



CMI Limited Annual Report 2008

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ANNUAL GENERAL MEETING

The Annual General Meeting of CMI Limited will be held at the Brisbane Riverview Hotel, Ascot Room, cnr Kingsford-Smith Drive and Hunt Street, Hamilton on Wednesday, 26 November 2008 at 10.00 am. The business of the meeting is outlined in the formal Notice and Proxy Form that is enclosed with this report.

FINANCIAL CALENDAR

Financial year end	30 June 2008
ASX announcement of results and dividend	31 August 2008
Annual General Meeting	26 November 2008

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

- **CMI Electrical**

- This division specialises in the manufacture, sourcing and supply of electrical cables and connectors, primarily for the Australian mining and industrial markets.
- Business units include: Aflex Cables, Hartland Cables, XLPE Cables, Minto Industrial Products and a cable assembly unit.
- Market penetration is achieved through 7 distribution outlets, 5 that are run by the company in Sydney, Brisbane, Rockhampton, Melbourne and Perth and 2 distributors located in New Zealand and Adelaide.

- **TJM Products**

- This division specialises in designing, manufacturing, wholesaling and retailing of vehicle accessories for the 4WD, SUV & Trade markets.
- Primary products include bull bars, winches, recovery gear, snorkels, canopies & suspension.

- Market penetration is achieved through 41 TJM branded retail distribution stores throughout Australia, original accessory equipment supply to major manufacturers such as Nissan and direct export to a distribution network covering most continents.

CMI Limited's other operation is the Capitalcorp Finance division. This division has been written down in the Company's accounts and is currently classified as held for sale. This division specialises in broking finance products in the automotive, equipment & business sectors with a small focus on the housing sector, insurance & warranties.

During the 2008 financial year, CMI Limited has successfully divested all of its engineering divisions other than TJM Products. The operations divested include:

- CMI Campbellfield, CMI Kensington, CMI Forge, Toowoomba Metal Technologies (TMT), CMI Horsham, CMI New Zealand, CMI USA, CMI Ballarat and CMI Water.

Chairman's Review

This has been a year of great change for the Company. In its review of forward strategy, the Board decided to re-shape the business focus and concluded that the engineering business was labour and capital intensive in a sector of the economy that presented uncontrollable risks. The future of automotive manufacturing in Australia is uncertain and the Board decided to reduce the perceived risk of that sector and to exit the business. That has been achieved and while substantial losses have been incurred, the Company has been able as a result of the sale to reduce bank debt to moderate levels while maintaining overall operating profitability generally consistent with previous years.

The Board has also decided that the finance business does not offer any synergies to the core CMI businesses but the global financial market difficulties has delayed the sale of that business. The Board has decided to write down the carrying value of that business pending a successful exit.

The future direction of the Company lies with the electrical business and the TJM business. Both are profitable and the electrical business continues to perform strongly. The TJM business has required reorganisation, product review and significant system upgrades but we expect that it will soon be in a position to expand in what we believe is an attractive market sector.

The Board expresses its appreciation to the Company's management for its diligence during a period of change.



Colin Ryan

Chairman

CMI Operational Overview

CMI Electrical 2008

The Electrical Division produced a pre-tax profit of \$14.86m which is \$102k less than 2007. Revenue increased to \$51.9m, 5.0% (or \$2.6m) up on last year.

Certain branches and new product lines performed well and helped to make up for significant drop-offs in customer orders in the mining sector due to flooding and delays in port infrastructure construction. The mining sector, which makes up approximately 45% of sales revenue is expected to perform strongly in the coming year.

Market penetration is achieved through 7 distribution outlets, 5 that are run by the company in Sydney, Brisbane, Rockhampton, Melbourne and Perth and 2 distributors located in New Zealand and Adelaide.

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

- Hartland Cables
- Minto Industrial Products
- XLPE Cables
- Aflex Cables

In the 2009 year CMI Electrical proposes to focus on the following:

- Increasing the revenue and margins
- Strengthening the company's sale force and marketing
- Introduction of new products to the market
- Relocation of some branches to larger warehouse premises

TJM Products 2008

The TJM Products Division produced a pre-tax profit of \$1.45m which is \$178k less than 2007. Revenue increased to \$44.81m, 8.5% (or \$3.5m) up on last year. The reduction in margin can in large part be attributed to increased costs in updating accessories designs, inventory management and raw materials.

TJM Products are continuing to implement operational improvements which should show benefits over the next 12 months.

In the 2009 year TJM Products proposes to focus on the following:

- Increasing the revenue and margins
- Strengthening the company's distributors and marketing
- Introduction of new products to the market

Market Distribution

Market distribution is achieved through 41 TJM branded retail distribution stores throughout Australia, original accessory equipment supply to major manufacturers such as Nissan and direct export to a distribution network covering most continents.

Design & Manufacturing

The 2008 year has seen a marked improvement in the processes employed by TJM in the design & manufacture of products. Notably:

- Laser scanning of vehicles to improve design time & accuracy.
- Utilisation of solid modeling software to increase design innovation & reduce physical prototyping requirements.
- Implementation of lean manufacturing processes to increase productivity, reduce costs and shorten production lead times.

The continued development of the above systems will increase TJMs ability to rapidly release innovative, market relevant products domestically and abroad.

Capitalcorp Finance & Leasing 2008

CMI Limited's other operation is the Capitalcorp Finance division. This division has been written off in the Company's accounts and is currently classified as held for sale. A sales process was commenced during the year to sell this division.

The Capitalcorp business is primarily a finance broker & aggregator focused on financing second hand motor vehicle purchases throughout Australia. The 2008 year saw consumer confidence with regard to discretionary spending decrease on the back of rising interest rates.

Looking forward, a comprehensive restructure program is being implemented with an emphasis on reducing costs and focusing on increasing sales activity.

Directors and Senior Management

Colin Ryan AM

Chairman

Colin Ryan joined the board on 28 February 2007 as the non-executive chairman and independent director. Colin is currently: Chairman of the Brisbane Airport Corporation Ltd, Director of Softlink International Ltd and Chairman of the Royal Children's Hospital Foundation.

Colin is the former Queensland managing partner of Arthur Andersen and former Deputy Chairman of the Port of Brisbane. He holds bachelor degrees in Commerce and Law, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

Raymond Catelan

Managing Director

Ray Catelan joined the board as a director on 18 May 2007 and as Managing Director on 3 July 2007. Ray has extensive commercial and management experience both in public and private company environments including more than 12 years in the IT industry. Ray founded RP Data in 1991 and was the Managing Director. RP Data was listed on the Australian Stock Exchange in December 2006.

Danny Herceg

Non-Executive Director

Danny Herceg joined the board on 9 March 2007 as an independent director. Danny is a senior corporate and commercial lawyer with a specialisation in capital raisings, mergers and acquisitions, privatisations, restructurings and venture capital. Danny commenced practise in 1990 after completing degrees in science and law. He was a capital raisings partner of Gilbert + Tobin before establishing Herceg Lawyers in 2002. In addition to Danny's capital raisings expertise, Danny advises on various commercial and corporate law issues, including prospectus issues, corporate governance and employee share and option plans, as well as joint ventures and non-equity funding.

Richard Catelan

Chief Operating Officer – CMI Limited

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

Richard Catelan is the nephew of the current CMI Limited Managing Director, Ray Catelan and has worked closely with the current Managing Director between 1994 and 2004 where he held positions as New South Wales state manager ultimately rising to General Manager of RP Data Ltd which has given him extensive experience in information technology.

Richard joined the CMI group in 2008 at TJM in the sales division and was appointed a Director of CMI Limited in June 2008.

Sharyn Williams

Chief Financial Officer/Company Secretary – CMI Limited

Sharyn joined CMI Limited in July 2007 and was appointed Company Secretary and Chief Financial Officer in April 2008. Sharyn has extensive experience in business management consulting and prior to joining CMI Limited Sharyn was employed with RP Data Ltd. Sharyn holds a Bachelor of Business from the Queensland University of Technology.

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.

Neil Saxton

General Manager – TJM

Neil joined TJM in 2007. Neil has extensive experience in manufacturing and over seven years in the 4WD industry having previously held a senior position within ARB as manufacturing manager overseeing their Australian and Thailand plants.

Neil is a mechanical engineer who has a focus on cost control, productivity improvements and product sourcing.

CMI Locations

CMI Limited – Head Office

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

TJM Products Pty Ltd – Head Office

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

TJM Products Blacktown (retail branch)

Unit 1/12 Garling Road
Blacktown NSW 2148
T: 02 9622 1000
F: 02 9831 4735

TJM Products Penrith (retail branch)

Unit 3/1 Peachtree Road
Penrith NSW 2750
T: 02 4731 1400
F: 02 4731 1324

TJM Products Orange (retail branch)

37 Peasley Street
Orange NSW 2800
T: 02 6361 7999
F: 02 6361 2899

CMI Electrical – Head Office

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

NSW - Fairfield

85 – 87 Malta Street
Fairfield NSW 2165
T: 02 9723 2355
F: 02 9723 2322

QLD - Brisbane

150 Robinson Road
Geebung QLD 4034
T: 07 3865 4745
F: 07 3865 7494

QLD - Rockhampton

Unit 2/253 Bolsover Street
Rockhampton QLD 4700
T: 07 4921 0978
F: 07 4921 0981

VIC - Melbourne

3-5 Dissik Street
Cheltenham VIC 3189
T: 03 9532 1233
F: 03 9553 3502

WA – Perth

7 Rothschild Place
Midvale WA 6056
T: 08 9250 5933
F: 08 9250 5722

Capitalcorp Finance & Leasing – Head Office

Garden City Office Park
2404 Logan Road
Upper Mount Gravatt QLD 4122
T: 07 3112 2222
F: 07 3112 2229
Email: enquiries@capitalcorp.com.au

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Corporate Governance Statement

The Board of Directors ("Board") is responsible for the corporate governance practices of the Company. Following the release of the Principles of Good Corporate Governance and Best Practice Recommendations by the ASX Corporate Governance Council, the Board formalised a Corporate Governance Charter in 2004. The summary of the Corporate Governance Charter is available on the Company's website (www.cmilimited.com.au). The ASX Corporate Governance Council has updated the Principles and Recommendations in 2007.

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.

Each year the Board, with the assistance of the Managing Director, and the Remuneration Committee, undertakes a review of the performance of senior executives. The measures generally relate to the performance of CMI Limited, the performance of the executive's divisions, and the performance of the executive individually. Further details of the assessment criteria for senior executive remuneration (including equity-based share plans) are disclosed in the Remuneration Report.

Structure the Board to Add Value

As at the date of this statement, the Board comprises four directors - two executive and two non-executives. Details of the directors, including their skills, expertise, length of service and independence, are set out in the Directors' Report. An additional executive director was appointed during the year as indicated within the Directors' Report.

An independent director is one who is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the company. The board does not consider that independence can be assessed with reference to an arbitrary and set period of time.

In accordance with the definition of independence above, the following directors of CMI Limited are considered to be independent:

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

The Board acknowledges the ASX Corporate Governance Council recommendation that the board should consist of a majority of independent directors, however, the Board is of a view that the specialised knowledge of the operations and industry possessed by the directors outweighs the potential loss of existing expertise through a change to the board structure.

Additionally, the cost of an additional independent director to provide the majority is not seen by the current Board as warranted.

The Company complies with the ASX Corporate Governance Council recommendation of having different people in the roles of Chairman and Managing Director. The Chairman is also an independent director.

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.

The Group has an informal process to educate new Directors about the nature of the business, current issues, the Group strategy and the expectations of the performance of Directors. Executive management presents to the Board on a regular basis to enable the Directors to gain a better understanding of the business operations. The performance of all other Directors and of Committees is reviewed and assessed each year by the Chairman. The performance of the Chairman is reviewed and assessed each year by the other Directors.

Promote Ethical and Responsible Decision Making

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

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

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

The Code of Ethics and the Security Transaction Rules form part of the Corporate Governance Charter available on the Company's website.

Corporate Governance Statement

Safeguard Integrity in Financial Reporting

The Managing Director 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 two independent non-executive directors. The Chairman of the Audit Committee is an independent director. The Board acknowledges the ASX Corporate Governance Council recommendation that the Audit Committee should consist of at least three members, all of whom are non-executive directors. Consideration has been given as to how and when this can be achieved, however the Board is currently of the view that this would require the appointment of an additional director which would be an unnecessary cost to the Company and the shareholders.

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

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

Make Timely and Balanced Disclosures

The Board complies with the continuous disclosure obligations of the Australian Securities Exchange ("ASX") and, in so doing, immediately notifies the market by disclosing any information in relation to the business of the Company that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of the Company's shares.

The Company Secretary is responsible for communications with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information released to the ASX and shareholders.

The Board has adopted the CMI Market Disclosure Policy, which sets out the key obligations of the Board and senior management to ensure that CMI complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act 2001 (Cth). A copy of the CMI Market Disclosure Policy is available on the Company's website.

