a) Primary benefits - salary/fees, bonuses and non monetary benefits including the provision of motor vehicles;

b) Post-employment benefits - including superannuation and prescribed benefits;

c) Equity - share options granted under the director and employee share option plans approved by shareholders on 23 August 1999; and

d) Other benefits.

The following table discloses the remuneration of the directors of the company and the 5 highest remunerated executives of the company and the consolidated entity.

Name	Primary			Post Employment			Equity	Other benefits	Total
	Salary/ Fees $	Bonus $	Non-monetary $	Superannuation $	Prescribed benefits $	Other $	Options $	$	$
Directors:									
M.J. Hofmeister	708,600	-	-	-	-	-	-	1,278	709,878
J.J.A. Johnson	55,000	-	-	-	-	-	-	180	55,180
W.V. Hill	287,068	-	-	-	-	-	-	30,421	317,489
G.C. Fry	28,918	-	-	2,860	161,205	-	-	-	192,983
Executives:									
V. Misztowt	272,326	-	-	-	-	-	-	8,812	281,138
D.J. Gallagher	143,956	-	15,000	88,570	-	-	-	15,485	263,011
M.D. Laidlaw	163,065	-	-	14,676	-	-	-	10,718	188,459
I.C. Whittle	175,000	-	-	-	-	-	-	632	175,632
G.N. Fussell	116,208	-	-	10,459	-	-	840	2,655	130,162

All options disclosed above expire 27 April 2009 and each option entitles the holder to purchase one ordinary share in the company. The fair value of the options is calculated at the date of grant using a Black-Scholes option pricing model and is allocated to each reporting period evenly from grant date to expiry date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. The ability of executives to exercise their options is conditional on the period of employment.

Indemnification of Officers and Auditors

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

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

Rounding off of Amounts

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

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

M.J. Hofmeister	**W.V. Hill**
Chairman	Director

BRISBANE
Dated: 10 September 2004

INDEPENDENT AUDIT REPORT

To the Members of CMI Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both CMI Limited (the company) and the consolidated entity, for the financial year ended 30 June 2004 as set out on pages 27 to 64. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of CMI Limited is in accordance with:

a) the Corporations Act 2001, including:

   i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
123 Eagle Street
BRISBANE
Dated: 10 September 2004

EJ Gadsby
Partner
CHARTERED ACCOUNTANTS

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

DIRECTORS' DECLARATION

For the Financial Year ended 30 June 2004

The directors declare that:

a) The attached financial statements and notes thereto comply with Accounting Standards;

b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

d) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

At the date of this declaration the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in Note 34 to the financial statements, will as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

M.J. Hofmeister
Chairman

W.V. Hill
Director

BRISBANE
Dated: 10 September 2004

STATEMENT OF FINANCIAL PERFORMANCE

For the Financial Year ended 30 June 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
Revenue from ordinary activities	2	275,604	196,045	9,669	4,154
Changes in inventories		264	7,426	-	-
Raw materials expense		(113,929)	(87,415)	-	-
Sub-contractors expense		(12,430)	(11,997)	-	-
Employee benefits expense		(81,040)	(52,474)	(95)	(150)
Repairs, maintenance and consumables expense		(12,906)	(9,732)	-	(5)
ASX and share register expense		(163)	(145)	(163)	(145)
Occupancy expense		(10,685)	(8,101)	(403)	(603)
Travel and communication expense		(4,146)	(2,590)	-	-
Freight and cartage expense		(5,242)	(4,952)	-	-
Depreciation and amortisation expense		(7,285)	(5,678)	-	(66)
Borrowing costs		(3,674)	(3,197)	-	(15)
Other expenses from ordinary activities		(8,351)	(6,410)	(17)	(30)
Profit from Ordinary Activities before Income Tax Expense	2	16,017	10,780	8,991	3,140
Income tax expense relating to ordinary activities	4	(5,432)	(3,551)	(2,615)	(749)
Net Profit Attributable to Members of the Parent Entity		10,585	7,229	6,376	2,391
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations	24	168	20	-	-
Total Revenue, Expense and Valuation adjustments Attributable to Members of the Parent Entity Recognised directly in Equity		168	20	-	-
Total Changes in Equity other than those Resulting from Transactions with Owners As Owners		10,753	7,249	6,376	2,391
Earnings Per Share:					
- Basic (cents per share)	26	26.41	18.29		
- Diluted (cents per share)	26	23.91	17.23		

Notes to and forming part of the financial statements are included on pages 31 to 64.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
CURRENT ASSETS					
Cash assets		6,740	1,194	-	-
Receivables	5	52,479	43,661	44,794	45,749
Inventories	6	40,585	40,685	-	-
TOTAL CURRENT ASSETS		99,804	85,540	44,794	45,749
NON-CURRENT ASSETS					
Receivables	7	732	660	-	660
Other financial assets	8	18	-	27,315	9,485
Property, plant and equipment	9	56,315	56,343	-	-
Intangibles	10	26,274	8,799	-	-
Deferred tax assets	11	518	412	313	122
Other	12	3,122	3,018	-	-
TOTAL NON-CURRENT ASSETS		86,979	69,232	27,628	10,267
TOTAL ASSETS		186,783	154,772	72,422	56,016
CURRENT LIABILITIES					
Payables	13	32,305	31,355	165	319
Interest-bearing liabilities	14	15,378	4,872	11,230	156
Current tax liabilities	15	2,347	480	2,172	735
Provisions	16	8,338	7,972	-	-
TOTAL CURRENT LIABILITIES		58,368	44,679	13,567	1,210
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	17	49,937	37,867	-	-
Deferred tax liabilities	18	3,802	3,257	3,868	-
Provisions	19	4,499	3,350	-	-
TOTAL NON-CURRENT LIABILITIES		58,238	44,474	3,868	-
TOTAL LIABILITIES		116,606	89,153	17,435	1,210
NET ASSETS		70,177	65,619	54,987	54,806
EQUITY					
Contributed equity	23	54,913	54,713	54,913	54,713
Reserves	24	150	(18)	-	-
Retained profits	25	15,114	10,924	74	93
TOTAL EQUITY		70,177	65,619	54,987	54,806

Notes to and forming part of the financial statements are included on pages 31 to 64.

STATEMENT OF CASH FLOWS

For the Financial Year ended 30 June 2004

	NOTE	CONSOLIDATED 2004 $'000 Inflow (Outflow)	CONSOLIDATED 2003 $'000 Inflow (Outflow)	COMPANY 2004 $'000 Inflow (Outflow)	COMPANY 2003 $'000 Inflow (Outflow)
Cash flows from operating activities:					
Receipts from customers		294,331	201,669	-	-
Payments to suppliers and employees		(271,260)	(192,742)	-	-
Dividends received		-	-	-	370
Interest received		200	160	-	-
Interest paid		(2,741)	(2,309)	-	-
Income tax paid		(3,279)	(1,658)	(2,326)	(2)
Net cash provided by/(used in) operating activities	36(b)	17,251	5,120	(2,326)	368
Cash flows from investing activities:					
Payment for intangible assets		(1,012)	(1,226)	-	-
Payment for deferred expenditure		(1,132)	(1,620)	-	-
Loan (to)/from CMI Operations Pty Ltd		-	-	13,828	(5,636)
Loan (to)/from TJM Products Pty Ltd		-	-	1,607	233
Loan to Metlcast Manufacturing Pty Ltd		-	-	-	(64)
Repayment from CMI Limited (New Zealand)		-	-	30	191
Loan to Capitalcorp Finance & Leasing Pty Ltd		-	-	(204)	-
Amounts advanced to related parties		(72)	-	-	-
Payment for plant and equipment		(4,025)	(4,606)	-	-
Payment for purchase of business	36(c)	(4,019)	(15,631)	(6,750)	-
Proceeds from sale of plant and equipment		121	264	10	18
Net cash (used in)/provided by investing activities		(10,139)	(22,819)	8,521	(5,258)
Cash flows from financing activities:					
Proceeds from issue of equity securities		200	11,036	200	11,036
Share issue expenses		-	(604)	-	(604)
Dividends paid		(6,395)	(4,990)	(6,395)	(4,990)
Proceeds from borrowings		14,341	15,870	-	-
Repayment of borrowings		(9,786)	(5,767)	-	(552)
Net cash provided by/(used in) financing activities		(1,640)	15,545	(6,195)	4,890
Net increase/(decrease) in cash held		5,472	(2,154)	-	-
Cash at the beginning of the financial year		1,152	3,302	-	-
Effect of exchange rate changes on the balance of cash held in foreign currencies		29	4	-	-
Cash at the end of the financial year	36(a)	6,653	1,152	-	-

Notes to and forming part of the financial statements are included on pages 31 to 64.

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Accounts Payable

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.

b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

c) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to qualifying assets are capitalised and amortised over five years.

d) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

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

Depreciation and amortisation expensed during the financial year is disclosed in note 2. No depreciation or amortisation was capitalised during the financial year. Accumulated depreciation and amortisation is disclosed in notes 9, 10 and 12.

e) Derivative Financial Instruments

The consolidated entity may enter into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts. Further details of derivative financial instruments are disclosed in note 38 to the financial statements.

Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

1. Summary of Accounting Policies (cont)

f) Employee Benefits

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

Provisions made in respect of wages and salaries, annual leave, sick leave and long service leave 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 long service leave 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.

g) Financial Instruments Issued by the Company

Debt and Equity Instruments

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

Transaction Costs on the Issue of Equity Instruments

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

Interest and Dividends

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

h) Foreign Currency

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in net profit or loss in the period in which they arise except that exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

i) Goods and Services Tax

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

i) 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

ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

j) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

During the financial year, the directors elected that the company and all its wholly-owned Australian resident entities would join a tax-consolidated group. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the parent entity. Due to the existence of a tax funding agreement between the entities in the tax-consolidated group, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent entity and subsidiary entities made in accordance with the agreement. Further information about the tax funding agreement is detailed in note 4 to the financial statements.

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.

1. Summary of Accounting Policies (cont)

k) Intangible Assets

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years during which the benefits are expected to arise. Brandnames are recorded at cost and amortised on a straight line basis over a period of 40 years. Other intangible assets are amortised over a period not exceeding 20 years.

l) Interest-Bearing Liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

m) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

n) Investments

Investments in controlled entities are recorded at cost. Dividends are taken to income on a receivable basis.

o) Leased Assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments. A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incident to ownership of the leased property. Financed leased assets are amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and the reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

p) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the material entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in Note 34 to the financial statements. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity, where material, from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

q) 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. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before reporting date.

1. Summary of Accounting Policies (cont)

q) Provisions (cont)

Onerous Contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

Restructurings

Where a restructuring arises as a consequence of an acquisition, a provision is recognised when, at or before the date of acquisition, the main features of a plan for restructuring are developed, and within three months of the date of acquisition, or by the time of completion of the financial report, the consolidated entity has developed a formal plan for the restructuring and has either:

i) entered into firm contracts to carry out the restructuring; or

ii) raised a valid expectation in those effected by the restructuring that the restructuring will occur.

Such provisions are only made in respect of the restructuring of operations within the acquired entity.

Rebates

A provision for rebates is recognised when future rebates are expected to be claimed by insurance and finance providers on previously paid commissions due to cancellation of contracts.

r) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

s) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

t) Research and Development Costs

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

Any deferred research and development costs which are capitalised as deferred expenditure are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product.

The unamortised balance of research and 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 net profit or loss.

u) Revenue Recognition

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Rendering of services

Revenue from services provided is recognised upon the delivery of the service to the customer.

v) Tooling

Material items of expenditure, relating to tooling, are capitalised into plant and equipment to the extent that there will be future economic benefits.

The capitalised costs are amortised over the expected period (not exceeding 15 years) in which the corresponding benefits are expected to arise. The amortised balance of costs capitalised is reviewed regularly and at each balance date, to ensure the criterion for capitalisation continues to be met. Where such costs are no longer considered recoverable, they are recognised in net profit or loss.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

2. Profit from Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense:

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Operating Revenue				
Sales Revenue:				
Revenue from the sales of goods	245,263	191,229	-	-
Commission revenue from the rendering of services	24,359	-	-	-
Interest:				
Other persons	200	160	-	-
Management fee:				
Wholly owned controlled entity	-	-	9,659	3,766
Dividend:				
Wholly owned controlled entity	-	-	-	370
Net foreign exchange gain	242	195	-	-
Other Items	5,419	4,197	-	-
	275,483	195,781	9,659	4,136
Non-Operating Revenue				
Proceeds from the sale of non-current assets (Note 3):				
Property, Plant & Equipment	121	264	10	18
	275,604	196,045	9,669	4,154
Expenses				
Cost of sales	207,197	155,549	-	-
Borrowing Costs:				
Interest - other entities	2,384	2,072	-	-
Finance lease finance charges	1,290	1,125	-	15
Depreciation or amortisation of:-				
Property, plant & equipment	3,661	3,037	-	-
Leased assets	1,435	1,231	-	66
Goodwill	115	84	-	-
Brandnames	607	182	-	-
Other intangibles	543	480	-	-
Deferred expenditure	924	664	-	-
Recoverable amount writedown - plant and equipment	1,619	685	-	-
Operating lease rental expenses	7,053	5,245	420	636
Bad debts written off in respect of amounts receivable from other entities	259	258	-	-

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000

3. Sale of Non-Current Assets

Sales of non-current assets in the ordinary course of business have given rise to the following profits and losses:

	2004	2003	2004	2003
Profit				
Plant and equipment (i)	57	138	10	18
Losses				
Plant and equipment	68	201	-	-
(i) Includes profit on sale and lease back:				
Total Profit	489	489	-	-
Less: Recognised in current period	(1)	(14)	-	-
Less: Recognised in prior periods	(488)	(474)	-	-
Deferred over lease term	-	1	-	-

4. Income Tax

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

	2004	2003	2004	2003
Profit from ordinary activities	16,017	10,780	8,991	3,140
Income tax expense calculated at 30%	4,805	3,234	2,697	942
Add/(Deduct)				
Tax effect of permanent differences:				
Amortisation of intangible assets	242	99	-	-
Foreign Tax Differential	211	304	-	-
Cost of Equity Raising	(82)	(82)	(82)	(82)
Other items	34	7	-	-
Exempt foreign dividends	-	-	-	(111)
Research and development allowance	(3)	(2)	-	-
(Over)/Underprovision of income tax in previous year	225	(9)	-	-
Impact of tax consolidation system:				
Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	-	-	3,182	-
Consideration paid or payable to/from subsidiaries in respect of the transferred deferred tax balances	-	-	(2,972)	-
Recognition of deferred tax balances of subsidiaries that have joined the tax consolidated group during the financial year	-	-	(210)	-
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group	-	-	(305)	-
Net income tax expense/(benefit) arising under tax funding agreements with subsidiaries in the tax consolidated group	-	-	305	-
	627	317	(82)	(193)
Income tax expense/(benefit) attributable to the profit from ordinary activities	5,432	3,551	2,615	749

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2002. The head entity within the tax consolidated group for the purposes of the tax consolidated system is CMI Limited.

Entities within the tax consolidated group have entered into a tax funding agreement with the head entity. Under the terms of this agreement, CMI Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

5. Current Receivables

Trade receivables	46,087	35,637	-	-
Allowance for doubtful debts	(281)	(306)	-	-
	45,806	35,331	-	-
Other receivables	5,746	5,764	-	-
Allowance for doubtful debts	(186)	-	-	-
	5,560	5,764	-	-
Amounts owing from wholly owned controlled entities	-	-	44,794	45,749
Deposits	175	62	-	-
Prepayments	938	2,504	-	-
	52,479	43,661	44,794	45,749

6. Current Inventories

At Cost				
Raw materials and stores	17,823	18,549	-	-
Work in progress	7,048	6,942	-	-
Finished goods	14,759	14,377	-	-
At Net Realisable Value				
Work in progress	194	162	-	-
Finished goods	761	655	-	-
	40,585	40,685	-	-

7. Non-Current Receivables

Amounts advanced to related parties	72	-	-	-
Other loans	660	660	-	660
	732	660	-	660

8. Other Non-Current Financial Assets

At cost:				
Shares in controlled entities	-	-	27,315	9,485
Shares	18	-	-	-
	18	-	27,315	9,485

9. Property, Plant and Equipment

CONSOLIDATED	Freehold land and buildings (i) $'000	Plant and Equipment $'000	Equipment under finance lease $'000	TOTAL $'000
Gross Carrying Amount				
Balance at 30 June 2003 (at cost)	1,284	51,906	22,509	75,699
Additions	-	4,025	1,940	5,965
Acquired balances	-	975	526	1,501
Transfers	-	2,609	(2,609)	-
Disposals	-	(531)	(26)	(557)
Recoverable amount writedown	-	(1,619)	-	(1,619)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	-	139	-	139
Balance at 30 June 2004 (at cost)	1,284	57,504	22,340	81,128
Accumulated Depreciation / Amortisation				
Balance at 30 June 2003	(202)	(17,255)	(1,899)	(19,356)
Acquired balances	-	(509)	(174)	(683)
Disposals	-	416	9	425
Transfers	-	(922)	922	-
Depreciation expense	(27)	(3,634)	(1,435)	(5,096)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	-	(103)	-	(103)
Balance at 30 June 2004	(229)	(22,007)	(2,577)	(24,813)
Net Book Value				
As at 30 June 2003	1,082	34,651	20,610	56,343
As at 30 June 2004	1,055	35,497	19,763	56,315

COMPANY	Freehold land and buildings $'000	Plant and Equipment $'000	Equipment under finance lease $'000	TOTAL $'000
Gross Carrying Amount				
Balance at 30 June 2003 (at cost)	-	342	-	342
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	(64)	-	(64)
Balance at 30 June 2004 (at cost)	-	278	-	278
Accumulated Depreciation / Amortisation				
Balance at 30 June 2003	-	(342)	-	(342)
Disposals	-	64	-	64
Transfers	-	-	-	-
Depreciation expense	-	-	-	-
Balance at 30 June 2004	-	(278)	-	(278)
Net Book Value				
As at 30 June 2003	-	-	-	-
As at 30 June 2004	-	-	-	-

9. Property, Plant and Equipment (cont)

(i) A valuation of freehold land and buildings was performed in August 2003 in accordance with an independent valuation by Mr P.J. Zala, FAPI. The valuation performed at current market buying levels valued freehold land and buildings at $2,125,000. The directors have elected not to adopt the valuation.

(ii) The recoverable amount writedown of $1,619,199 is recognised as an expense and disclosed in note 2 to the financial statements. The directors assessed the writedown amount based on expected future cashflows discounted to their net present value.