Respect the Rights of Shareholders

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

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

The Board of Directors requests that the Company's external auditor attends all Annual General Meetings and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report thereon.

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

Recognise and Manage Risk

The Board is responsible for approving and reviewing the CMI group risk management strategy and policy. The CMI Risk Management Policy outlines the policies relating to the oversight and management of material business risk and is available on the Company's website.

The Board recognises that the management of risk is an integral part of the management process and adheres to the general principles of Standards Australia Risk Management Standard 4360:1999. Management is required to design, implement and review the Company's risk management and internal control system. As part of reporting requirements to the Board, each business division is required to report as to the effectiveness of the company's management of its material business risks.

The Managing Director 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.

Remunerate Fairly and Responsibly

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

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

Corporate Governance Statement

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

Remuneration packages usually include bonus and option elements, thus providing maximum benefits to both the Company and its shareholders. Details of directors' and senior executives' remuneration are disclosed in the Directors' Report.

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

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

The Company operates the CMI Employee Incentive Scheme, approved by the shareholders in accordance with the requirements of the ASX. This policy is available on the Company's website and sets out all restrictions and benefits applicable to the issue of equity securities to employees. There are restrictions on the exercise of options so that no more than 20% of options of awarded options to an employee can be exercised for each year of employment, up to five years, when the restrictions no longer apply. Options which issue are 'vested'. Hence, there is no Company policy associated with employee transactions in unvested options. The intention of the Scheme is to assist in the attraction and retention of employees and executives. The Board will determine in its absolute discretion the eligibility and the number of options to be offered, having regard to length of service, contribution, and potential contribution to the Company. Further detail is contained in the Directors' Report and the Financial Statements.

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

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

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

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

Directors' Report

The directors of CMI Limited submit herewith the annual financial report for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name	Particulars
Colin G. Ryan	Chairman and Non-Executive Director – Appointed 28 February 2007 Mr Ryan, AM, BCom, LLB, FCA, FAICD, is a former Queensland managing partner of an international chartered accounting firm. He is currently Chairman of the Brisbane Airport Corporation Ltd, Chairman of the Royal Children's Hospital Foundation and Director of Softlink International Ltd. Mr Ryan was awarded the Order of Australia in 2004 for his services to the health industry and corporate governance. During the financial year he attended 12 of the 15 directors' meetings held and 5 of the 5 audit committee meetings.
Danny Herceg	Non-Executive Director – Appointed 9 March 2007 Mr Herceg is a senior corporate and commercial lawyer with a particular specialisation in capital raisings, mergers and acquisitions, privatisations, restructurings and venture capital. During the financial year he attended 15 of the 15 directors' meetings held and 5 of the 5 audit committee meetings.
Raymond D. Catelan	Managing Director – Appointed 3 July 2007; Director - Appointed 18 May 2007 Mr Catelan has had extensive commercial and management experience both in the public and private company environments, particularly in providing property and equipment information services. During the financial year he attended 15 of the 15 directors' meetings held since his appointment and 4 of the 5 audit committee meetings.
Maurice C. Maughan	Non-Executive Director – Appointed 27 October 2005; Resigned 2 July 2007 Mr Maughan, FCA, has had extensive experience as a former partner in an international chartered accounting firm. Prior to his resignation there were no directors' meetings held and no audit committee meetings held.
Richard D. Catelan	Executive Director – Appointed 11 June 2008 Mr Catelan has had extensive commercial and management experience both in the public and private company environments, particularly in providing property and equipment information services. During the financial year he attended 1 of the 1 directors' meetings held since his appointment and 1 of the 1 audit committee meetings.

The above named directors held office during and since the end of the financial year except for:

Mr M.C. Maughan – resigned 2 July 2007

The directors do not hold any other listed company directorships.

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

Name	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	Fully Paid Class A Shares	Executive Share Options
Raymond .D. Catelan as:				
RP Prospects Pty Ltd as trustee for the M & L Trust	11,284,066	-	964,067	-
Richard D. Catelan as:				
Assetylene Pty Ltd as trustee for Richard Catelan Family Trust	351,632	-	-	-
Colin G. Ryan	-	-	-	300,000
Danny Herceg	-	-	-	300,000

Directors' Report

COMPANY SECRETARY

Sharyn R. Williams Joined CMI Limited in July 2007 and was appointed Company Secretary and Chief Financial Officer in April 2008. Prior to joining CMI Limited Sharyn was employed with RP Data Ltd. She holds a Bachelor of Business from the Queensland University of Technology.

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 from both continuing and discontinuing operations was \$232,220 thousand (2007: \$265,403 thousand). The consolidated entity's loss before tax was \$22,475 thousand (2007 loss: \$5,236 thousand) and the loss after tax was \$22,897 thousand (2007 loss: \$3,840 thousand).

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

CHANGES IN STATE OF AFFAIRS

On 18 February 2008, the Board of Directors entered into a sale agreement to dispose of the engineering division of CMI, excluding the TJM business to an entity controlled by CMI Limited's former Managing Director, Max Hofmeister. The disposal was completed on 16 April 2008, on which date control of the business passed to the acquirer.

The Board of Directors has committed to dispose of the Capitalcorp business. CMI publicly announced this decision on 12 May 2008.

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.

SUBSEQUENT EVENTS

On 4 September 2008 the company announced a proposal to undertake a selective capital reduction which will result in the buy-back of all 28,005,311 of its Class A shares. CMI intends to pay \$1.00 per Class A share funded by bank debt. This proposal requires approval by separate special resolutions passed by the Ordinary shareholders and Class A shareholders of CMI Limited.

There has not been any other 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.

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.

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.

Directors' Report

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

REMUNERATION REPORT

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

- A Principles used to determine the nature and amount of remuneration
- B Service agreements
- C Details of remuneration
- D Share-based compensation
- E Performance history
- F Dividends
- G Share Price

A Principles Used to Determine the Nature and Amount of Remuneration

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

The objective of the company's remuneration reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns reward with achievement of strategic and financial objectives and the creation of wealth for shareholders.

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

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years. Over the past five years, the consolidated entity's profit from ordinary activities after income tax (but prior to the impairment loss) has grown by 6.0%, and total equity has reduced by 22.0%. During the same period, directors and executives remuneration (included in part C below) has grown by 10.1%. Refer to the review of Operations in the Directors' Report for more details.

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

Remuneration packages contain the following key elements:

- a) Short-term employee benefits - salary/fees, bonuses and non monetary benefits including the provision of motor vehicles, accommodation and interest not charged on loans provided by the company;
- b) Post-employment benefits - including superannuation and prescribed benefits; and
- c) Share-based payment – shares issued during the financial year and share options granted under the director and employee share option plans approved by shareholders on 23 August 1999, and
- d) Long-term benefits – including long service leave and retirement benefits.

Short-term employee benefits – directors and executives listed in part C below are offered a competitive remuneration that comprises the components of base pay and benefits. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Specific key management personnel are paid cash bonuses based on performance criteria set at the beginning of the financial year. The performance criteria used to determine the amount of compensation consist of a number of key performance indicators covering both financial and non-financial measures of performance. Typically included measures include revenue, net profit before tax, inventory targets, quality assurance and leadership. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

In the 2008 financial year, Jeff Heslington (General Manager – Electrical Components Division) received a performance-related bonus of \$150,000 calculated on the electrical division achieving budgeted financial targets in the 2007 financial year. The cash bonus relating to the 2008 financial year was nil as the budgeted financial targets in the 2008 year were not achieved. The performance based criteria has been expanded to include non-financial targets for the 2009 financial year.

Other benefits – executives receive benefits including long service leave and superannuation as required by the laws in the various jurisdictions in which the company operates. In certain circumstances, additional benefits (e.g. travel, car parking and accommodation) may also be provided.

Directors' Report

B Service Agreements

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

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

C Details of Remuneration

The directors of the company and the consolidated entity are detailed below as are the seven executives who received the highest remuneration for the year ended 30 June 2008:

Directors

C.G. Ryan (appointed 28 February 2007)

D. Herceg (appointed 9 March 2007)

Raymond D. Catelan (appointed 18 May 2007)

Richard D. Catelan (appointed 11 June 2008)

M.C. Maughan (resigned 2 July 2007)

Seven highest remunerated executives

D.J. Gallagher (Manufacturing Manager – Engineering Division), transferred with business sale 16 April 2008

I.C. Whittle (Managing Director – Capitalcorp Finance & Leasing Pty Ltd), resigned 4 August 2008

M.D. Laidlaw (Chief Financial Officer/Company Secretary), transferred with business sale 16 April 2008

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

N. Saxon (General Manager – TJM Products Division)

J. Bradford (General Manager – Finance Division)

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

The following tables disclose the remuneration of the directors and seven highest remunerated executives of the company and the consolidated entity.

2008	Short-term Employee Benefits				Post-Employment Benefits		Share-based payment		Total \$
	Salary/ Fees \$	Bonus \$	Non-monetary \$	Other \$	Superannuation \$	Other \$	Shares \$	Options \$	
C.G. Ryan	109,000	-	-	-	-	-	-	81,000	190,000
D. Herceg	60,000	-	-	-	5,400	-	-	81,000	146,400
Raymond D. Catelan	300,000	-	-	-	27,000	-	-	-	327,000
Richard D. Catelan*	47,769	-	-	-	4,299	-	-	-	52,068
D.J. Gallagher**	198,000	-	-	9,864	-	-	-	-	207,864
I.C. Whittle	300,000	-	-	-	-	-	-	-	300,000
M.D. Laidlaw**	192,661	-	-	15,932	17,339	-	-	-	225,932
J.L. Heslington	300,000	150,000	15,000	-	40,500	20,000	-	-	525,500
N. Saxon	173,888	-	-	-	15,650	13,865	-	-	203,403
J. Bradford	160,478	-	40,000	-	13,129	16,768	-	-	230,375
S.R. Williams	128,440	-	-	-	11,560	-	-	-	140,000
Total	1,970,236	150,000	55,000	25,796	134,877	50,633	-	162,000	2,548,542

* Compensation relates to 5 month period as commenced employment on 23 January 2008

** Compensation relates to 9 month period as employees transferred as part of business sale

Directors' Report

2007	Short-term Employee Benefits				Post-Employment Benefits		Share-based payment		Total \$
	Salary/ Fees \$	Bonus \$	Non-monetary \$	Other \$	Superannuation \$	Other \$	Shares \$	Options \$	
C.G. Ryan	53,776	-	-	-	-	-	-	-	53,776
D. Herceg	22,667	-	-	-	2,040	-	-	-	24,707
R.D. Catelan	-	-	-	-	-	-	-	-	-
M.J. Hofmeister	1,018,500	-	-	241,644	-	-	-	-	1,260,144
J.J.A. Johnson	36,666	-	-	8,209	-	-	-	-	44,875
W. V. Hill	-	-	-	-	-	-	-	-	-
M.C. Maughan	89,905	-	-	-	-	-	-	-	89,905
P.R. Meurer	147,791	-	-	-	33,355	329,047	-	-	510,193
D.J. Gallagher	157,586	-	15,000	13,608	103,320	218,866	-	-	508,380
I.C. Whittle	300,000	-	-	594	-	-	-	-	300,594
M.D. Laidlaw	244,648	-	-	19,708	22,019	-	-	-	286,375
J.L. Heslington	216,333	-	15,000	29,331	19,470	-	-	-	280,134
Total	2,287,872	-	30,000	313,094	180,204	547,913	-	-	3,359,083

D Share Based Compensation

The Remuneration Committee makes recommendations to the Board regarding the granting of options to directors and executives as part of their remuneration package based on the company's performance and as an incentive to improve the performance of the company. Options issued to directors require approval by a general meeting of shareholders. Options issued to executives are in accordance with the company's employee incentive scheme.

Share Options Granted to Key Management Personnel

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

Share Options Exercised During the Year

No share options were exercised during the year.

Share Options Lapsed During the Year

132,500 share options lapsed during the financial year.

The Percentage of Remuneration Consisting of Options During the Year

The percentage of remuneration consisting of options for directors and for the seven highest remunerated executives during the year was 6%.

Share Options on Issue to Directors and the Seven Highest Remunerated Executives

The following options were on issue at year end:

Individual	Issuing Entity	Number of Shares Under Option	Class of Share	Exercise Price	Expiry Date of Options	% Remuneration consisting of options during year
Colin G. Ryan	CMI Limited	300,000	Ordinary	\$1.20	15/04/2013	43%
Danny Herceg	CMI Limited	300,000	Ordinary	\$1.20	15/04/2013	55%
J.L. Heslington	CMI Limited	10,000	Ordinary	\$2.22	27/04/2009	-

Directors' Report

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 10,000 ordinary shares of CMI Limited at an issue price of \$2.22 per ordinary share during the period of 5 years after 27 April 2004 and 600,000 ordinary shares of CMI Limited at an issue price of \$1.20 per ordinary share during the period of 5 years after 16 April 2008.