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

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
10. Intangibles				
Goodwill (at cost)	2,302	1,677	-	-
Accumulated amortisation	(1,007)	(892)	-	-
	1,295	785	-	-
Brandnames (at cost)	22,692	5,692	-	-
Accumulated amortisation	(1,185)	(578)	-	-
	21,507	5,114	-	-
Other Intangibles (at cost)	4,988	3,976	-	-
Accumulated amortisation	(1,516)	(1,076)	-	-
	3,472	2,900	-	-
	26,274	8,799	-	-

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

11. Deferred Tax Assets

Future income tax benefits:				
Timing differences	518	412	313	122
Tax losses – revenue	-	-	-	-
	518	412	313	122

12. Other Non-Current Assets

Deferred expenditure	5,669	5,208	-	-
Accumulated amortisation	(2,547)	(2,190)	-	-
	3,122	3,018	-	-

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

13. Current Payables

Trade payables	23,400	22,983	-	-
Other creditors & accruals	8,905	8,372	165	319
	32,305	31,355	165	319

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

14. Current Interest-Bearing Liabilities

Unsecured				
Deferred income on sale & leaseback	-	1	-	-
Other loans from other entities	300	300	-	-
Amounts owing to wholly owned controlled entities	-	-	150	156
	300	301	150	156
Secured				
Bank Overdraft (i)	87	42	-	-
Bills of Exchange (i)	-	-	-	-
Bank Loans (ii)	412	291	-	-
Finance Lease Liabilities (iii) (Note 22)	3,499	4,238	-	-
Other loans (iv)	11,080	-	11,080	-
	15,078	4,571	11,080	-
	15,378	4,872	11,230	156

i) Secured by a fixed and floating charge over the assets and undertaking of the consolidated entity excluding Metlcast Manufacturing Pty Ltd.
ii) Secured over specific items of plant and equipment.
iii)Secured over the assets leased.
iv)Secured by the provisions of the Share Sale Deed dated 13 November 2003.

15. Current Tax Liabilities

Income tax	2,347	480	2,172	735

16. Current Provisions

Dividends	-	-	-	-
Employee entitlements (Note 20)	8,188	7,375	-	-
Onerous contracts	-	397	-	-
Rebates	150	-	-	-
Restructuring costs (i)	-	200	-	-
	8,338	7,972	-	-

i) A restructuring provision of $250,000 was established on the acquisition of the National Forge Ltd business. This provision was raised to cover redundancy costs. At 30 June 2004, this provision had been fully utilised.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

17. Non-Current Interest-Bearing Liabilities

Unsecured				
Other loans from other entities	100	400	-	-
	100	400	-	-
Secured				
Bills of Exchange (i)	39,500	25,250	-	-
Bank Loans (ii)	209	523	-	-
Finance Lease Liabilities (iii) (Note 22)	10,128	11,694	-	-
	49,837	37,467	-	-
	49,937	37,867	-	-

i) Secured by a fixed and floating charge over the assets and undertaking of the consolidated entity excluding Metcast Manufacturing Pty Ltd.

ii) Secured over specific items of plant and equipment.

(iii)Secured over the assets leased.

18. Deferred Tax Liabilities

Deferred income tax (i)	3,802	3,257	3,868	-

(i) Entities in the tax consolidated group have entered into a tax funding agreement. Refer to note 4 for further information.

19. Non-Current Provisions

Employee entitlements (Note 20)	4,499	3,350	-	-

20. Employee Entitlements

The aggregate employee entitlement liability recognised and included in the accounts is as follows:				
Provisions for employee entitlement:				
Current (Note 16)	8,188	7,375	-	-
Non-Current (Note 19)	4,499	3,350	-	-
Accrued wages and salaries (i)	836	1,003	-	-
	13,523	11,728	-	-

(i) Accrued wages and salaries are included in the current other creditors and accruals balance as disclosed in Note 13 to the financial report.

	CONSOLIDATED		COMPANY	
	2004 No.	2003 No.	2004 No.	2003 No.
Number of employees at end of financial year	1,311	1,146	3	3

21. Provisions

CONSOLIDATED	Dividend (i) $'000	Restructuring Costs (ii) $'000	Onerous Contracts (iii) $'000	Rebates (iv) $'000
Balance at 30 June 2003	-	200	397	-
Adjustment to retained profits on initial application of AASB 1044	-	-	-	-
Additional provisions recognised	6,395	-	-	150
Reductions arising from payments/other sacrifices of future economic benefits	(6,395)	(200)	(397)	-
Balance at 30 June 2004	-	-	-	150
Current (note 16)	-	-	-	150
Non-current (note 19)	-	-	-	-
	-	-	-	150

COMPANY	Dividend (i) $'000	Restructuring Costs (ii) $'000	Onerous Contracts (iii) $'000	Rebates (iv) $'000
Balance at 30 June 2003	-	-	-	-
Adjustment to retained profits on initial application of AASB 1044	-	-	-	-
Additional provisions recognised	6,395	-	-	-
Reductions arising from payments/other sacrifices of future economic benefits	(6,395)	-	-	-
Balance at 30 June 2004	-	-	-	-
Current (note 16)	-	-	-	-
Non-current (note 19)	-	-	-	-
	-	-	-	-

i) The provision for dividends represents the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed as at reporting date, regardless of the extent to which they are expected to be paid in cash.

ii) The provision for restructuring costs represents the present value of the directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity.

iii)The provision for onerous contracts represents contracts under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

iv)The provision for rebates represents future rebates expected to be claimed by insurance and finance providers on previously paid commissions due to cancellation of contracts.

22. Leases

Finance Leases

Leasing arrangements

Finance leases relate to plant and equipment with lease terms of between 3 to 5 years. The company/consolidated entity has options to purchase the plant and equipment for a nominal amount at the conclusion of the lease agreements.

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Consolidated		Company		Consolidated		Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
No later than 1 year	4,367	5,287	-	-	3,489	4,238	-	-
Later than 1 year and not later than 5 years	10,993	13,122	-	-	10,138	11,694	-	-
Later than 5 years	-	-	-	-	-	-	-	-
Minimum finance lease payments	15,360	18,409	-	-	13,627	15,932	-	-
Less future finance charges	(1,733)	(2,477)	-	-	-	-	-	-
Present value of minimum lease payments	13,627	15,932	-	-	13,627	15,932	-	-
Included in the financial statements as:								
Current (Note 14)	3,499	4,238	-	-	3,499	4,238	-	-
Non-current (Note 17)	10,128	11,694	-	-	10,128	11,694	-	-
	13,627	15,932	-	-	13,627	15,932	-	-

Operating Leases

Leasing arrangements

Operating leases relate to property, plant and equipment with lease terms of between 3 to 10 years. All leases are non-cancellable, operate under normal commercial terms and conditions, and are payable on a monthly or quarterly basis. The company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Non-cancellable operating leases				
Not later than 1 year	5,617	5,105	301	371
Later than 1 year but not later than 5 years	12,905	13,455	216	486
Later than 5 years	16,334	10,969	-	-
	34,856	29,529	517	857

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

23. Contributed Equity

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Contributed Equity				
27,236,382 (2003: 27,036,382) fully paid ordinary shares	23,210	23,010	23,210	23,010
750,000 (2003: 750,000) partly paid ordinary shares	7	7	7	7
26,076,742 (2003: 26,076,742) fully paid non-cumulative convertible preference shares	31,696	31,696	31,696	31,696
	54,913	54,713	54,913	54,713

	2004 No. '000	2004 $'000	2003 No. '000	2003 $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	27,036	23,010	27,012	22,986
Conversion to convertible preference shares	-	-	-	-
Share buy-back	-	-	-	-
Issue of shares under director and employee share option plan	200	200	24	24
Balance at end of financial year	27,236	23,210	27,036	23,010

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

	2004 No. '000	2004 $'000	2003 No. '000	2003 $'000
Partly Paid Ordinary Shares				
Balance at beginning of financial year	750	7	-	-
Issue of shares	-	-	750	7
Balance at end of financial year	750	7	750	7

Partly paid ordinary shares carry one vote per share and carry the right to dividends in the proportion that the amount of the dividend paid is of the amounts paid and payable. In respect of the partly paid ordinary shares on issue at reporting date there are no calls in arrears and a total of $1,080,000 ($1.44 per share) may be called up in the event of winding up of the company.

	2004 No. '000	2004 $'000	2003 No. '000	2003 $'000
Convertible Non-Cumulative Preference Shares				
Balance at beginning of financial year	26,077	31,696	18,487	21,295
Conversion to convertible preference shares	-	-	-	-
Issue of shares	-	-	7,590	11,005
Share issue costs	-	-	-	(604)
Balance at end of financial year	26,077	31,696	26,077	31,696

Convertible non-cumulative preference shares may be converted into ordinary shares at the option of holders of convertible preference shares or the company on 21 August 2011. Convertible preference shares convert into that number of ordinary shares equal to the issue price ($1.20) divided by the market price at the time of conversion. Maximum market price is $2.40 with the minimum being $1.00. These shares are entitled to only vote in specific circumstances as set out in the prospectus dated 10 March 2003.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

24. Reserves

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
a) Reserves Comprise:				
Foreign Currency Translation Reserve	150	(18)	-	-
	150	(18)	-	-
b) Movements in Reserves				
Foreign Currency Translation Reserve				
Balance at beginning of financial year	(18)	(38)	-	-
Translation of financial statements of foreign operations	168	20	-	-
Balance at end of financial year	150	(18)	-	-

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in note 1(h).

25. Retained Profits

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Balance at beginning of financial year	10,924	6,780	93	787
Adjustments to opening retained profits on initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"				
Write-back of prior year dividend provision	-	1,905	-	1,905
Net profit	10,585	7,229	6,376	2,391
Dividends provided for or paid	(6,395)	(4,990)	(6,395)	(4,990)
Balance at end of financial year	15,114	10,924	74	93

26. Earnings Per Share

	2004 Cents per Share	2003 Cents per Share
Basic earnings per share	26.41	18.29
Diluted earnings per share	23.91	17.23

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:

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000
Earnings (i)	7,179	4,941
	No. '000	No. '000
Weighted average number of ordinary shares (ii)	27,177	27,023

26. Earnings Per Share (cont)

(i) Earnings used in the calculation of basic earnings per share reconciles to net profit in the statement of financial performance as follows:

	CONSOLIDATED	
	2004 $'000	2003 $'000
Net profit	10,585	7,229
Preference share dividends provided for or paid	(3,406)	(2,288)
Earnings used in the calculation of basic EPS	7,179	4,941

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

Diluted Earnings per Share

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

Earnings (i)	10,585	7,229
	No. '000	No. '000
Weighted average number of ordinary and potential ordinary shares (ii)	44,275	41,950

(i) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	CONSOLIDATED	
	2004 $'000	2003 $'000
Net profit	10,585	7,229
Preference share dividends provided for or paid	-	-
Earnings used in the calculation of diluted EPS	10,585	7,229

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

	No. '000	No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	27,177	27,023
Shares deemed to be issued for no consideration in respect of:		
Partly paid ordinary shares	745	153
Convertible preference shares	15,568	14,357
Employee options	785	417
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	44,275	41,950

27. Dividends

	2004 Cents per Share	2004 Total $'000	2003 Cents per Share	2003 Total $'000
Recognised Amounts				
Fully Paid Ordinary Shares:				
Interim dividend - franked to 30% tax rate	6.00	1,634	5.00	1,352
Final dividend - franked to 30% tax rate	5.00	1,355	-	-
Partly Paid Ordinary Shares:				
Interim dividend - franked to 30% tax rate	0.0414	-	0.0345	-
Final dividend - franked to 30% tax rate	0.0345	-	-	-
Convertible Non-Cumulative Preference Shares:				
Quarterly interim dividends - franked to 30% tax rate	3.3125/qtr	2,591	3.125/qtr	1,733
Final dividend - franked to 30% tax rate	3.125/qtr	815	-	-
		6,395		3,085
Unrecognised Amounts				
Fully Paid Ordinary Shares:				
Final dividend - franked to 30% tax rate	6.00	1,709	5.00	1,352
Partly Paid Ordinary Shares:				
Final dividend - franked to 30% tax rate	0.0414	-	0.0345	-
Convertible Non-Cumulative Preference Shares:				
Final dividend - franked to 30% tax rate	3.3125	864	3.125	815
		2,573		2,167

The final dividend in respect of ordinary shares and preference shares for the year ended 30 June 2004 has not been recognised in this financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2004. On the basis that directors will continue to publicly recommend dividends in respect of ordinary shares and preference shares subsequent to reporting date, in future financial reports the amount disclosed as "recognised" will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

The consolidated entity's adjusted franking account balance on a tax paid basis is $1,375,328 (2003: $568,149). The company's adjusted franking account balance on a tax paid basis is $1,375,328 (2003: deficit of $1,995,363).

28. Non-Hedged Foreign Currency Balances

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
The Australian dollar equivalents of foreign currency balances included in the financial statements which are not effectively hedged are as follows:				
Payables - Current				
US Dollars	965	803	-	-
New Zealand Dollars	397	448	-	-
Euro	88	303	-	-
	1,450	1,554	-	-
Receivables - Current				
US Dollars	1,567	1,955	-	-
New Zealand Dollars	1,141	1,117	-	-
Canadian Dollars	13	273	-	-
	2,721	3,345	-	-

29. Employee Incentive Scheme

The company has an ownership-based remuneration scheme for employees. In accordance with the provisions of the scheme, as approved by shareholders at a general meeting, the Board may invite, on terms and conditions the Board determines, employees to apply for options.

The exercise price of the options will be generally at the weighted average price of shares in the company traded on the ASX in the 20 trading days prior to the issue of the options. However, the scheme provided for an initial option issue to a number of existing employees. The initial options were issued with an exercise price of $1.00.

20% of the options issued to any employee pursuant to the scheme will be able to be exercised by the employee for each year of employment by the company of the employee, to a maximum of 5 years employment. The options can be exercised at any time in the 5 years after the date of their issue, although any employee who leaves the employ of the company will need to exercise their options within 90 days of termination of their employment.

All options carry no voting rights and do not entitle the holder to dividends.

Employee incentive scheme	2004 No.	2003 No.
Balance at beginning of year (i)	450,000	450,000
Granted during the financial year (ii)	52,500	-
Exercised during the financial year (iii)	(50,000)	-
Balance at end of the financial year (iv)	452,500	450,000

(i) Balance at beginning of the financial year

Option – Series	No.	Grant date	Expiry/ Exercise date	Exercise Price $
Issued 28 September 1999	450,000	28/09/99	28/09/04	1.00

(ii) Granted during the financial year

2004 Option – Series	No.	Grant date	Expiry/ Exercise date	Exercise Price $
Issued 27 April 2004	52,500	27/04/04	27/04/09	2.22

(iii) Exercised during the financial year

2004 Option – Series	No. of options exercised	Grant date	Exercise date	Expiry date	Exercise Price $	No. of shares issued	Fair value received $	Fair value of shares at date of issue $
Issued 28 September 1999	50,000	28/09/99	2/10/03	28/09/04	1.00	50,000	50,000	108,000

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

(iv) Balance at end of the financial year

2004 Option – Series	No.	Vested No.	Unvested No.	Grant date	Expiry Date	Exercise Price $
Issued 28 September 1999	400,000	400,000	-	28/09/99	28/09/04	1.00
Issued 27 April 2004	52,500	42,500	10,000	27/04/04	27/04/09	2.22

2003 Option – Series	No.	Vested No.	Unvested No.	Grant date	Expiry Date	Exercise Price $
Issued 28 September 1999	450,000	450,000	-	28/09/99	28/09/04	1.00

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from the employee is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year as disclosed in note 30 to the financial statements. The amounts are disclosed in remuneration in respect of the financial years over which the entitlement was earned.

Consideration received on the exercise of executive options is recognised in contributed equity. During the financial year $50,000 (2003: $nil) was recognised in contributed equity arising from the exercise of employee options.

30. Remuneration of Directors and Executives

The specified directors of CMI Limited during the year were:

M.J. Hofmeister (Chairman)

J.J.A. Johnson (Non-executive)

W.V. Hill (Chief Operating Officer), appointed 22 September 2003

G.C. Fry (Non-executive), retired 28 October 2003

30. Remuneration of Directors and Executives (cont)

The specified executives of CMI Limited during the year were:

V. Misztowt (Vice President – USA Division)

D.J. Gallagher (Executive General Manager – Engineering Division)

M.D. Laidlaw (Chief Financial Officer/Company Secretary)

I.C. Whittle (Managing Director – Capitalcorp Finance & Leasing Pty Ltd)

G.N. Fussell (Corporate Finance Manager)

The remuneration committee reviews the remuneration packages of all specified directors and specified executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the company.

Specified directors and specified executives are employed through contracts for service which contain the following key conditions:

- Reviewed annually on or about 1 September;
- Require a six month notice period; and
- If employment is terminated by the company before the term of the contract expires, the specified director or executive is entitled to a termination payment based on up to two years of the contract, or the remaining contract period, whichever is greater.

Specified non-executive directors receive payment upon retirement of three times their current annual director fee.

In accordance with the company's constitution, the total remuneration payable to specified non-executive directors is not to exceed $130,000 per annum as approved by the shareholders at a general meeting.

2004	Primary			Post Employment			Equity		
	Salary/ Fees $	Bonus $	Non-monetary $	Superannuation $	Prescribed benefits $	Other $	Options $	Other benefits $	Total $
Specified directors									
M.J. Hofmeister	708,600	-	-	-	-	-	-	1,278	709,878
J.J.A. Johnson	55,000	-	-	-	-	-	-	180	55,180
W. V. Hill (i)	287,068	-	-	-	-	-	-	30,421	317,489
G.C. Fry	28,918	-	-	2,860	161,205	-	-	-	192,983
Total	1,079,586	-	-	2,860	161,205	-	-	31,879	1,275,530

2004	Primary			Post Employment			Equity		
	Salary/ Fees $	Bonus $	Non-monetary $	Superannuation $	Prescribed benefits $	Other $	Options $	Other benefits $	Total $
Specified executives									
V. Misztowt	272,326	-	-	-	-	-	-	8,812	281,138
D.J. Gallagher	143,956	-	15,000	88,570	-	-	-	15,485	263,011
M.D. Laidlaw	163,065	-	-	14,676	-	-	-	10,718	188,459
I.C. Whittle	175,000	-	-	-	-	-	-	632	175,632
G.N. Fussell	116,208	-	-	10,459	-	-	840 (ii)	2,655	130,162
Total	870,555	-	15,000	113,705	-	-	840	38,302	1,038,402

(i) Mr W.V. Hill was appointed as an executive director on 22 September 2003 and remuneration paid since that date in his capacity as director, included above, is $261,097.

(ii)Further disclosure is contained in notes 29 and 33 to the financial statements.