E Performance history

Financial Comparative Data in \$'000	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Growth FY07 to FY08
Group Revenue	275,604	284,040	278,704	265,403	232,220	(13%)
Earnings before Depreciation, Interest & Tax	26,976	28,801	27,750	6,540	(15,323)	(363%)
Depreciation & Amortisation	(7,285)	(7,371)	(7,730)	(7,379)	(3,743)	(74%)
Earnings before Interest & Tax	19,691	21,430	20,020	(839)	(19,066)	(2,172%)
Interest & Finance Charges	(3,674)	(3,705)	(4,060)	(4,397)	(3,409)	(22%)
Operating Profit (Loss) before Tax	16,017	17,725	15,960	(5,236)	(21,289)	(329%)
Operating Profit (Loss) after Tax	10,585	12,159	11,197	(3,840)	(22,897)	(496%)
Earnings per share						
-Basic (cents)	26.41	22.89	23.45	(21.61)	(73.65)	(241%)
Dividends						
- Ordinary (\$'000)	2,989	4,295	4,335	3,183	N/a	N/a
- Preference (\$'000)	3,406	4,515	N/a	N/a	N/a	N/a
- Class A (\$'000)	N/a	N/a	2,738	3,786	1,960	(48%)
Dividends per Share						
- Ordinary (cents)	12.00	12.00	12.00	9.00	N/a	N/a
- Preference (cents)*	13.25	14.00	3.5	N/a	N/a	N/a
- Class A (cents)*	N/a	N/a	10.50	14.00	7.00	(50%)
Shareholder Funds (\$'000)	70,177	84,296	87,985	79,515	54,729	(31%)
Net Tangible Assets per Ordinary Share (Dollars)	0.44	1.45	1.57	1.39	1.17	(16%)
Number of employees	1,311	1,272	1,126	1,058	362	(66%)

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

F Dividends

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

In respect of the financial year ended 30 June 2007, as detailed in the Directors' Report for that financial year, a final dividend of \$980,188 (3.5 cents per share) franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid Class A shares on 3 September 2007.

In respect of the financial year ended 30 June 2008, an interim dividend of \$980,188 (3.5 cents per share) franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid Class A Shares on 3 December 2007.

In respect of the financial year ended 30 June 2008, the directors do not recommend the payment of a final dividend to the holders of fully paid Class A Shares.

In respect of the financial year ended 30 June 2008, the directors do not recommend the payment of a final dividend to the holders of fully paid Ordinary Shares.

G Share price

The closing market share price at the end of the previous financial year was \$1.40 per ordinary share and at market close on 30 June 2008 was \$0.825. The closing market share price at the end of the previous financial year was \$1.28 per Class A share and at market close on 30 June 2008 was \$0.60.

Directors' Report

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of amounts paid or payable for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements.

INDEPENDENCE DECLARATION BY AUDITORS

The auditor's independence declaration is included on page 18.

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



C.G. Ryan
Chairman



R.D. Catelan
Director

BRISBANE

Dated: 25 September 2008

Independence Declaration By Auditors

Deloitte.

The Board of Directors
CMI Limited
150 Robinson Road
Geebung QLD 4034

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Riverside Centre
Level 25
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Brisbane QLD 4000
GPO Box 1463
Brisbane QLD 4001 Australia

Tel: +61 (0) 7 3308 7000
Fax: +61 (0) 7 3308 7001
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25 September 2008

Dear Board Members

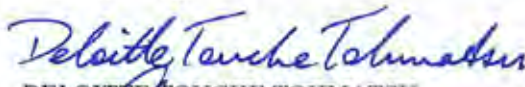
CMI Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of CMI Limited.

As lead audit partner for the audit of the financial statements of CMI Limited for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Stephen Stavrou
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of
Deloitte Touche Tohmatsu

Independent Audit Report

TO THE MEMBERS OF CMI LIMITED



Deloitte Touche Tohmatsu
ABN 74 490 121 050

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Independent Auditor's Report to the Members of CMI Limited

Report on the Financial Report

We have audited the accompanying financial report of CMI Limited (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 84.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Liability limited by a scheme approved under Professional Standards Legislation

Member of
Deloitte Touche Tohmatsu

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a) the financial report of CMI Limited is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of CMI Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Stavrou
Partner
Chartered Accountants
Brisbane, 25 September 2008

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

The directors declare that:

- a) 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;
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- c) The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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 28 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



C.G. Ryan
Chairman



R.D. Catelan
Director

BRISBANE

Dated: 25 September 2008

Income Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED		COMPANY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Continuing Operations					
Revenue	2(a)	97,067	90,464	7,797	10,226
Other income	2(b)	451	351	-	3
Changes in inventories		2,560	1,502	-	-
Raw materials expense		(55,594)	(47,972)	-	-
Sub-contractors expense		(3,254)	(4,691)	-	-
Employee benefits expense		(13,572)	(13,025)	(340)	(218)
Repairs, maintenance and consumables expense		(726)	(782)	-	-
ASX and share register expense		(150)	(215)	(150)	(215)
Occupancy expense		(2,565)	(2,191)	-	(86)
Travel and communication expense		(1,757)	(1,491)	-	-
Freight and cartage expense		(3,107)	(2,942)	-	-
Depreciation and amortisation expense		(1,882)	(1,728)	-	-
Finance costs		(984)	(1,170)	-	-
Other expenses		(2,584)	(2,152)	-	-
Profit/(Loss) before income tax from continuing operations	2(b)	13,903	13,958	7,307	9,710
Income tax	3	(3,931)	(3,849)	(2,192)	(2,711)
Profit/(Loss) from continuing operations after tax		9,972	10,109	5,115	6,999
Loss from discontinued operations	35(b)	(32,869)	(13,949)	(18,426)	-
Profit/(Loss) attributable to members of the parent entity		(22,897)	(3,840)	(13,311)	6,999
Earnings per share from continuing operations:					
Basic (cents per share)	21	23.73	17.92		
Diluted (cents per share)	21	23.71	17.92		
Earnings per share from continuing and discontinued operations:					
Basic (cents per share)	21	(73.65)	(21.61)		
Diluted (cents per share)	21	(73.65)	(21.61)		

Notes to the financial statements are included on pages 27 to 84.

Balance Sheet

AS AT 30 JUNE 2008

	NOTE	CONSOLIDATED		COMPANY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CURRENT ASSETS					
Cash and cash equivalents	30(a)	2,920	4,724	-	-
Trade and other receivables	4	17,091	56,868	11,730	21,763
Other financial assets	36	15,000	-	15,000	-
Inventories	5	22,284	43,645	-	-
Current tax assets	3	356	1,189	356	1,171
		57,651	106,426	27,086	22,934
Assets of a disposal group	35	1,330	1,032	-	-
TOTAL CURRENT ASSETS		58,981	107,458	27,086	22,934
NON-CURRENT ASSETS					
Trade and other receivables	6	-	-	25,000	25,000
Other financial assets	7	-	-	8,401	29,198
Property, plant and equipment	8	6,063	43,354	-	-
Goodwill	9	8,323	10,176	-	-
Other intangible assets	10	6,936	22,351	-	-
Deferred tax assets	3	-	212	-	74
TOTAL NON-CURRENT ASSETS		21,322	76,093	33,401	54,272
TOTAL ASSETS		80,303	183,551	60,487	77,206
CURRENT LIABILITIES					
Trade and other payables	11	11,558	31,798	-	-
Borrowings	12	625	52,295	5,458	7,069
Current tax payables	3	-	-	-	-
Provisions	13	497	7,289	-	-
		12,680	91,382	-	-
Liabilities of a disposal group	35	1,330	-	-	-
TOTAL CURRENT LIABILITIES		14,010	91,382	5,458	7,069
NON-CURRENT LIABILITIES					
Borrowings	14	9,634	6,008	-	-
Deferred tax liabilities	3	1,034	1,231	-	-
Provisions	15	896	5,415	-	-
TOTAL NON-CURRENT LIABILITIES		11,564	12,654	-	-
TOTAL LIABILITIES		25,574	104,036	5,458	7,069
NET ASSETS		54,729	79,515	55,029	70,137
EQUITY					
Issued capital	18	70,103	70,103	70,103	70,103
Reserves	19	162	91	162	-
Retained earnings	20	(15,536)	9,321	(15,237)	34
TOTAL EQUITY		54,729	79,515	55,028	70,137

Notes to the financial statements are included on pages 27 to 84.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED			
		Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
At 1 July 2006		67,999	(144)	20,130	87,985
Translation of foreign operations:					
Exchange differences taken to equity		-	355	-	355
Net Income Recognised Directly in Equity		-	355	-	355
Profit/(Loss) for the period		-	-	(3,840)	(3,840)
Total Recognised Income and Expense for the Period		-	355	(3,840)	(3,485)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity – ordinary shares		4,350	-	-	4,350
Contributions of equity – Class A shares		2,063	-	-	2,063
Ordinary share buy-back		(3,954)	-	-	(3,954)
Equity adjustment on share buy-back		(424)	-	-	(424)
Ordinary share buy-back costs		(98)	-	-	(98)
Employee equity-settled benefits		-	47	-	47
Employee equity-settled benefits reserve transferred to issued capital		167	(167)	-	-
Dividends provided for or paid		-	-	(6,969)	(6,969)
At 1 July 2007		70,103	91	9,321	79,515
Translation of foreign operations:					
Exchange differences taken to equity		-	-	-	-
Net Income Recognised Directly in Equity		-	-	-	-
Profit/(Loss) for the period		-	-	(22,897)	(22,897)
Total Recognised Income and Expense for the Period		-	-	(22,897)	(22,897)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity – ordinary shares		-	-	-	-
Foreign exchange reserve realised		-	(91)	-	(91)
Ordinary share buy-back		-	-	-	-
Equity adjustment on share buy-back		-	-	-	-
Ordinary share buy-back costs		-	-	-	-
Employee equity-settled benefits		-	162	-	162
Employee equity-settled benefits reserve transferred to issued capital		-	-	-	-
Dividends provided for or paid		-	-	(1,960)	(1,960)
At 30 June 2008		70,103	162	(15,536)	54,729

Notes to the financial statements are included on pages 27 to 84

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	NOTE	COMPANY			
		Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
At 1 July 2006		67,999	120	4	68,123
Profit for the period		-	-	6,999	6,999
Total Recognised Income and Expense for the Period		-	-	6,999	6,999
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity – ordinary shares		4,350	-	-	4,350
Contributions of equity – Class A shares		2,063	-	-	2,063
Ordinary share buy-back		(3,954)	-	-	(3,954)
Equity adjustment on share buy-back		(424)	-	-	(424)
Ordinary share buy-back costs		(98)	-	-	(98)
Employee equity-settled benefits		-	47	-	47
Employee equity-settled benefits reserve transferred to issued capital		167	(167)	-	-
Dividends provided for or paid		-	-	(6,969)	(6,969)
At 1 July 2007		70,103	-	34	70,137
Profit for the period		-	-	(13,311)	(13,311)
Total Recognised Income and Expense for the Period		-	-	(13,311)	(13,311)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity – ordinary shares		-	-	-	-
Contributions of equity – Class A shares		-	-	-	-
Ordinary share buy-back		-	-	-	-
Equity adjustment on share buy-back		-	-	-	-
Ordinary share buy-back costs		-	-	-	-
Employee equity-settled benefits		-	162	-	162
Employee equity-settled benefits reserve transferred to issued capital		-	-	-	-
Dividends provided for or paid		-	-	(1,960)	(1,960)
At 30 June 2008		70,103	162	(15,237)	55,028

Notes to the financial statements are included on pages 27 to 84.

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED		COMPANY	
		2008 \$'000 Inflow (Outflow)	2007 \$'000 Inflow (Outflow)	2008 \$'000 Inflow (Outflow)	2007 \$'000 Inflow (Outflow)
Cash flows from operating activities:					
Receipts from customers		258,798	292,496	-	-
Payments to suppliers and employees		(239,015)	(269,509)	-	-
Interest paid		(2,912)	(3,862)	-	-
Dividends received		-	-	297	523
Income tax paid		(1,094)	(4,374)	(1,478)	(4,342)
Net cash provided by/(used in) operating activities	30(b)	15,777	14,751	(1,181)	(3,819)
Cash flows from investing activities:					
Interest received		822	254	-	-
Payment for intangible assets		-	-	-	-
Payment for deferred expenditure		(1,157)	(1,313)	-	-
Amounts received from/(advanced) to related parties		-	4,450	(1,858)	13,239
Payment for plant and equipment		(1,551)	(2,702)	-	-
Payment for purchase of businesses	30(c)	-	(8,808)	-	-
Proceeds from sale of business	35(e)	26,082	-	5,000	-
Proceeds from sale of plant and equipment		1,765	2,001	-	3
Net cash (used in)/provided by investing activities		25,961	(6,118)	3,142	13,242
Cash flows from financing activities:					
Proceeds from issue of equity securities		-	-	-	-
Share issue expenses		-	(140)	-	(140)
Payment for share buy-back		-	(2,314)	-	(2,314)
Dividends paid		(1,960)	(6,969)	(1,960)	(6,969)
Proceeds from borrowings		107	8,000	-	-
Repayment of borrowings		(41,865)	(6,010)	-	-
Net cash provided by/(used in) financing activities		(43,718)	(7,433)	(1,960)	(9,423)
Net increase/(decrease) in cash and cash equivalents held		(1,980)	1,200	-	-
Cash and cash equivalents at the beginning of the financial year		4,662	3,433	-	-
Effect of exchange rate changes on the balance of cash held in foreign currencies		(15)	29	-	-
Cash and cash equivalents at the end of the financial year	30(a)	2,667	4,662	-	-

Notes to financial statements are included on pages 27 to 84.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 25 September 2008.

Basis of Preparation

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

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

In the application of CMI Limited ("Group") accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of the Group's accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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

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

Significant Accounting Policies

a) Borrowings

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

b) Borrowing Costs

Borrowing costs directly attributable to qualifying assets are capitalised and amortised over the life of the asset. All other borrowing costs are expensed when incurred.

c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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

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

Contributions to defined contribution superannuation plans are expensed when incurred.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

e) Financial Assets

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

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

Financial assets at fair value through profit or loss

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

f) Financial Instruments Issued by the Company

Debt and Equity Instruments

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

Compound Instruments

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

Transaction Costs on the Issue of Equity Instruments

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

Interest and Dividends

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

g) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

h) Goods and Services Tax

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

- a. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- b. for receivables and payables which are recognised inclusive of GST.

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

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

i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit and loss and is not subsequently reversed. Refer to note 1(j).

j) Impairment of Assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

k) Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

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

Current and Deferred Tax for the Period

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

Tax Consolidation

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

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

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

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

l) Intangible Assets

Brandnames

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.

Research and Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are stated at cost less accumulated amortised and impairment, and are amortised on a straight-line basis over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product.

The unamortised balance of development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable, they are written-off as an expense in net profit or loss.

m) Inventories

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

n) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(b).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o) Payables

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

p) Principles of Consolidation

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

q) Property, Plant and Equipment

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

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

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

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

r) Provisions

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

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

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

Dividends

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

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.

s) Revenue Recognition

Sale of goods and disposal of assets

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

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

Interest received

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

Management fees received

Management fees are recognised as revenue over the period during which the services are provided.

Dividends received

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

t) Tooling

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

The capitalised costs are amortised over the expected period (not exceeding 15 years) in which the corresponding benefits are expected to arise. The amortised balance of costs capitalised is reviewed regularly and at each 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

u) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The table below discloses those items applicable to the Group and their expected impact.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009
2008-4	Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities [AASB 124]	Amends AASB 124 Related Party Disclosures to exclude disclosing entities that are companies from the application of paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 (dealing with certain key management personnel disclosures), as the requirements for these entities are now incorporated into the Corporations Act. However, AASB 124 paragraphs Aus25.7 and Aus25.7.3 to Aus25.9.3 still apply to disclosing entities that are companies	June 2008	The Group has not yet determined the extent of the impact of the amendments, if any.	Ending 30 June 2008
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]	Makes amendments to 25 different Standards and is equivalent to the IASB Standard Improvements to IFRSs issued in May 2008. The IASB's annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting	July 2008	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2009

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. SUMMARY OF ACCOUNTING POLICIES (continued)

2008-6	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]	Makes amendments to Australian Accounting Standards AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are additional to those in AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.	July 2008	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]		July 2008	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2009
2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	Clarifies the hedge accounting provisions of AASB 139 to address inflation and one-sided risks in a financial hedged item.	August 2008	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC-15	Agreements for the construction of real estate	Clarifies when an agreement for the construction of real estate meets the definition of a 'construction contract'	July 2008	The Group has not yet determined the extent of the impact of the amendments, if any.	Annual periods beginning on or after 1 January 2009

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
2. PROFIT FROM OPERATIONS				
(a) Revenue from continuing operations				
Revenue from operations consisted of the following items:				
Revenue from the sales of goods	96,219	90,246	-	-
Revenue from the rendering of services	-	-	-	-
Interest - other persons	822	218	-	-
Management fee – subsidiaries	-	-	7,500	9,554
Dividend – subsidiaries	-	-	297	672
Other Items	26	-	-	-
	97,067	90,464	7,797	10,226
(b) Profit before income tax – continuing operations				
Profit before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing operations:				
Government grants received for staff training	-	-	-	-
Automotive competitiveness and investment scheme	-	-	-	-
Gain/ (loss) on disposal of property, plant and equipment	61	1	-	3
Net foreign exchange gains/ (losses)	102	31	-	-
	163	32	-	3
Gains attributable to continuing operations	938	48	-	3
Losses attributable to continuing operations	(775)	(16)	-	-
	163	32	-	3
Profit before income tax has been arrived at after charging the following expenses from continuing operations:				
Cost of sales	62,329	61,563	-	-
Finance Costs:				
Interest – other entities	901	1,107	-	-
Finance lease finance charges	83	63	-	-
Depreciation or amortisation of:				
Property, plant & equipment	613	600	-	-
Leased assets	192	153	-	-
Brandnames	142	142	-	-
Other intangibles	935	832	-	-
Operating lease rental expenses	-	-	-	-
Net bad and doubtful debts	4	82	-	-
Bad and doubtful debts recovered	38	-	-	-

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
2. PROFIT FROM OPERATIONS (continued)				
Research and development costs immediately expensed	-	-	-	-
Employee benefit expense:				
Post-employment benefits:				
Defined contribution plans	1,044	849	-	-
Share-based payments:				
Equity settled share-based payments	162	-	162	-
Termination benefits	-	-	-	-
Other employee benefits	12,366	12,176	178	218
	13,572	13,025	340	218
3. INCOME TAXES				
(a) Income tax recognised in profit or loss				
Tax expense/(benefit) comprises:				
Current tax expense	4,084	3,526	2,118	2,582
(Over)/Under provision of income tax in previous year	-	(149)	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(153)	472	74	129
Total tax expense/(benefit) attributable to continuing operations	3,931	3,849	2,192	2,711
The prima facie income tax on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit/(loss) from continuing operations	13,903	13,958	7,307	9,710
Profit/(loss) from discontinued operations	(36,378)	(19,194)	(18,250)	-
Total Profit/(loss) before income tax	(22,475)	(5,236)	(10,943)	9,710
Income tax calculated at 30%	(6,743)	(1,571)	(3,283)	2,913
Add/(Deduct)				
Impairment losses on goodwill not deductible	360	519	-	-
Foreign tax items	232	20	-	-
Other items	58	121	-	-
Exempt foreign dividends	-	-	(89)	(202)
Deferred tax asset not recorded	5,793	-	5,740	-
Research and development allowance	(300)	(336)	-	-
Assessable gain on disposal unit	1,968	-	-	-
(Over)/Under provision of income tax in previous year	239	(149)	-	-
	8,350	175	5,651	(202)
Aggregate income tax expense	1,607	(1,396)	2,368	2,711
Aggregate income tax is attributable to:				
Continuing operations	3,931	3,849	2,192	2,711
Discontinued operations	(2,324)	(5,245)	176	-
	1,607	(1,396)	2,368	2,711

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
3. INCOME TAXES (continued)				
(b) Current tax assets and liabilities				
Current tax assets:				
Tax refund receivable	356	1,189	356	1,171
Current tax payables:				
Income tax payable attributable to:				
Parent entity	-	-	-	-
Entities in the tax-consolidated group	-	-	-	-
Other	-	-	-	-
	-	-	-	-
(c) Income tax recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the period:				
Current tax:				
Share issue expenses	-	-	-	-
Deferred tax:				
Share issue expenses deductible over 5 years	-	42	-	42
	-	42	-	42

(d) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	CONSOLIDATED				
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Impairment \$'000	Closing balance \$'000
2008					
Gross deferred tax liabilities:					
Other receivables	(630)	630	-	(42)	(42)
Inventories	(656)	656	-	-	-
Property, plant and equipment	(2,571)	2,512	-	(236)	(295)
Intangible assets	(2,093)	97	-	(508)	(2,904)
Other	(2)	2	-	-	-
	(5,952)	3,897	-	(786)	(2,841)
Gross deferred tax assets:					
Receivables	-	900	-	-	900
Provisions	4,440	(3,366)	-	(368)	706
Doubtful debts	161	(77)	-	-	84
Share issue expenses	74	(74)	-	-	-
Other	258	(110)	-	(31)	117
	4,933	(2,727)	-	(399)	1,807
Net deferred tax balances	(1,019)	1,170	-	(1,185)	(1,034)

Disclosed in the accounts pursuant to the set-off provisions as:

Deferred tax assets – discontinued operations	-
Deferred tax liabilities – continuing operations	(1,034)
	(1,034)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

CONSOLIDATED					
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions \$'000	Closing balance \$'000
3. INCOME TAXES (continued)					
2007					
Gross deferred tax liabilities:					
Other receivables	(614)	(16)	-	-	(630)
Inventories	(629)	(27)	-	-	(656)
Property, plant and equipment	(6,834)	4,263	-	-	(2,571)
Intangible assets	(2,653)	560	-	-	(2,093)
Other	(31)	29	-	-	(2)
	(10,761)	4,809	-	-	(5,952)
Gross deferred tax assets:					
Provisions	4,852	(431)	-	19	4,440
Doubtful debts	254	(93)	-	-	161
Share issue expenses	109	(77)	42	-	74
Other	130	128	-	-	258
	5,345	(473)	42	19	4,933
Attributable to continuing operations	(5,416)	4,336	42	19	(1,019)
Disclosed in the accounts pursuant to the set-off provisions as:					
Deferred tax assets					212
Deferred tax liabilities					(1,231)
					(1,019)

COMPANY				
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2008				
Gross deferred tax assets:				
Property, plant and equipment	-	-	-	-
Accruals	-	-	-	-
Share issue expenses	74	(74)	-	-
Attributable to continuing operations	74	-	-	-

COMPANY				
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2007				
Gross deferred tax assets:				
Property, plant and equipment	2	(2)	-	-
Accruals	49	(49)	-	-
Share issue expenses	110	(78)	42	74
Attributable to continuing operations	161	(129)	42	74

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

3. INCOME TAXES (continued)

Tax consolidation system

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

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

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

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

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	16,037	49,356	-	-
Allowance for doubtful debts	(281)	(533)	-	-
	15,756	48,823	-	-
Other receivables	858	6,411	-	-
	858	6,411	-	-
Amounts advanced to related parties	-	-	-	-
Amounts owing from wholly owned controlled entities	-	-	11,730	21,763
Lease security receivables	-	221	-	-
Prepayments	477	1,413	-	-
	17,091	56,868	11,730	21,763

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-70 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$281 thousand (2007: \$533 thousand) has been recognised by the consolidated entity and \$Nil (2007: \$Nil) by the Company in the current year.

Movements in the provision for impairment loss were as follows:

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 July	533	586	-	-
Charge for the year	88	156	-	-
Disposed of with business	(44)	-	-	-
Amounts written off	(296)	(210)	-	-
Foreign Currency differences	-	1	-	-
	281	533	-	-

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

4. CURRENT TRADE AND OTHER RECEIVABLES (continued)

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

		Total	0-30 days	31-60 Days	61-90 Days PDNI*	61-90 Days CI**	+91 days PDNI*	+91 days CI**
2008	Consolidated	17,341	10,426	5,126	926	8	582	273
	Company	-	-	-	-	-	-	-
2007	Consolidated	49,356	24,896	19,372	3,063	-	1,492	533
	Company	-	-	-	-	-	-	-

* Past due not impaired ('PDNI')

** Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated \$1,508 (2007: \$4,555); Company \$Nil (2007: \$Nil). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the consolidated entity's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 32.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
5. CURRENT INVENTORIES				
At Cost				
Raw materials and stores	4,592	16,396	-	-
Work in progress	2,194	5,595	-	-
Finished goods	15,498	20,514	-	-
At Net Realisable Value				
Work in progress	-	-	-	-
Finished goods	-	1,140	-	-
	22,284	43,645	-	-
6. NON-CURRENT TRADE AND OTHER RECEIVABLES				
Amounts advanced to related parties	-	-	-	-
Amounts owing from wholly owned controlled entities	-	-	25,000	25,000
	-	-	25,000	25,000
The amounts owing from wholly owned controlled entities are between companies within the class of companies affected by ASIC Class Order 98/1418 and are party to the deed of cross guarantee.				
7. OTHER NON-CURRENT FINANCIAL ASSETS				
At cost				
Shares in controlled entities (Note 28)	-	-	8,401	29,198
	-	-	8,401	29,198