31. Remuneration of Auditors

	CONSOLIDATED		COMPANY	
	2004 $	2003 $	2004 $	2003 $
(a) Auditor of the Parent Entity				
Auditing the financial report of CMI Limited	105,000	232,001	85,000	212,001
Other Services	41,625	65,274	-	2,500
(b) Other Auditors				
Auditing the financial report	12,100	9,063	-	-
Other Services	14,955	17,863	-	-

32. Segment Information

Information on Business Segments (primary reporting format)

	Engineered Components		Electrical Components	
BUSINESS	30/06/04 $'000	30/06/03 $'000	30/06/04 $'000	30/06/03 $'000
REVENUE				
External Sales	235,107	180,088	15,635	15,957
Intersegment Sales	429	838	1	2
Total Revenue	235,536	180,926	15,636	15,959
RESULTS				
Segment Result	8,695	8,149	3,302	2,631
ASSETS				
Segment Assets	172,386	146,162	6,975	8,610
LIABILITIES				
Segment Liabilities	110,614	86,911	1,883	2,242
Acquisition of property, plant and equipment and intangible assets	7,735	13,652	70	94
Depreciation	6,778	5,309	274	369
Non-cash expenses other than depreciation	2,199	1,500	688	310

(i)Intersegment transactions that occurred during the financial year in the wholly-owned group comprised the sale and purchase of goods at cost plus a margin to cover freight and other incidentals where applicable.

Products and Services within each Business Segment

For management purposes, the consolidated entity is organised into three major operating divisions - engineered components, electrical components and services. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Engineered & 4WD Components - the manufacture and sale of goods in the metal pressing, wire forming, repetitive engineering, 4WD and engine component industry.
- Electrical Components - the manufacture and sale of electrical cabling and components.
- Services - the provision of chattel finance to both consumer and commercial borrowers.

	Australia		New Zealand	
GEOGRAPHICAL	30/06/04 $'000	30/06/03 $'000	30/06/04 $'000	30/06/03 $'000
REVENUE				
External Sales	259,244	178,282	7,279	6,881
Intersegment Sales	7,723	8,134	1	10
Total Revenue	266,967	186,416	7,280	6,891
RESULTS				
Segment Result	16,077	10,257	592	629
ASSETS				
Segment Assets	176,117	144,739	5,022	4,382
LIABILITIES				
Segment Liabilities	115,528	88,162	976	899
Acquisition of property, plant and equipment and intangible assets	7,263	13,216	834	410
Depreciation	7,074	5,476	163	159
Non-cash expenses other than depreciation	2,909	1,810	-	-

Services Division		Eliminations		Consolidated	
30/06/04 $'000	30/06/03 $'000	30/06/04 $'000	30/06/03 $'000	30/06/04 $'000	30/06/03 $'000
24,862	-	-	-	275,604	196,045
-	-	(430)	(840)	-	-
24,862	-	(430)	(840)	275,604	196,045
4,020	-	-	-	16,017	10,780
7,422	-	-	-	186,783	154,772
4,109	-	-	-	116,606	89,153
307	-	-	-	8,112	13,746
233	-	-	-	7,285	5,678
22	-	-	-	2,909	1,810

Information on Geographical Segments (secondary reporting format)

The consolidated entity's three divisions operate in three principal geographical areas - Australia, New Zealand and the United States. The composition of each geographical segment is as follows:

- Australia - CMI Limited manufactures and sells a broad range of its products and provides financial services in Australia.
- New Zealand - CMI Limited operates an engineered components facility in New Zealand.
- United States - CMI Limited operates an engineered and 4WD components facility in the United States.

USA		Eliminations		Consolidated	
30/06/04 $'000	30/06/03 $'000	30/06/04 $'000	30/06/03 $'000	30/06/04 $'000	30/06/03 $'000
9,081	10,882	-	-	275,604	196,045
-	-	(7,724)	(8,144)	-	-
9,081	10,882	(7,724)	(8,144)	275,604	196,045
(652)	(106)	-	-	16,017	10,780
5,644	5,651	-	-	186,783	154,772
102	92	-	-	116,606	89,153
15	120	-	-	8,112	13,746
48	43	-	-	7,285	5,678
-	-	-	-	2,909	1,810

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000

33. Related Party and Specified Executive Disclosures

a) Transactions within the wholly-owned group

Details of transactions within the wholly-owned group are disclosed in Note 2. Other transactions that occurred during the financial year between entities in the wholly-owned group were the sale and purchase of goods at cost plus a margin to cover freight and other incidentals where applicable.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
b) Receivables – Current				
Wholly-Owned Controlled Entities:				
CMI Operations Pty Ltd	-	-	36,441	37,741
CMI Limited (New Zealand)	-	-	60	-
TJM Products Pty Ltd	-	-	7,471	8,008
Capitalcorp Finance & Leasing Pty Ltd	-	-	822	-
Metlcast Manufacturing Pty Ltd	-	-	-	-
	-	-	44,794	45,749
c) Payables – Current				
Wholly-Owned Controlled Entities:				
CMI Limited (New Zealand)	-	-	-	6
Metlcast Manufacturing Pty Ltd	-	-	150	150
	-	-	150	156

d) Transactions with directors and director related entities

Specified directors' and specified executives' remuneration

Details of specified directors' and specified executives' remuneration are disclosed in Note 30 to the financial statements.

Loan disclosures

2004	Balance at beginning $	Interest charged $	Interest not charged $	Balance at end $	Number in group
Specified directors	5,396	-	569	78,017	2
Specified executives	420,000	-	28,032	420,000	3
Total	425,396	-	28,601	498,017	5

Individuals with loans above $100,000 in the reporting period

2004	Balance at beginning $	Interest charged $	Interest not charged $	Balance at end $	Highest in period $
Specified executives					
D.J Gallagher	180,000	-	12,014	180,000	180,000
V. Misztowt	120,000	-	8,009	120,000	120,000
M.D. Laidlaw	120,000	-	8,009	120,000	120,000

Directors and executives are not charged interest on loans provided by the company.

Other transactions with directors

Profit before ordinary activities includes rent expense calculated at normal commercial terms and conditions of $982,639 (2003: $696,950) that resulted from transactions with directors or their director-related entities.

33. Related Party and Specified Executive Disclosures (cont)

e) Director's equity holdings

Fully Paid Ordinary Shares issued by CMI Limited

	Balance at 1/7/03 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/04 No.	Balance held nominally No.
Specified directors						
M.J Hofmeister	2,069,339	-	-	-	2,069,339	-
J.J.A. Johnson	100,000	-	-	-	100,000	-
W.V. Hill	-	-	-	-	-	-
Specified executives						
D.J Gallagher	20,000	-	50,000	-	70,000	-
V. Misztowt	-	-	-	-	-	-
M.D. Laidlaw	-	-	-	-	-	-
I.C. Whittle	-	-	-	100,000	100,000	-
G.N. Fussell	-	-	-	-	-	-
	2,189,339	-	50,000	100,000	2,339,339	-

Partly Paid Ordinary Shares issued by CMI Limited

	Balance at 1/7/03 No.	Granted as remuneration No.	Received on exercise of options No.	Balance at 30/6/04 No.	Balance held nominally No.
Specified directors					
M.J Hofmeister	750,000	-	-	750,000	-

Convertible Non-Cumulative Preference Shares issued by CMI Limited

	Balance at 1/7/03 No.	Granted as remuneration No.	Received on exercise of options No.	Balance at 30/6/04 No.	Balance held nominally No.
Specified directors					
M.J Hofmeister	369,089	-	-	369,089	-
J.J.A. Johnson	20,000	-	-	20,000	-
W.V. Hill	20,250	-	-	20,250	-
Specified executives					
D.J Gallagher	150,000	-	-	150,000	-
V. Misztowt	116,667	-	-	116,667	-
M.D. Laidlaw	109,000	-	-	109,000	-
I.C. Whittle	-	-	-	-	-
G.N. Fussell	5,000	-	-	5,000	-
	790,006	-	-	790,006	-

33. Related Party and Specified Executive Disclosures (cont)

Share Options issued by CMI Limited

	Balance at 1/7/03 No.	Granted as remuneration No.	Exercised No.	Balance at 30/6/04 No.	Balance vested at 30/6/04 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Specified directors								
M.J Hofmeister	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	-
J.J.A. Johnson	50,000	-	-	50,000	50,000	-	50,000	-
W.V. Hill	-	-	-	-	-	-	-	-
Specified executives								
D.J Gallagher	50,000	-	50,000	-	-	-	-	-
V. Misztowt	100,000	-	-	100,000	100,000	-	100,000	-
M.D. Laidlaw	100,000	-	-	100,000	100,000	-	100,000	-
I.C. Whittle	-	-	-	-	-	-	-	-
G.N. Fussell	-	10,000	-	10,000	2,000	-	2,000	2,000
	1,300,000	10,000	50,000	1,260,000	1,252,000	-	1,252,000	2,000

Each share option converts into one ordinary share of CMI Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option.

During the financial year, 50,000 options were exercised by specified executives for 50,000 ordinary shares in CMI Limited. The exercise price was $1.00. No amounts remain unpaid on options exercised during the financial year at year end.

Mr G.N. Fussell and executives were issued options on 27 April 2004. The fair value of the options at their grant date was $2.22.

Further details of options granted during the year are contained in Note 29 to the financial statements.

34. Details of Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest 2004 %	Ownership Interest 2003 %
Ultimate Parent Entity:			
CMI Limited	Australia		
Controlled Entities:			
CMI Limited	New Zealand (i)	100	100
CMI Operations Pty Ltd	Australia (ii)	100	100
TJM Products Pty Ltd	Australia (ii)	100	100
Metlcast Manufacturing Pty Ltd	Australia (ii)	100	100
Capitalcorp Finance & Leasing Pty Ltd	Australia (ii)	100	-
Whittle Capital Limited	Australia	-	70

(i) This controlled entity carries on business in New Zealand and is audited by an associated firm of Deloitte Touche Tohmatsu, Australia.