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED			
	Freehold land and buildings \$'000	Plant and Equipment \$'000	Equipment under finance lease \$'000	TOTAL \$'000
8. PROPERTY, PLANT AND EQUIPMENT				
Gross Carrying Amount				
Balance at 1 July 2006 (at cost)	1,295	69,816	26,503	97,614
Additions	-	2,702	2,405	5,107
Acquired balances	-	153	-	153
Transfers	-	6,347	(6,347)	-
Disposals	-	(2,896)	-	(2,896)
Classified as held for sale	-	(1,277)	-	(1,277)
Net foreign currency exchange differences	-	497	-	497
Balance at 1 July 2007 (at cost)	1,295	75,342	22,561	99,198
Additions	-	1,551	324	1,875
Acquired balances	-	-	-	-
Transfers	-	693	(693)	-
Disposals	(1,295)	(66,101)	(20,636)	(88,032)
Classified as held for sale	-	-	-	-
Net foreign currency exchange differences	-	-	-	-
Balance at 30 June 2008 (at cost)	-	11,485	1,556	13,041
Accumulated Depreciation / Amortisation / Impairment				
Balance at 1 July 2006	(285)	(31,079)	(4,374)	(35,738)
Acquired balances	-	-	-	-
Disposals	-	973	-	973
Transfers	-	(1,483)	1,483	-
Depreciation expense (i)	(28)	(3,940)	(1,507)	(5,475)
Impairment losses charged to profit (ii)	-	(15,598)	-	(15,598)
Classified as held for sale	-	245	-	245
Net foreign currency exchange differences	-	(251)	-	(251)
Balance at 1 July 2007	(313)	(51,133)	(4,398)	(55,844)
Acquired balances	-	-	-	-
Disposals	341	61,727	4,635	66,703
Transfers	-	(237)	237	-
Depreciation expense (i)	(28)	(1,141)	(892)	(2,061)
Impairment losses charged to profit (ii)	-	(15,776)	-	(15,776)
Classified as held for sale	-	-	-	-
Net foreign currency exchange differences	-	-	-	-
Balance at 30 June 2008	-	(6,560)	(418)	(6,978)
Net Book Value				
As at 30 June 2007	982	24,209	18,163	43,354
As at 30 June 2008	-	4,925	1,138	6,063

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	COMPANY			TOTAL \$'000
	Freehold land and buildings \$'000	Plant and Equipment \$'000	Equipment under finance lease \$'000	
8. PROPERTY, PLANT AND EQUIPMENT (continued)				
Gross Carrying Amount				
Balance at 1 July 2006 (at cost)	-	117	-	117
Additions	-	-	-	-
Disposals	-	(117)	-	(117)
Balance at 1 July 2007 (at cost)	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2008 (at cost)	-	-	-	-
Accumulated Depreciation / Amortisation / Impairment				
Balance at 1 July 2006	-	(117)	-	(117)
Disposals	-	117	-	117
Transfers	-	-	-	-
Depreciation expense (i)	-	-	-	-
Balance at 1 July 2007	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
Depreciation expense (i)	-	-	-	-
Balance at 30 June 2008	-	-	-	-
Net Book Value				
As at 30 June 2007	-	-	-	-
As at 30 June 2008	-	-	-	-

- (i) Aggregate depreciation allocated during the year is recognised as an expense and depreciation from continuing operations is disclosed in note 2 to the financial statements.
- (ii) During the financial year, the consolidated entity assessed the recoverable amount of plant and equipment, and determined that plant and equipment associated with the consolidated entity's engineered components operations was impaired by \$16,525 thousand (2007: \$15,598 thousand). The recoverable amount of the engineered components operations was assessed by reference to the cash-generating unit's value in use. A discount factor of 12.443% p.a. (2007: 12.08% p.a.) was applied in the value in use model.

The main factor contributing to the impairment of the cash-generating unit during the financial year was the realisable value of the cash-generating unit was lower than the book value upon sale of the business. In the prior year the main factors contributing to the impairment of the cash generating unit were the loss of sales volume due to the state of the automotive manufacturing industry in Australia and the USA and the on-going costs of rationalisation and restructuring.

Impairment losses of plant and equipment are included in the line item 'impairment of non-current assets' in the income statement for continuing operations and in note 35 for discontinuing operations.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
9. GOODWILL				
Gross Carrying Amount				
Balance at beginning of the financial year	11,906	6,309	-	-
Additions	45	5,597	-	-
Disposals	(1,730)	-	-	-
Balance at end of the financial year	10,221	11,906	-	-
Accumulated Impairment Losses				
Balance at beginning of the financial year	(1,730)	-	-	-
Disposals	1,730	-	-	-
Impairment losses for the year (i)	(1,898)	(1,730)	-	-
Balance at end of the financial year	(1,898)	(1,730)	-	-
Net Book Value				
At the beginning of the financial year	10,176	6,309	-	-
At the end of the financial year	8,323	10,176	-	-

(i) During the financial year, the consolidated entity assessed the recoverable amount of goodwill, and determined that goodwill associated with the consolidated entity's financial operations was impaired by \$1,898 thousand. The recoverable amount of the finance operations was assessed by reference to the cash-generating unit's value in use. A discount factor of 12.443% p.a. was applied in the value in use model. The main factor contributing to the impairment of the cash-generating unit is the market in which Capitalcorp operates is currently depressed due to the global credit crisis, particularly in the sub-prime interest rate market.

In the prior year, the consolidated entity assessed the recoverable amount of goodwill, and determined that goodwill associated with the consolidated entity's engineered components operations was impaired by \$1,730 thousand. The recoverable amount of the engineered components operations was assessed by reference to the cash-generating unit's value in use. A discount factor of 12.08% p.a. was applied in the value in use model.

The main factors contributing to the impairment of the cash-generating unit were the loss of sales volume due to the state of the automotive manufacturing industry in Australia and the USA and the on-going costs of rationalisation and restructuring.

Impairment losses of goodwill are included in the line item 'impairment of non-current assets' in the income statement.

Allocation of goodwill to cash-generating units

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

Engineered Components division, Electrical Components division and Services division.

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

Engineered (TJM) Components	1,473	1,428	-	-
Electrical Components	6,850	6,850	-	-
Services	-	1,898	-	-
	8,323	10,176	-	-

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

9. GOODWILL (continued)

Engineered Components (TJM)

The engineered components operating units produce similar products, and their recoverable amounts are based on some of the same key assumptions. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a ten-year period, and a discount rate of 12.443% p.a. (2007: 12.08% p.a.). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Electrical Components

The electrical components operating units produce similar products, and their recoverable amounts are based on some of the same key assumptions. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a ten-year period, and a discount rate of 12.443% p.a. (2007: 12.08% p.a.). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Services

The recoverable amount of the services division is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a ten-year period, and a discount rate of 12.443% p.a. (2007: 12.08% p.a.). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

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

Key assumption	Engineered Components	Electrical Components	Services
Budgeted market share	Average market share in the period immediately before the budget period, which is consistent with past experience.		
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience. Management expects efficiency improvements of 3% per year to be reasonably achievable.		
Raw materials price inflation	Forecast consumer price indices during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.		Not applicable

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

CONSOLIDATED			
	Capitalised Development \$'000	Brandnames \$'000	Total \$'000
10. OTHER INTANGIBLE ASSETS			
Gross carrying amount			
Balance at 1 July 2006	8,331	22,692	31,023
Additions through internal developments	1,313	-	1,313
Disposals	-	-	-
Balance at 1 July 2007	9,644	22,692	32,336
Additions through internal developments	1,142	-	1,142
Disposals	(2,122)	-	(2,122)
Balance at 30 June 2008	8,664	22,692	31,356
Accumulated amortisation and impairment			
Balance at 1 July 2006	(4,488)	(2,320)	(6,808)
Amortisation expense (i)	(1,337)	(567)	(1,904)
Disposals	-	-	-
Impairment losses charged to profit or loss (ii)	(1,273)	-	(1,273)
Balance at 1 July 2007	(7,098)	(2,887)	(9,985)
Amortisation expense (i)	(1,092)	(567)	(1,659)
Disposals	2,099	-	2,099
Impairment losses charged to profit or loss (iii)	-	(14,875)	(14,875)
Balance at 30 June 2008	(6,091)	(18,329)	(24,420)
Net Book Value			
As at 30 June 2007	2,246	19,805	22,351
As at 30 June 2008	2,573	4,363	6,936
COMPANY			
	Capitalised Development \$'000	Brandnames \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2006	-	-	-
Balance at 1 July 2007	-	-	-
Balance at 30 June 2008	-	-	-
Accumulated amortisation and impairment			
Balance at 1 July 2006	-	-	-
Balance at 1 July 2007	-	-	-
Balance at 30 June 2008	-	-	-
Net Book Value			
As at 30 June 2007	-	-	-
As at 30 June 2008	-	-	-

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the income statement.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

10. OTHER INTANGIBLE ASSETS (continued)

- (ii) During the 2007 financial year, the consolidated entity assessed the recoverable amount of intangible assets, and determined that capitalised development associated with the consolidated entity's engineered components operations was impaired by \$1,273 thousand. The recoverable amount of the engineered components operations was assessed by reference to the cash-generating unit's value in use. A discount factor of 12.08% p.a. was applied in the value in use model. The main factors contributing to the impairment of the cash-generating unit were the loss of sales volume due to the state of the automotive manufacturing industry in Australia and the USA and the on-going costs of rationalisation and restructuring.

Impairment losses of intangible assets are included in the line item 'impairment of non-current assets' in the income statement.

- (iii) During the 2008 financial year, the consolidated entity assessed the recoverable amount of intangible assets, and determined that brand names associated with the consolidated entity's financial services operations were impaired by \$14,875 thousand. The recoverable amount of the financial services operations was assessed by reference to the cash-generating unit's value in use. A discount factor of 12.443% p.a. was applied in the value in use model. The main factor contributing to the impairment of the cash-generating unit is the market in which Capitalcorp operates is currently depressed due to the global credit crisis, particularly in the sub-prime interest rate market.

Impairment losses of intangible assets are included in the line item 'impairment of non-current assets' in the income statement.

Significant intangible assets

The consolidated entity includes the brandnames, Capitalcorp and TJM. The carrying amount of the Capitalcorp brandname was fully impaired this year to \$nil (2007: \$15,300 thousand). The carrying amount of the TJM brandname of \$4,363 thousand (2007: \$4,505 thousand) will be fully amortised in 31 years (2007: 32 years).

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	9,494	18,643	-	-
Other creditors & accruals	2,064	13,155	-	-
	11,558	31,798	-	-

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Financial guarantees

The consolidated entity has provided guarantees as outlined in note 31. The fair value of these guarantees has not been recognised as they are not considered material.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
12. CURRENT BORROWINGS				
Unsecured				
At amortised cost:				
Other loans from other entities	-	-	-	-
Amounts owing to wholly owned controlled entities	-	-	5,458	7,069
	-	-	5,458	7,069
Secured				
At amortised cost:				
Bank Overdraft (i)	278	62	-	-
Bills of Exchange (i)	-	47,500	-	-
Bank Loans (ii)	-	51	-	-
Finance Lease Liabilities (iii) (Note 17)	347	4,682	-	-
	625	52,295	-	-
	625	52,295	5,458	7,069

(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; part of a \$4 million lease facility (2007: \$19 million).

(a) Fair values

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 32.

(c) Assets pledged as security

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

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bills of exchange - Fixed and Floating Charge	80,072	165,337	-	-
Bank loans – Specific charge	278	51	-	-
Leased asset charges	1,138	18,163	-	-
Total assets pledged as security	81,488	183,551	-	-

The specific terms and conditions related to the above pledges include repayment requirements, security undertakings and quarterly reporting on bank covenants relating to financial charges cover, capital adequacy, operating leverage and dividend payout ratio.

(d) Set-off assets and liabilities

The Consolidated entity has no set-off rights apart from cash as detailed in Note 30(a).

(e) Defaults and breaches

During the current year the consolidated entity was in breach of its borrowing covenants on bank financial liabilities, in particular financial charges cover and operating leverage ratio, due to the impairment expense of the discontinuing operations of engineering and finance division. The consolidated entity received a waiver of these breaches from its bankers prior to 30 June 2008.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
13. CURRENT PROVISIONS				
Dividends (Note 16)	-	-	-	-
Employee benefits	247	7,032	-	-
Make Good (Note 16)	-	23	-	-
Rebates (Note 16)	250	234	-	-
	497	7,289	-	-

14. NON-CURRENT BORROWINGS

Unsecured

At amortised cost:

Other loans from other entities

-	-	-	-
-	-	-	-

Secured

At amortised cost:

Bills of Exchange (i)

Bank Loans (ii)

Finance Lease Liabilities (iii) (Note 17)

9,000	-	-	-
-	-	-	-
634	6,008	-	-
9,634	6,008	-	-
9,634	6,008	-	-

(i) Secured by a fixed and floating charge over the assets and undertaking of the consolidated entity.

(ii) Secured over specific items of plant and equipment.

(iii) Secured over the assets leased; part of a \$4 million lease facility (2007: \$19 million).

(a) Fair values

Due to the variable interest rate of these payables, their carrying value is assumed to approximate fair value.

15. NON-CURRENT PROVISIONS

Employee benefits	896	5,415	-	-
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Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		
	Dividend (i) \$'000	Make Good (ii) \$'000	Rebates (iii) \$'000
16. PROVISIONS			
Balance at 30 June 2007	-	23	234
Additional provisions recognised	-	-	16
Reductions arising from payments/other sacrifices of future economic benefits	-	(23)	-
Balance at 30 June 2008	-	-	250
Current (Note 13)	-	-	250
Non-current (Note 15)	-	-	-
	-	-	250
	COMPANY		
	Dividend (i) \$'000	Make Good (ii) \$'000	Rebates (iii) \$'000
Balance at 30 June 2007	-	-	-
Additional provisions recognised	-	-	-
Reductions arising from payments/other sacrifices of future economic benefits	-	-	-
Balance at 30 June 2008	-	-	-
Current (Note 13)	-	-	-
Non-current (Note 15)	-	-	-
	-	-	-

- (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 make good represents future costs expected to be incurred in dismantling and removing plant and equipment and restoring the sites on which the plant and equipment were located.
- (iii) The provision for rebates represents future rebates expected to be claimed by insurance and finance providers on previously paid commissions due to cancellation or early completion of contracts.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

17. 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
No later than 1 year	415	5,316	-	-	347	4,682	-	-
Later than 1 year and not later than 5 years	688	6,620	-	-	634	6,008	-	-
Later than 5 years	-	-	-	-	-	-	-	-
Minimum finance lease payments	1,103	11,936	-	-	981	10,690	-	-
Less future finance charges	(122)	(1,246)	-	-	-	-	-	-
Present value of minimum lease payments	981	10,690	-	-	981	10,690	-	-
Included in the financial statements as:								
Current (Note 12)	347	4,682	-	-	347	4,682	-	-
Non-current (Note 14)	634	6,008	-	-	634	6,008	-	-
	981	10,690	-	-	981	10,690	-	-
	CONSOLIDATED				COMPANY			
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Operating Leases

Leasing arrangements

Operating leases relate to property, plant and equipment with lease terms of between 1 to 13 years. All leases are non-cancellable, operate under normal commercial terms and conditions, and are payable on a monthly or quarterly basis. The company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating leases

Not later than 1 year	3,251	6,213	-	67
Later than 1 year but not later than 5 years	6,390	14,383	-	39
Later than 5 years	1,110	3,495	-	-
	10,751	24,091	-	106

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
18. ISSUED CAPITAL				
33,752,634 (2007: 33,752,634) fully paid ordinary shares	37,227	37,227	37,227	37,227
28,005,311 fully paid Class A shares (2007: 28,005,311 fully paid Class A shares)	32,876	32,876	32,876	32,876
	70,103	70,103	70,103	70,103

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2008		2007	
	No. '000	\$'000	No. '000	\$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	33,753	37,227	35,860	36,755
Transfer from partly paid ordinary shares	-	-	750	7
Issue of shares under director and employee share option plan	-	-	1,000	-
Transfer from equity-settled employee benefits reserve (Note 19)	-	-	-	167
Payment of share loan	-	-	-	4,350
Share buy-back	-	-	(3,857)	(3,954)
Share buy-back costs	-	-	-	(98)
Balance at end of financial year	33,753	37,227	33,753	37,227

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

Partly Paid Ordinary Shares

Balance at beginning of financial year	-	-	750	7
Calls during financial year	-	-	-	-
Transfer to fully paid ordinary shares	-	-	(750)	(7)
Balance at end of financial year	-	-	-	-

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.

	2008		2007	
	No. '000	\$'000	No. '000	\$'000
Class A Shares				
Balance at beginning of financial year	28,005	32,876	26,077	31,237
Issue of shares	-	-	1,928	2,063
Equity adjustment on share buy-back	-	-	-	(424)
Balance at end of financial year	28,005	32,876	28,005	32,876

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

19. RESERVES

(a) Reserves Comprise:

Foreign Currency Translation Reserve	-	91	-	-
Employee Equity - settled Benefits Reserve	162	-	162	-
	162	91	162	-

(b) Movements in Reserves

Foreign Currency Translation Reserve

Balance at beginning of financial year	91	(264)	-	-
Translation of foreign operations	(91)	355	-	-
Balance at end of financial year	-	91	-	-

Exchange differences relating to the translation from New Zealand dollars, being the functional currency of the consolidated entity's foreign controlled entity in New Zealand, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

Employee Equity-settled Benefits Reserve

Balance at beginning of financial year	-	120	-	120
Share-based payment	162	47	162	47
Transfer to ordinary share capital	-	(167)	-	(167)
Balance at end of financial year	162	-	162	-

The employee equity-settled benefits reserve arises on the provision of loans to directors and executives to pay for calls on the partly paid ordinary shares and to pay for the exercise of share options. Amounts are transferred out of the reserve and into issued capital when the loans mature. Further information about share-based payments to employees is included in Note 23 to the financial statements.

20. RETAINED EARNINGS

Balance at beginning of financial year	9,321	20,130	34	4
Net profit/(loss) attributable to members of the parent entity	(22,897)	(3,840)	(13,311)	6,999
Dividends provided for or paid	(1,960)	(6,969)	(1,960)	(6,969)
Balance at end of financial year	(15,536)	9,321	(15,237)	34

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2008	2007
	Cents per Share	Cents per Share
21. EARNINGS PER SHARE – Continuing Operations		
Basic earnings per share	23.73	17.92
Diluted earnings per share	23.71	17.92

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	
	2008 \$'000	2007 \$'000
Earnings (i)	8,012	6,323
	No. '000	No. '000
Weighted average number of ordinary shares (ii)	33,753	35,291

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

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Net profit/(loss)	9,972	10,109
Class A share dividends declared in respect of the period	(1,960)	(3,786)
Earnings used in the calculation of basic EPS	8,012	6,323

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

Diluted Earnings per Share

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

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Earnings (i)	8,012	6,323
	No. '000	No. '000
Weighted average number of ordinary and potential ordinary shares (ii)	33,792	35,291

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

21. EARNINGS PER SHARE – Continuing Operations (continued)

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

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Net profit/(loss)	9,972	10,109
Class A share dividends provided for or paid	(1,960)	(3,786)
Earnings used in the calculation of diluted EPS	8,012	6,323

(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	33,753	35,291
Employee options	39	-
Shares deemed to be issued for no consideration in respect of:		
Partly paid ordinary shares	-	-
Convertible preference shares	-	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	33,792	35,291

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

Discontinuing Operations

	2008	2007
	Cents per Share	Cents per Share
Basic earnings per share	(73.65)	(21.61)
Diluted earnings per share	(73.65)	(21.61)

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	
	2008 \$'000	2007 \$'000
Earnings (i)	(24,857)	(7,626)
	No. '000	No. '000
Weighted average number of ordinary shares (ii)	33,753	35,291

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

21. EARNINGS PER SHARE – Discontinuing Operations (continued)

- (i) Earnings used in the calculation of basic earnings per share reconciles to net profit/(loss) in the income statement as follows:

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Net profit/(loss)	(22,897)	(3,840)
Class A share dividends declared in respect of the period	(1,960)	(3,786)
Earnings used in the calculation of basic EPS	(24,857)	(7,626)

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

Diluted Earnings per Share

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

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Earnings (i)	(24,857)	(7,626)
	No. '000	No. '000
Weighted average number of ordinary and potential ordinary shares (ii)	33,792	35,291

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

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Net profit/(loss)	(22,897)	(3,840)
Class A share dividends provided for or paid	(1,960)	(3,786)
Earnings used in the calculation of diluted EPS	(24,857)	(7,626)

- (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	33,753	35,291
Employee options	39	-
Shares deemed to be issued for no consideration in respect of:		
Partly paid ordinary shares	-	-
Convertible preference shares	-	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	33,792	35,291

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2008 Cents per Share	2008 Total \$'000	2007 Cents per Share	2007 Total \$'000
22. DIVIDENDS				
Recognised Amounts				
Fully Paid Ordinary Shares:				
Interim dividend - franked to 30% tax rate	-	-	3.00	1,012
Final dividend - franked to 30% tax rate	-	-	6.00	2,152
Partly Paid Ordinary Shares:				
Interim dividend - franked to 30% tax rate	-	-	-	-
Final dividend - franked to 30% tax rate	-	-	2.52414	19
Class A Shares:				
Quarterly interim dividends - franked to 30% tax rate	3.5/qtr	980	3.5/qtr	2,873
Final 2007 dividend – franked to 30% tax rate	3.5/qtr	980	3.5/qtr	913
		<u>1,960</u>		<u>6,969</u>
Unrecognised Amounts				
Fully Paid Ordinary Shares:				
Final dividend - franked to 30% tax rate	-	-	-	-
Partly Paid Ordinary Shares:				
Final dividend - franked to 30% tax rate	-	-	-	-
Class A Shares:				
Final dividend – franked to 30% tax rate	-	-	3.5/qtr	980
		<u>-</u>		<u>980</u>

The final dividend in respect of Ordinary Shares and Class A shares for the year ended 30 June 2007 was not recognised in that financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2007. On the basis that directors will continue to publicly recommend dividends in respect of Ordinary Shares and Class A shares subsequent to reporting date, in future financial reports the amount disclosed as “recognised” will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

The consolidated entity’s adjusted franking account balance on a tax paid basis is \$7,472 thousand (2007: \$7,325 thousand). The company’s adjusted franking account balance on a tax paid basis is \$7,472 thousand (2007: \$7,325 thousand). The impact on the consolidated entity’s and company’s franking account balance of dividends not recognised is \$NIL thousand (2007: \$420 thousand).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

23. EMPLOYEE INCENTIVE SCHEME

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

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

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

Employee incentive scheme	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at beginning of year (i)	142,500	2.22	142,500	2.22
Granted during the financial year (ii)	600,000	1.20	-	-
Exercised during the financial year (iii)	-	-	-	-
Expired during the year	132,500	-	-	-
Balance at end of the financial year (iv)	610,000	1.22	142,500	2.22

Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past 2.5 years.

Inputs into the model	Option Series		
	Issued 16 April 2008	Issued 27 April 2004	Issued 29 October 2004
Grant date share price	\$1.10	\$2.18	\$1.96
Exercise price	\$1.20	\$2.22	\$2.22
Expected volatility	45.00%	30.00%	10.00%
Option life	2.5 years	5 years	5 years
Dividend yield	2.00%	5.50%	8.00%
Risk-free interest rate	6.90%	5.25%	5.20%
Fair value at grant date	\$0.27	\$0.02	\$0.42

(i) Balance at beginning of the financial year

2008 Option – Series	No.	Grant Date	Expiry/Exercise Date	Exercise Price \$
Issued 27 April 2004	42,500	27/04/04	27/04/09	2.22
Issued 29 October 2004	100,000	29/10/04	28/10/09	2.22
2007 Option – Series	No.	Grant Date	Expiry/Exercise Date	Exercise Price \$
Issued 27 April 2004	42,500	27/04/04	27/04/09	2.22
Issued 29 October 2004	100,000	29/10/04	28/10/09	2.22

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

23. EMPLOYEE INCENTIVE SCHEME (continued)

(ii) Granted during the financial year

2008 Option – Series	No.	Grant Date	Expiry/ Exercise Date	Exercise Price \$
Issued 16 April 2008	600,000	16/04/08	15/04/13	1.20
2007 Option – Series	No.	Grant Date	Expiry/ Exercise Date	Exercise Price \$
-	-	-	-	-

(iii) Exercised during the financial year

2008 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 \$
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

2007 Option – Series	No. of options exercised	Grant Date	Exercise Date	Expiry Date	Exercise Price \$	No. of shares issued	Fair value received \$	Fair value of shares at date of issue \$
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

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

(iv) Balance at end of the financial year

2008 Option – Series	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
Issued 16 April 2008	600,000	600,000	-	16/04/08	15/04/13	1.20
Issued 27 April 2004	10,000	10,000	-	27/04/04	27/04/09	2.22
Issued 29 October 2004	-	-	-	29/10/04	28/10/09	2.22
2007 Option – Series	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
Issued 27 April 2004	42,500	40,500	2,000	27/04/04	27/04/09	2.22
Issued 29 October 2004	100,000	100,000	-	29/10/04	28/10/09	2.22

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel

The key management personnel of CMI Limited during the year were:

C.G. Ryan (Chairman, Non-executive Director), appointed 28 February 2007

D. Herczeg (Non-executive Director), appointed 9 March 2007

Raymond D. Catelan (Managing Director), appointed 3 July 2007; (Director), appointed 18 May 2007

Richard D. Catelan (Executive Director), appointed 11 June 2008

M.C. Maughan (Non-executive Director), resigned 2 July 2007

D.J. Gallagher (Manufacturing Manager – Engineering Division), transferred with business sale 16 April 2008

M.D. Laidlaw (Chief Financial Officer/Company Secretary), transferred with business sale 16 April 2008

I.C. Whittle (Managing Director – Capitalcorp Finance & Leasing Pty Ltd), resigned 4 August 2008

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

N. Saxon (General Manager – TJM Products Division)

J. Bradford (General Manager – Finance Division)

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

Key management personnel compensation policy

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

The objective of the company's remuneration reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns reward with achievement of strategic and financial objectives and the creation of wealth for shareholders.