(ii) This wholly-owned controlled entity has entered into a deed of cross guarantee with CMI Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirement to prepare an audited financial report.

The consolidated statement of financial performance and statement of financial position of entities which are party to the deed of cross guarantee are:

	2004 $'000	2003 $'000
Revenue from ordinary activities	268,315	189,164
Changes in inventories	164	7,430
Raw materials expense	(111,876)	(85,568)
Sub-contractors expense	(11,589)	(11,214)
Employee benefits expense	(78,624)	(50,226)
Repairs, maintenance and consumables expense	(12,548)	(9,410)
ASX and share register expense	(163)	(145)
Occupancy expense	(10,249)	(7,715)
Travel and communication expense	(3,967)	(2,422)
Freight and cartage expense	(5,155)	(4,885)
Depreciation and amortisation expense	(7,135)	(5,519)
Borrowing costs	(3,652)	(3,173)
Other expenses from ordinary activities	(8,110)	(6,166)
Profit from Ordinary Activities before income tax expense	15,411	10,151
Income tax expense relating to ordinary activities	(5,235)	(3,350)
Net Profit and Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners	10,176	6,801

34. Details of Controlled Entities (cont)

	2004 $'000	2003 $'000
CURRENT ASSETS		
Cash assets	6,489	543
Receivables	51,461	42,796
Inventories	38,780	39,027
TOTAL CURRENT ASSETS	96,730	82,366
NON-CURRENT ASSETS		
Receivables	732	660
Other financial assets	1,681	1,663
Property, plant and equipment	54,807	55,554
Intangibles	26,274	8,799
Deferred tax assets	247	122
Other	3,122	3,018
TOTAL NON-CURRENT ASSETS	86,863	69,816
TOTAL ASSETS	183,593	152,182
CURRENT LIABILITIES		
Payables	31,838	30,909
Interest-bearing liabilities	15,252	4,769
Current tax liabilities	2,289	480
Provisions	8,118	7,792
TOTAL CURRENT LIABILITIES	57,497	43,950
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	49,892	37,703
Deferred tax liabilities	3,802	3,257
Provisions	4,499	3,350
TOTAL NON-CURRENT LIABILITIES	58,193	44,310
TOTAL LIABILITIES	115,690	88,260
NET ASSETS	67,903	63,922
EQUITY		
Contributed equity	54,913	54,713
Reserves	-	-
Retained profits	12,990	9,209
TOTAL EQUITY	67,903	63,922

35. Acquisition of Businesses

Names of Businesses Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Acquired %	Cost of Acquisition $'000
Controlled entity				
Capitalcorp Finance & Leasing Pty Ltd and its controlled entities	Financial Services	1/7/03	100	17,830

Further details of the acquisition of businesses are disclosed in note 36(c) to the financial statements.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

36. Notes to 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 year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Cash assets	6,740	1,194	-	-
Bank Overdraft	(87)	(42)	-	-
	6,653	1,152	-	-

b) Reconciliation of net cash from operating activities to profit from ordinary activities after related income tax

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Profit from ordinary activities after related income tax	10,585	7,229	6,376	2,391
(Profit)/Loss on disposal of non-current assets	11	63	(10)	(18)
Depreciation and amortisation of non-current assets	7,285	5,678	-	66
Recoverable amount writedown - plant and equipment	1,619	685	-	-
Intercompany dividend	-	-	-	-
Finance lease interest	1,290	1,125	-	15
Unrealised foreign exchange (gain)/loss	19	(13)	-	-
Increase/(Decrease) in deferred tax payable	2,156	1,890	289	747
Changes in net assets and liabilities, net of effects from acquisition of businesses:				
(Increase)/Decrease in:				
Current receivables	(6,211)	(12,621)	-	-
Current inventories	176	(6,181)	-	-
Non-current other financial assets	(2)	-	-	-
Increase/(Decrease) in:				
Current account payables	(564)	9,054	-	-
Current borrowings	101	(37)	(8,981)	(2,833)
Current provisions	(333)	517	-	-
Non-current borrowings	-	(165)	-	-
Non-current provisions	1,119	(2,104)	-	-
Net cash from Operating Activities	17,251	5,120	(2,326)	368

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

36. Notes to Statement of Cash Flows (cont)

c) Businesses Acquired

During the financial year, one controlled entity was acquired. Details of the acquisition are as follows:

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Consideration				
Cash	6,750	15,631	6,750	-
Amount payable	11,080	-	11,080	-
	17,830	15,631	17,830	-
Fair Value of Net Assets Acquired				
Current Assets				
Cash	2,731	-	2,731	-
Receivables	2,611	107	2,611	-
Inventories	-	5,952	-	-
Non-Current Assets				
Other financial assets	16	-	16	-
Property, Plant and Equipment	818	14,281	818	-
Deferred Tax Assets	210	1,939	210	-
Current Liabilities				
Payables	(4,411)	(890)	(4,411)	-
Interest-bearing liabilities	(535)	(28)	(535)	-
Current tax liabilities	(396)	-	(396)	-
Provisions	(581)	(678)	(581)	-
Restructuring Costs	-	(694)	-	-
Non-Current Liabilities				
Interest-bearing liabilities	(228)	(92)	(228)	-
Provisions	(30)	(4,266)	(30)	-
Net assets acquired	205	15,631	205	-
Brandname on acquisition	17,000	-	17,000	-
Goodwill on acquisition	625	-	625	-
	17,830	15,631	17,830	-
Net cash (inflow)/outflow on acquisition				
Cash consideration	6,750	15,631	6,750	-
Less cash balances acquired	(2,731)	-	-	-
	4,019	15,631	6,750	-

d) Non-cash financing and investing activities

During the financial year, the consolidated entity acquired plant and equipment with an aggregate fair value of $1,940,510 (2003: $6,293,611) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

e) Financing Facilities

The consolidated entity has the following finance facilities available:

(i) A Multi-Option and Bill Acceptance/Discount Facility with National Australia Bank Limited, reviewed annually

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Limit	42,500	27,000	42,500	27,000
Amount Unused	3,000	1,750	3,000	1,750

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

37. Contingent Liability

Guarantees issued to bank in respect of overseas purchases, lease of premises and sand mining lease	278	193	276	193
Guarantees issued to bank in respect of security for payment of business	400	700	-	-
Court proceedings (i)	-	-	-	-
As detailed in note 34, the company has entered into a deed of cross-guarantee with certain wholly-owned controlled entities. The total liabilities of these wholly-owned controlled entities (excluding amounts owed to the parent entity) are	-	-	98,255	87,050
	678	893	98,531	87,243

(i) An entity in the consolidated entity is a defendant in legal actions involving the alleged owing of monies pursuant to contracts of engagements. The directors believe, based on legal advice that the actions can be successfully defended and therefore no losses will be incurred. The legal claims are expected to be settled in the course of the next twelve months.

38. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the accounts.

(b) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2004:

			Fixed Interest Rate Maturity			
2004	Average Interest rate %	Variable Interest rate $'000	Less than 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash	4.1	6,724	-	-	16	6,740
Trade receivables	-	-	-	-	45,806	45,806
Other receivables	-	-	-	-	5,560	5,560
Other loans	-	-	-	-	732	732
		6,724	-	-	52,114	58,838
Financial Liabilities						
Trade payables	-	-	-	-	23,400	23,400
Other creditors and accruals	-	-	-	-	8,905	8,905
Bank overdraft	10.2	87	-	-	-	87
Bills of exchange	6.9	17,500	-	22,000	-	39,500
Other loans	7.8	400	412	209	11,080	12,101
Finance lease liabilities	8.7	-	3,499	10,128	-	13,627
Employee entitlements	-	-	-	-	12,687	12,687
Rebates	-	-	-	-	150	150
		17,987	3,911	32,337	56,222	110,457

38. Financial Instruments (cont)

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2003:

2003	Average Interest rate %	Variable Interest rate $'000	Fixed Interest Rate Maturity: Less than 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash	4.4	1,185	-	-	9	1,194
Trade receivables	-	-	-	-	35,331	35,331
Other receivables	-	-	-	-	5,764	5,764
Other loans	-	-	-	-	660	660
		1,185	-	-	41,764	42,949
Financial Liabilities						
Trade payables	-	-	-	-	22,983	22,983
Other creditors and accruals	-	-	-	-	8,372	8,372
Bank overdraft	9.9	42	-	-	-	42
Bills of exchange	7.1	12,750	-	12,500	-	25,250
Other loans	7.5	700	291	523	-	1,514
Finance lease liabilities	8.3	-	4,238	11,694	-	15,932
Employee entitlements	-	-	-	-	10,725	10,725
Onerous contracts	-	-	-	-	397	397
Restructuring costs	-	-	-	-	200	200
		13,492	4,529	24,717	42,677	85,415

(c) Forward Foreign Exchange Contracts

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to cover material foreign currency payments. There were no forward foreign currency contacts outstanding as at the reporting date (2003: Nil).

(d) Objectives of Derivative Financial Instruments

The consolidated entity enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the import of material components from overseas. The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes.

(e) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractural obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(f) Net Fair Value

With the exception of the interest free loans made to directors and executives, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values.

The net fair value of financial assets and financial liabilites have been determined as follows:

- The net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

39. Subsequent Events

On 9 August 2004, 200,000 fully paid ordinary shares were issued to JWV Holdings Pty Ltd, a company of which Mr J.W. Vogler (former Company Secretary of CMI Limited) is a director, pursuant to the exercise of unquoted options.