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

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

Remuneration packages contain the following key elements:

- (a) Short-term employee benefits - salary/fees, bonuses and non monetary benefits including the provision of motor vehicles, accommodation and interest not charged on loans provided by the company;
- (b) Post-employment benefits - including superannuation and prescribed benefits; and
- (c) Share-based payment – shares issued during the financial year and share options granted under the director and employee share option plans approved by shareholders on 23 August 1999.

Short-term employee benefits – key management personnel are offered a competitive remuneration that comprises the components of base pay and benefits. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. Specific key management personnel are paid cash bonuses based on performance criteria. The performance criteria used to determine the amount of compensation include revenue, net profit before tax and inventory targets.

Other benefits – executives receive benefits including superannuation as required by the laws in the various jurisdictions in which the company operates. In certain circumstances, additional benefits (e.g. travel, car parking, interest not charged on loans and accommodation) may also be provided.

Equity - further details of the employee incentive scheme are disclosed in Note 23 to the financial statements.

Key management personnel 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 the remaining contract period.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

24. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

Key management personnel compensation

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

	CONSOLIDATED		COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-term employee benefits	2,128,032	2,630,966	178,000	203,014
Post-employment benefits	258,510	180,204	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	547,913	-	-
Share-based payment	162,000	-	162,000	-
	2,548,542	3,359,083	340,000	203,014

2008	Short-term Employee Benefits				Post-Employment Benefits		Share-based Payment		Total \$
	Salary/Fees \$	Bonus \$	Non-monetary \$	Other \$	Superannuation \$	Other \$	Shares \$	Options \$	
C.G. Ryan	109,000	-	-	-	-	-	-	81,000	190,000
D. Herceg	60,000	-	-	-	5,400	-	-	81,000	146,400
Raymond D. Catelan	300,000	-	-	-	27,000	-	-	-	327,000
Richard D. Catelan*	47,769	-	-	-	4,299	-	-	-	52,068
D.J. Gallagher**	198,000	-	-	9,864	-	-	-	-	207,864
I.C. Whittle	300,000	-	-	-	-	-	-	-	300,000
M.D. Laidlaw**	192,661	-	-	15,932	17,339	-	-	-	225,932
J.L. Heslington	300,000	150,000	15,000	-	40,500	20,000	-	-	525,500
N. Saxon	173,888	-	-	-	15,650	13,865	-	-	203,403
J. Bradford	160,478	-	40,000	-	13,129	16,768	-	-	230,375
S.R. Williams	128,440	-	-	-	11,560	-	-	-	140,000
Total	1,970,236	150,000	55,000	25,796	134,877	50,633	-	162,000	2,548,542

* Compensation relates to 5 month period as commenced employment on 23 January 2008

** Compensation relates to 9 month period as employees transferred as part of business sale

2007	Short-term Employee Benefits				Post-Employment Benefits		Share-based Payment		Total \$
	Salary/Fees \$	Bonus \$	Non-monetary \$	Other \$	Superannuation \$	Other \$	Shares \$	Options \$	
C.G. Ryan	53,776	-	-	-	-	-	-	-	53,776
D. Herceg	22,667	-	-	-	2,040	-	-	-	24,707
R.D. Catelan	-	-	-	-	-	-	-	-	-
M.J. Hofmeister	1,018,500	-	-	241,644	-	-	-	-	1,260,144
J.J.A. Johnson	36,666	-	-	8,209	-	-	-	-	44,875
W. V. Hill	-	-	-	-	-	-	-	-	-
M.C. Maughan	89,905	-	-	-	-	-	-	-	89,905
P.R. Meurer	147,791	-	-	-	33,355	329,047	-	-	510,193
D.J. Gallagher	157,586	-	15,000	13,608	103,320	218,866	-	-	508,380
I.C. Whittle	300,000	-	-	594	-	-	-	-	300,594
M.D. Laidlaw	244,648	-	-	19,708	22,019	-	-	-	286,375
J.L. Heslington	216,333	-	15,000	29,331	19,470	-	-	-	280,134
Total	2,287,872	-	30,000	313,094	180,204	547,913	-	-	3,359,083

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
25. REMUNERATION OF AUDITORS				
(a) Auditor of the Parent Entity				
Auditing the financial report of CMI Limited (including half year review)	280,177	226,002	156,000	156,000
Auditing the prior year financial report of CMI Limited	40,000	-	-	-
Review of Automotive Competitiveness and Investment Scheme (ACIS) quarterly returns	39,000	75,750	-	-
Other assurance related services	-	1,300	-	-
Tax related services	-	-	-	-
	359,177	303,052	156,000	156,000
(b) Related practice of the parent entity auditor				
Auditing the financial report	44,626	27,594	-	-
Taxation services	-	22,301	-	-
	44,626	49,895	-	-

The auditor of CMI Limited is Deloitte Touche Tohmatsu. The auditor of CMI Limited (New Zealand) is Deloitte Touche Tohmatsu, New Zealand, an associated firm of Deloitte Touche Tohmatsu, Australia.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

26. SEGMENT INFORMATION

Information on Business Segments (primary reporting format)

BUSINESS	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS							
	TJM Products		Electrical Components		Engineered Components		Financial Services Division					
	30/06/08 \$'000	30/06/07 \$'000	30/06/08 \$'000	30/06/07 \$'000	30/06/08 \$'000	30/06/07 \$'000	30/06/08 \$'000	30/06/07 \$'000	30/06/08 \$'000	30/06/07 \$'000	30/06/08 \$'000	30/06/07 \$'000
REVENUE												
External Sales	44,807	41,289	51,901	49,290	112,303	148,347	22,399	26,235	810	242	232,220	265,403
Intersegment Sales (i)	-	-	-	(3)	-	6	-	-	-	(3)	-	-
Total Revenue	44,807	41,289	51,901	49,287	112,303	148,353	22,399	26,235	810	239	232,220	265,403
RESULTS												
Segment Result	1,453	1,631	14,863	14,965	(16,368)	(19,283)	(18,825)	90	(2,412)	(2,639)	(21,289)	(5,236)
ASSETS												
Segment Assets	27,851	25,202	51,122	30,708	-	117,419	1,330	10,222	-	-	80,303	183,551
LIABILITIES												
Segment Liabilities	7,249	4,935	16,995	4,696	-	91,528	1,330	2,877	-	-	25,574	104,036
Acquisition of property, plant and equipment and intangible assets	1,593	860	66	5,151	983	6,064	67	91	-	-	2,709	12,166
Depreciation	1,505	1,393	377	334	1,147	4,929	714	723	-	-	3,743	7,379
Impairment losses	-	-	-	-	16,525	18,601	16,406	-	-	-	32,931	18,601
Significant other non-cash expenses	-	-	-	12	16,525	961	16,406	-	-	-	32,931	973

(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 four major operating divisions – TJM, engineered components, electrical components and financial services. These divisions are the basis on which the consolidated entity reported its primary segment information. The above business segments derive revenue from the following products and services:

- TJM - the manufacture and marketing of components and parts for 4WD, light commercial and heavy transport vehicles.
- Engineered Components – the manufacture of precision engineered components, particularly for the automotive industry.
- Electrical Components – the manufacture of specialist cabling and electrical products for a range of industry sectors.
- Financial Services – the provision of chattel finance to both consumer and commercial borrowers.

Information on Geographical Segments (secondary reporting format)

At 30 June 2008 the Group operated only in Australia.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$

27. RELATED PARTY DISCLOSURES

(a) Parent entities

The parent entity in the consolidated entity is CMI Limited.

(b) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 28 to the financial statements. Other transactions that occurred during the financial year between other related parties were the sale and purchase of goods at cost plus a margin to cover freight and other incidentals where applicable.

(c) Transactions with other related parties

There are no transactions with other related parties.

(d) Receivables

Wholly-Owned Subsidiaries:

CMI Operations Pty Ltd – current	-	-	7,336	14,796
CMI Operations Pty Ltd – non-current	-	-	25,000	25,000
CMI Limited (New Zealand) – current	-	-	-	2,219
TJM Products Pty Ltd - current	-	-	4,393	4,748
	-	-	36,729	46,763

e) Payables – Current

Wholly-Owned Subsidiaries:

Capitalcorp Finance & Leasing Pty Ltd	-	-	5,458	7,069
	-	-	5,458	7,069

f) Transactions with key management personnel and their related entities

Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 24 to the financial statements.

Loans to key management personnel

Loans to key management personnel	Balance at beginning \$	Interest charged \$	Interest not charged \$	Balance at end \$	Number in group
2008	620,000	-	33,976	620,000	5
2007	2,231,052	-	247,589	620,000	5

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

27. RELATED PARTY DISCLOSURES (continued)

Key management personnel with loans above \$100,000 in the reporting period

Key management personnel are not charged interest on loans provided by the company.

2008	Balance at beginning \$	Interest charged \$	Interest not charged \$	Balance at end \$	Highest in period \$
V. Misztowt*	220,000	-	12,056	220,000	220,000
M.D. Laidlaw*	220,000	-	12,056	220,000	220,000
D.J. Gallagher*	180,000	-	9,864	180,000	180,000
2007	Balance at beginning \$	Interest charged \$	Interest not charged \$	Balance at end \$	Highest in period \$
M.J. Hofmeister	1,461,256	-	194,120	-	4,311,186
J.J.A. Johnson	149,796	-	8,209	-	149,796
V. Misztowt	220,000	-	16,060	220,000	220,000
M.D. Laidlaw	220,000	-	16,060	220,000	220,000
D.J. Gallagher	180,000	-	13,140	180,000	180,000

* Employees transferred as part of business sale, 16 April 2008

Other transactions with key management personnel

Profit from operations includes rent expense calculated at normal commercial terms and conditions that resulted from transactions with key management personnel or their related entities.

	CONSOLIDATED		COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
M.J. Hofmeister as Carluke Capital Pty Ltd:				
133-165 Kensington Road, Kensington*	-	664,822	-	-
259 Ruthven Street, Toowoomba**	-	472,706	-	-
M.J. Hofmeister, W. V. Hill, M.D. Laidlaw, G.N. Fussell and others as Aquifer Properties Pty Ltd:				
5 Charlie Triggs Crescent, Bundaberg	57,881	75,181	-	-
Rent expense	57,881	1,212,709	-	-

* Transactions relating to rent of \$519,220 were paid to M.J. Hofmeister as Carluke Capital Pty Ltd during the year but have been removed as M.J. Hofmeister was not key management personnel during the current financial year.

** Transactions relating to rent of \$368,711 were paid to M.J. Hofmeister as Carluke Capital Pty Ltd during the year but have been removed as M.J. Hofmeister was not key management personnel during the current financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

27. RELATED PARTY DISCLOSURES (continued)

(g) Key management personnel equity holdings

Fully Paid Ordinary Shares issued by CMI Limited

2008	Balance at 1/7/07 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/08 No.	Balance held nominally No.
C.G. Ryan	-	-	-	-	-	-
D. Herceg	-	-	-	-	-	-
Raymond D. Catelan	10,274,943	-	-	1,009,123	11,284,066	-
Richard D. Catelan	-	-	-	351,632	351,632	-
M.C. Maughan	6,000	-	-	-	6,000	-
D.J. Gallagher*	-	-	-	-	-	-
V. Misztowt*	102,564	-	-	-	102,564	-
M.D. Laidlaw*	101,539	-	-	-	101,539	-
I.C. Whittle	329,104	-	-	-	329,104	-
G.N. Fussell*	2,564	-	-	-	2,564	-
	10,816,714	-	-	1,360,755	12,177,469	-
2007	Balance at 1/7/06 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/07 No.	Balance held nominally No.
C.G. Ryan	-	-	-	-	-	-
D. Herceg	-	-	-	-	-	-
R.D. Catelan	-	-	-	10,274,943	10,274,943	-
M.J. Hofmeister	3,077,031	-	1,000,000	(4,077,031)	-	-
J.J.A. Johnson	150,000	-	-	(150,000)	-	-
W.V. Hill	2,564	-	-	(2,564)	-	-
M.C. Maughan	6,000	-	-	-	6,000	-
D.J. Gallagher	120,000	-	-	(120,000)	-	-
V. Misztowt	102,564	-	-	-	102,564	-
M.D. Laidlaw	101,539	-	-	-	101,539	-
I.C. Whittle	329,104	-	-	-	329,104	-
G.N. Fussell	2,564	-	-	-	2,564	-
	3,891,366	-	1,000,000	5,925,348	10,816,714	-