On 17 August 2004, 1,000,000 fully paid ordinary shares were issued to Carluke Capital Pty Ltd, a company of which Mr M.J. Hofmeister is a director, pursuant to the exercise of unquoted options. Carluke Capital Pty Ltd has entered into a loan agreement for $1,000,000 with CMI Operations Pty Ltd and voluntary restriction deed. The loan is on interest free terms and is payable by 21 August 2011 but the borrower has agreed that the shares are excluded from trading until the loan is repaid.

On 17 August 2004, 50,000 fully paid ordinary shares were issued to Mr J.J.A. Johnson pursuant to the exercise of unquoted options. Mr J.J.A. Johnson has entered into a loan agreement for $50,000 with CMI Operations Pty Ltd and voluntary restriction deed. The loan is on interest free terms and is payable by 21 August 2011 but the borrower has agreed that the shares are excluded from trading until the loan is repaid.

40. Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards

Management of the transition to A-IFRS

CMI Limited will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, CMI Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

The directors are monitoring the developments in A-IFRS and the potential impact it will have on the consolidated entity, and expect to commence a plan to prepare the consolidated entity to be A-IFRS compliant shortly.

At the date of this report, the directors of CMI Limited have finalised a high-level assessment of the impact of A-IFRS on the consolidated entity, and consequently have determined the key accounting policy differences below.

On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As any adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the consolidated entity on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from having to restate past business combinations, expense share-based payments granted before 7 November 2002, and the identification of a 'deemed cost' for property, plant and equipment.

The impact on CMI Limited of the changes in accounting policies on first-time adoption of A-IFRS will be affected by the choices made. The consolidated entity is evaluating the effect of the options available on first-time adoption in order to determine the best possible outcome for the consolidated entity.

Key accounting policy differences expected to arise on transitioning to A-IFRS

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the consolidated entity, the directors of CMI Limited have identified the following as being the key accounting policy differences expected to arise on transitioning to A-IFRS:

(a) Borrowing costs

As disclosed in Note 1, the consolidated entity currently capitalises borrowing costs related to qualifying assets. Under A-IFRS, the consolidated entity can continue to capitalise such costs, or choose to immediately expense all borrowing costs, even where they relate to qualifying assets. The consolidated entity has not yet made a decision as to which accounting policy it will elect to adopt under A-IFRS. However, the impact of the consolidated entity changing its policy may be to cause a write-off of capitalised borrowing costs on transition (depending on first-time adoption choices around deemed cost), and on an ongoing basis, to cause a reduction in future asset values and immediate expensing of borrowing costs in net profit.

40. Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (cont)

(b) Business combinations

Historically, the acquisition of an entity or operation is accounted for under the purchase method of accounting by the legal acquirer. Where consolidated accounts are prepared, the assets and liabilities purchased are initially recognised at their fair values in the consolidated accounts.

Under A-IFRS, the purchase method of accounting must be applied where there is a business combination, however, not all acquisitions will qualify as a business combination, and as such the purchase method of accounting for these acquisitions will no longer be appropriate. In addition, the legal acquirer may not be the 'acquirer' per A-IFRS, and the consolidated accounts may consequently reflect the fair values of the legal acquirer's assets and liabilities rather than the fair value of the assets and liabilities of the entity legally acquired.

Furthermore, there are a number of recognition and measurement differences that result in relation to assets and liabilities acquired in a business combination, particularly in relation to intangible assets and restructuring provisions. Acquired contingent liabilities must also be recognised at their fair values where acquired in a business combination.

The impact of these changes in accounting policy on first-time adoption will depend on whether the consolidated entity will elect to adopt the exemption available to it to not reopen past acquisitions and retrospectively account for them appropriately. On an ongoing basis, this change in policy may significantly affect the profit and loss and balance sheet, as the accounting going forward significantly differs from the manner in which such transactions are treated under current Australian GAAP.

(c) Depreciation

Under current Australian GAAP, the consolidated entity's property, plant and equipment is depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices, except where the asset had been revalued. Under A-IFRS, the residual amount is reviewed at each balance date and revised to the current net amount expected from the disposal of the asset if it were already at the age and condition expected at the end of its useful life. Accordingly, changes to the residual value may introduce additional volatility in the profit or loss.

(d) Disposal of foreign entities

The consolidated entity includes a self-sustaining foreign operation that is expected to have a different functional currency to the parent under A-IFRS. Exchange differences arising from translation of this subsidiary are recognised in the foreign currency translation reserve. A-IFRS requires these differences to be recycled through the income statement on disposal (in whole or in part) of the related foreign subsidiary, which is not presently permitted under Australian GAAP. The consolidated entity has not yet decided whether to adopt the first-time option available to it to reset the reserve to nil. It is not feasible to determine the impact of this change for future financial years.

(e) Employee benefits

Under A-IFRS, the consolidated entity will no longer be able to recognise provisions for annual leave on a nominal basis, regardless of when the leave is expected to be taken, but will instead be required to discount the portion of annual leave liabilities expected to be taken more than twelve months from the reporting date. This change in accounting policy is likely to reduce the aggregate provision for annual leave, but is unlikely to significantly affect the income statement.

(f) Financial assets and financial liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value. On adoption of A-IFRS, the consolidated entity will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The consolidated entity is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

40. Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (cont)

(g) Goodwill

As disclosed in note 1, goodwill is currently amortised over a 20 year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet, adjusted if necessary on the optional restatement of business combinations, must be allocated to individual cash-generating units (or groups of cash-generating units) and tested for impairment at the allocated level. This change in policy may result in increased volatility in the profit and loss, where impairment losses are likely to occur.

(h) Hedge accounting

The consolidated entity enters into forward exchange contracts for its purchases and sales in order to hedge its exposure to fluctuations in exchange rates. The current accounting policy for hedging is described in note 1. Under A-IFRS, hedges are designated as fair value hedges, cash flow hedges or hedges of a net investment in a foreign entity, and the accounting differs depending on the designation. Where a hedge is designated as a fair value hedge, changes in the fair value of the hedged item to the extent of the risk hedged are recognised in profit or loss. Changes in the fair value of hedging instruments classified as cash flow hedges or hedges of a net investment in a foreign entity are recognised in equity to the extent they are effective hedges, and are recycled to the income statement when the hedged transaction affects the profit or loss. Any movement in fair value of the hedged instrument that is not effective is recognised immediately in profit and loss.

The designation, documentation and effectiveness requirements under A-IFRS may result in some hedges no longer qualifying for hedge accounting. It is not possible to determine the impact of the change in hedging requirements until a full analysis of the impact of the standard (including no longer accounting for hedging instruments under hedge accounting) has been conducted.

(i) Impairment of assets

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Historically CMI Limited has not discounted cash flows in determining the recoverable amount of its non-current assets.

Under A-IFRS, both current and non-current assets are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the consolidated entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

(j) Impairment of financial assets

The consolidated entity provides for doubtful debts using an estimate based on historical trends. Under A-IFRS, the entity will no longer be able to provide for doubtful debts on this basis, as a financial asset or group of financial assets is impaired only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – that is, an incurred but not yet reported model rather than an expected loss model must be applied. Consequently, on adoption of A-IFRS, and on an ongoing basis, general provisions and expected loss models may no longer be appropriate, which may cause the carrying amount of various financial assets to increase.

(k) Income tax

The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

40. Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (cont)

(k) Income tax (cont)

Because A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. In particular, significant increases in deferred tax liabilities may occur in relation to deferred taxes associated with fair value adjustments and intangibles arising in relation to pre-transition business combinations, revaluations of land and buildings and investments in associates.

The impact of this difference may be to increase deferred tax assets and opening retained earnings, and result in a higher level of recognised deferred tax assets on a go-forward basis.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

(l) Off-balance sheet financial assets and liabilities

A-IFRS requires the recognition of all financial assets and financial liabilities, including all derivatives and embedded derivatives, some of which may not be recognised under current Australian GAAP. Accordingly, recognition of these financial assets and financial liabilities may significantly change the net asset position of the consolidated entity, but the impact of the change will not be known until all financial instruments, including any embedded derivatives, are identified, measured and recognised in accordance with the new requirements.

An embedded derivative will have to be separately recognised at fair value from its host contract unless certain conditions are met. Changes in the fair value of the derivative are to be recognised in the income statement unless specific hedging criteria are met. The process of reviewing all contracts (e.g. lease contracts) for the existence of such derivatives is time-consuming, and whether any such derivatives exist and the value attaching to them, can only be determined subsequent to the review.

(m) Proceeds from sale of assets

The current definition of revenue requires proceeds on sale of non-current assets to be included as revenue – this has the effect of 'grossing up' the statement of financial performance. Under A-IFRS, only the net gain or loss from the sale will be recognised in profit or loss. Consequently, there will be no net impact on the income statement.

(n) Property, plant and equipment

On transition to A-IFRS, the entity has several options in the determination of the cost of each tangible asset, and can also elect to use the cost or fair value basis for the measurement of each class of property, plant and equipment after transition. At the date of this report, the entity has not decided which options and measurement basis will be adopted and the likely impacts therefore cannot be determined.

(o) Revaluation of purchased intangible assets other than goodwill

Should the consolidated entity elect to reopen past acquisitions, the consolidated entity will be required to assess the appropriateness of recognising the intangible assets that originally arose from each combination, and it may result in different intangible assets being recognised. Where these intangible assets have limited useful lives, adjustments may also be made to reflect amortisation since the original acquisition date.

If past business combinations are not restated, certain intangible assets may need to be derecognised on transition to A-IFRS where they do not satisfy the relevant recognition criteria. In these cases, the carrying amounts of these intangible assets at the date of transition will be subsumed into the carrying amount of goodwill.

40. Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (cont)

(p) Share-based payment

Share-based compensation forms part of the remuneration of employees of the consolidated entity (including executives) as disclosed in the notes to the financial statements. The consolidated entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the consolidated entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met. The entity will not retrospectively recognise share-based payments vested before 1 January 2005 as permitted under A-IFRS first time adoption.

The recognition of the expense will decrease the consolidated entity's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 7 November 2002 but not vested before 1 January 2005. Similar impacts will also occur in future periods, however, quantification of the impact on equity and in the income statement of the existing share options granted as remuneration has not been completed at the reporting date.

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

1. Ordinary Shareholder Information

The following information with respect to 28,486,382 fully paid ordinary shares and 750,000 partly paid ordinary shares on issue reflects the Share Register at that date.

a) There were 2,701 holders of fully paid ordinary shares. There was also one holder of partly paid ordinary shares, paid to 1 cent. $1.44 per share may be called up in the event of winding up the company. All fully paid ordinary shares of the company carry one vote per share on poll, or one vote per member on a show of hands. Partly paid ordinary shares carry one vote per share and carry the right to dividends in the proportion that the amount paid is of the amounts paid and payable.

b) Distribution of shareholders:

	Number
1 - 1,000 shares	300
1,001 - 5,000 shares	1,239
5,001 - 10,000 shares	596
10,001 - 100,000 shares	550
100,001 - and over	16
Total	2,701

c) The number of shareholdings held in less than a marketable parcel - 22

d) Twenty largest shareholders:

Shareholder	Fully Paid Ordinary Shares	Percentage Fully Paid	Partly Paid Ordinary Shares	Percentage Partly Paid
Carluke Capital Pty Ltd	2,999,349	10.53	-	-
Consolidated Manufacturing Industries Pty Ltd	-	-	750,000	100.00
James N Kirby Holdings Pty Ltd	713,000	2.50	-	-
Almargem Pty Ltd	638,230	2.24	-	-
Mr Graeme Charles Fry	201,000	.70	-	-
Aboud Investments Pty Limited	200,000	.70	-	-
H J W Scott Pty Ltd	190,000	.66	-	-
Mr Philip Gordon Greenham	185,038	.64	-	-
Tower Trust Limited	173,490	.60	-	-
Frank Hadley Pty Ltd	165,200	.57	-	-
Mr Robert Archer Black & Dr Ann Carolyn Black	155,000	.54	-	-
Westpac Custodian Nominees Limited	130,314	.45	-	-
Barham Pty Ltd	125,000	.43	-	-
RBC Global Services Aust Nominees Pty Ltd	120,000	.42	-	-
JP Morgan Nominees Australia Limited	115,247	.40	-	-
Mrs Robin Lynn Beech	100,000	.35	-	-
Yan's Investment Pty Ltd	100,000	.35	-	-
Arredo Pty Ltd	100,000	.35	-	-
Ledir Investments Pty Limited	100,000	.35	-	-
Mr Ian Clarendon Whittle	100,000	.35	-	-
Merged Funds Pty Ltd	92,500	.32	-	-
Total	6,703,368	23.45	750,000	100.00

e) The names of substantial shareholders are:

Shareholder	Number	Percentage
Fully Paid Ordinary Shares		
Carluke Capital Pty Ltd	2,999,349	10.53
James N Kirby Holdings Pty Ltd	713,000	2.50
Almargem Pty Ltd	638,230	2.24
Partly Paid Ordinary Shares		
Consolidated Manufacturing Industries Pty Ltd	750,000	100.00

2. Preference Shareholder Information

The following information with respect to 26,076,742 fully paid convertible preference shares on issue reflects the Share Register at that date.

a) There were 2,511 holders of convertible preference shares. All issued preference shares of the company carry one vote per share, however the right to vote is restricted broadly speaking to matters concerning such shareholders.

b) Distribution of shareholders:

Distribution of shareholders	Number
1 - 1,000 shares	313
1,001 - 5,000 shares	868
5,001 - 10,000 shares	623
10,001 - 100,000 shares	690
100,001 - and over	17
Total	2,511

c) The number of shareholdings held in less than a marketable parcel - 42

d) Twenty largest shareholders:

Shareholder	Fully Paid Convertible Preference Shares	Percentage Fully Paid
James N Kirby Holdings Pty Ltd	1,014,216	3.88
Tower Trust Limited	379,774	1.45
Carluke Capital Pty Ltd	352,393	1.35
JWV Holdings Pty Ltd	233,334	.89
Milton Corporation Ltd	198,334	.76
Mr Richard George Doughty Arnold	186,954	.71
Mr Leslie Charles Smith	166,393	.63
L C Smith & Co Pty Ltd	157,022	.60
General Packaging Pty Ltd	150,100	.57
Mr Daniel James Gallagher	150,000	.57
Frank Hadley Pty Ltd	147,277	.56
Tullefron Pty Ltd	138,107	.52
Mr Rollo Meyers & Mrs Christa Meyers	121,484	.46
H J W Scott Pty Ltd	117,500	.45
Mr Vince Misztowt	116,667	.44
Mr Mark Donald Laidlaw	109,000	.41
Milne Investments Pty Ltd	108,795	.41
Mr Stephen Stanley Brown & Mrs Philippa Anne Brown	100,000	.38
Mr Anthony Karas	100,000	.38
DLN Pty Limited	95,000	.36
Total	4,142,350	15.78

e) The names of substantial shareholders are:

Shareholder	Number	Percentage
James N Kirby Holdings Pty Ltd	1,014,216	3.88
Tower Trust Limited	379,774	1.45
Carluke Capital Pty Ltd	352,393	1.35

3. Stock Exchange Listing

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

4. There is no Contingent Liability Required for Termination Benefits Under Service Agreements with Directors.

5. An Audit Committee was in Existence During the Year.

6. Options

252,500 options are held by 9 individual option holders. Options do not carry a right to vote.

7. On Market Buy Back

There is no current on market buy back.

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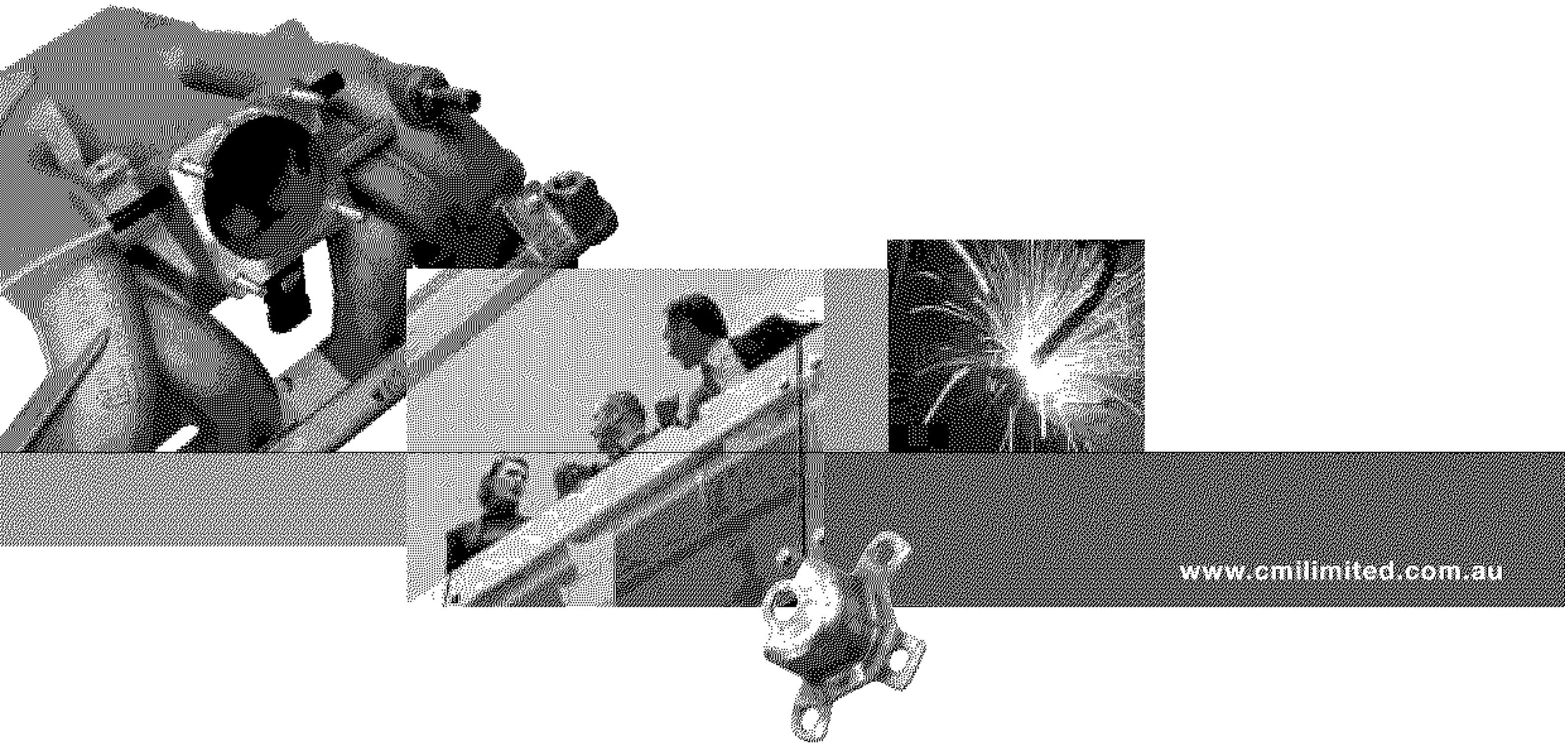
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