* Employees were not key management personnel at 30 June 2008 as transferred as part of business sale, 16 April 2008

Partly Paid Ordinary Shares issued by CMI Limited

2008	Balance at 1/7/07 No.	Granted as compensation No.	Transferred to Fully Paid Ordinary Shares No.	Balance at 30/6/08 No.	Balance held nominally No.
M.J. Hofmeister	-	-	-	-	-
2007	Balance at 1/7/06 No.	Granted as compensation No.	Transferred to Fully Paid Ordinary Shares No.	Balance at 30/6/07 No.	Balance held nominally No.
M.J. Hofmeister	750,000	-	(750,000)	-	-

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

27. RELATED PARTY DISCLOSURES (continued)

Class A Shares issued by CMI Limited

2008	Balance at 1/7/07 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/08 No.	Balance held nominally No.
C.G. Ryan	-	-	-	-	-	-
D. Herceg	-	-	-	-	-	-
R.D. Catelan	964,067	-	-	-	964,067	-
M.J. Hofmeister	369,089	-	-	-	369,089	-
D.J. Gallagher*	167,504	-	-	-	167,504	-
V. Misztowt*	116,667	-	-	-	116,667	-
M.D. Laidlaw*	109,000	-	-	-	109,000	-
I.C. Whittle	36,784	-	-	-	36,784	-
G.N. Fussell*	5,000	-	-	-	5,000	-
	1,768,111	-	-	-	1,768,111	-
2007	Balance at 1/7/06 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/07 No.	Balance held nominally No.
C.G. Ryan	-	-	-	-	-	-
D. Herceg	-	-	-	-	-	-
R.D. Catelan	-	-	-	964,067	964,067	-
M.J. Hofmeister	369,089	-	-	-	369,089	-
J.J.A. Johnson	20,000	-	-	(20,000)	-	-
W.V. Hill	20,250	-	-	(20,250)	-	-
D.J. Gallagher	150,000	-	-	17,504	167,504	-
V. Misztowt	116,667	-	-	-	116,667	-
M.D. Laidlaw	109,000	-	-	-	109,000	-
I.C. Whittle	76,284	-	-	(39,500)	36,784	-
G.N. Fussell	5,000	-	-	-	5,000	-
	866,290	-	-	901,821	1,768,111	-

* Employees were not key management personnel at 30 June 2008 as transferred as part of business sale, 16 April 2008

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

27. RELATED PARTY DISCLOSURES (continued)

Share Options issued by CMI Limited

2008	Balance at 1/7/07 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30/6/08 No.	Balance vested at 30/6/08 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
C. G. Ryan	-	300,000	-	-	300,000	300,000	-	300,000	-
D. Herceg	-	300,000	-	-	300,000	300,000	-	300,000	-
V. Misztowt*	-	-	-	-	-	-	-	-	-
M.D. Laidlaw*	100,000	-	-	(100,000)	-	-	-	-	-
I.C. Whittle	-	-	-	-	-	-	-	-	-
G.N. Fussell*	10,000	-	-	(10,000)	-	-	-	-	-
J.L. Heslington	10,000	-	-	-	10,000	10,000	-	10,000	-
A. Vlahogenis	10,000	-	-	(10,000)	-	-	-	-	-
	130,000	600,000	-	(120,000)	610,000	610,000	-	610,000	-
2007	Balance at 1/7/06 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30/6/07 No.	Balance vested at 30/6/07 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
M.J. Hofmeister	1,000,000	-	(1,000,000)	-	-	-	-	-	-
J.J.A. Johnson	-	-	-	-	-	-	-	-	-
W.V. Hill	200,000	-	-	(200,000)	-	-	-	-	-
D.J. Gallagher	-	-	-	-	-	-	-	-	-
V. Misztowt	-	-	-	-	-	-	-	-	-
M.D. Laidlaw	100,000	-	-	-	100,000	100,000	-	100,000	-
I.C. Whittle	-	-	-	-	-	-	-	-	-
G.N. Fussell	10,000	-	-	-	10,000	8,000	-	8,000	2,000
J.L. Heslington	10,000	-	-	-	10,000	10,000	-	10,000	-
A. Vlahogenis	10,000	-	-	-	10,000	10,000	-	10,000	-
	1,330,000	-	(1,000,000)	(200,000)	130,000	128,000	-	128,000	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.

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

* Employees were not key management personnel at 30 June 2008 as transferred as part of business sale, 16 April 2008

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

28. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2008 %	2007 %
Parent Entity:			
CMI Limited	Australia		
Subsidiaries			
CMI Limited	New Zealand (i)	-	100
CMI Operations Pty Ltd	Australia (ii)	100	100
TJM Products Pty Ltd	Australia (ii)	100	100
Metcast Manufacturing Pty Ltd	Australia (ii), (v)	-	-
Capitalcorp Finance & Leasing Pty Ltd	Australia (ii)	100	100
Australian Automotive Acceptance Pty Ltd	Australia (iii)	100	100
Australian Loans & Leasing (Qld) Pty Ltd	Australia (iii)	100	100
Capitalcorp Technology Pty Ltd	Australia (iii), (v)	-	-
Smartdrive Mechanicare Pty Ltd	Australia (iii), (iv)	-	-
Autocapital Pty Ltd	Australia (iii)	100	-

- (i) This wholly-owned subsidiary carries on business in New Zealand and is audited by an associated firm of Deloitte Touche Tohmatsu, Australia.
- (ii) This wholly-owned subsidiary has entered into a deed of cross guarantee with CMI Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirement to prepare an audited financial report.
- (iii) This wholly-owned subsidiary is a small proprietary company and is not required to prepare an audited financial report.
- (iv) This wholly-owned subsidiary was deregistered on 27 August 2006.
- (v) These wholly-owned subsidiaries were wound up on 15 June 2007.

The consolidated income statement and balance sheet of entities which are party to the deed of cross guarantee are:

	2008 \$'000	2007 \$'000
Income Statement		
Revenue	223,732	256,436
Other income	2,085	2,700
Changes in inventories	3,480	(1,485)
Raw materials expense	(108,384)	(113,723)
Sub-contractors expense	(4,971)	(6,766)
Employee benefits expense	(64,349)	(76,821)
Repairs, maintenance and consumables expense	(7,386)	(9,093)
ASX and share register expense	(150)	(215)
Occupancy expense	(9,623)	(11,083)
Travel and communication expense	(4,091)	(4,079)
Freight and cartage expense	(4,867)	(5,495)
Depreciation and amortisation expense	(4,082)	(7,070)
Finance costs	(3,409)	(4,389)
Impairment of non-current assets	(32,783)	(18,601)
Other expenses	(7,709)	(6,187)
Profit/(loss) before income tax expense	(22,507)	(5,871)
Income tax (expense)/benefit	(410)	1,608
Profit/(loss) from continuing and discontinuing operations	(22,917)	(4,263)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

28. SUBSIDIARIES (continued)

	2008 \$'000	2007 \$'000
Balance Sheet		
CURRENT ASSETS		
Cash and cash equivalents	2,920	4,322
Trade and other receivables	17,091	57,496
Other financial assets	15,000	-
Inventories	22,284	41,467
Current tax assets	356	1,171
	57,651	104,456
Assets of a disposal group	1,330	1,032
TOTAL CURRENT ASSETS	58,981	105,488
NON-CURRENT ASSETS		
Trade and other receivables	-	-
Other financial assets	-	1,663
Property, plant and equipment	6,063	40,765
Goodwill	8,323	10,176
Other intangible assets	6,936	22,351
Deferred tax assets	-	1,068
TOTAL NON-CURRENT ASSETS	21,322	76,023
TOTAL ASSETS	80,303	181,511
CURRENT LIABILITIES		
Trade and other payables	11,558	30,950
Borrowings	625	52,243
Current tax payables	-	-
Provisions	497	7,002
	12,680	90,195
Liabilities of a disposal group	1,330	-
TOTAL CURRENT LIABILITIES	14,010	90,195
NON-CURRENT LIABILITIES		
Borrowings	9,634	6,008
Deferred tax liabilities	1,034	2,299
Provisions	896	5,415
TOTAL NON-CURRENT LIABILITIES	11,564	13,722
TOTAL LIABILITIES	25,574	103,917
NET ASSETS	54,729	77,594
EQUITY		
Issued capital	70,103	70,103
Reserves	162	-
Retained earnings	(15,536)	7,491
TOTAL EQUITY	54,729	77,594

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

29. ACQUISITION OF BUSINESSES

Names of Businesses Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Acquired %	Cost of Acquisition \$'000
2008				
Nil				
2007				
XLPE Cables	Electrical	11/7/06	-	6,929
4WD Megastore Group	4WD Accessories	1/6/07	-	1,879

XLPE Cables - Total consideration paid for the acquisition was \$6,929 thousand for net assets acquired of \$2,347 thousand, consisting primarily of inventories (\$2,271 thousand). XLPE Cables principal activity is the sale of electrical cable. This transaction has been accounted for using the acquisition method of accounting. The goodwill arising on the acquisition of XLPE Cables is attributable to the anticipated future operating synergies from the business combination to the consolidated entity's existing operations. Included in the net profit for the period is profit of \$1,248 thousand attributable to the additional business generated by XLPE Cables.

4WD Megastore Group - Total consideration paid for the acquisition was \$1,879 thousand for net assets acquired of \$863 thousand, consisting primarily of inventories (\$848 thousand). 4WD Megastore Group's principal activity is the sale of 4WD accessories. This transaction has been accounted for using the acquisition method of accounting. The acquisition has been accounted for on a provisional basis.

The goodwill arising on the acquisition of 4WD Megastore Group is attributable to the anticipated future operating synergies from the business combination to the consolidated entity's existing operations. Included in the net profit for the period is profit of \$31 thousand attributable to the additional business generated by 4WD Megastore Group.

Net assets acquired	XLPE Cables		
	Book Value \$'000	Fair Value Adjustment \$'000	Fair Value on Acquisition \$'000
Current assets:			
Trade and other receivables	10	-	10
Inventories	2,256	15	2,271
Non-current assets:			
Plant and equipment	99	15	114
Deferred tax assets	12	-	12
Current liabilities:			
Trade and other payables	(25)	-	(25)
Provisions	(39)	4	(35)
	2,313	34	2,347
Goodwill on acquisition			4,582
			6,929

Net assets acquired	4WD Megastore Group		
	Book Value \$'000	Fair Value Adjustment \$'000	Fair Value on Acquisition \$'000
Current assets:			
Trade and other receivables	3	-	3
Inventories	853	(5)	848
Non-current assets:			
Plant and equipment	51	(12)	39
Deferred tax assets	7	-	7
Current liabilities:			
Trade and other payables	(11)	-	(11)
Provisions	(23)	-	(23)
	880	(17)	863
Goodwill on acquisition			1,016
			1,879

Further details of the businesses acquired during the 2007 financial year are disclosed in Note 30(c) to the financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
30. NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash in assets held for sale	25	-	-	-
Cash and cash equivalents	2,920	4,724	-	-
	2,945	4,724	-	-
Bank overdraft	(278)	(62)	-	-
	2,667	4,662	-	-
(b) Reconciliation of profit for the period to net cash flows from operating activities				
Profit/(loss) for the period	(22,897)	(3,840)	(13,311)	6,999
(Gain)/Loss on disposal of non-current assets	(762)	(76)	(885)	(3)
Depreciation and amortisation of non-current assets	3,742	7,379	-	-
Interest income received and receivable	(822)	(254)	-	-
Finance lease interest	576	926	-	-
Impairment of non-current assets	34,116	18,601	19,135	-
Equity settled share-based payment	162	47	162	-
Unrealised foreign exchange (gain)/loss	102	(162)	-	-
Increase/(Decrease) in current tax liability	2,774	(1,451)	815	(1,759)
Increase/(Decrease) in deferred tax	(3,400)	(4,316)	74	128
Changes in net assets and liabilities, net of effects from acquisition of businesses:				
(Increase)/Decrease in:				
Current receivables	5,430	(1,614)	(15,000)	-
Current inventories	(3,013)	2,025	-	-
Increase/(Decrease) in:				
Current payables	(48)	(1,186)	-	-
Current borrowings	(19)	-	7,829	(9,184)
Current provisions	(483)	(4,538)	-	-
Non-current provisions	319	3,210	-	-
Net cash from Operating Activities	15,777	14,751	(1,181)	(3,819)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
30. NOTES TO THE CASH FLOW STATEMENT (continued)				
(c) Businesses Acquired				
No businesses were acquired during the current financial year however the details of the businesses acquired in the 2007 year are as follows (note 29):				
Consideration				
Cash and cash equivalents	-	8,808	-	-
Amount payable	-	-	-	-
	-	8,808	-	-
Fair Value of Net Assets Acquired				
Current Assets				
Cash and cash equivalents	-	-	-	-
Receivables	-	13	-	-
Inventories	-	3,119	-	-
Non-Current Assets				
Other financial assets	-	-	-	-
Property, Plant and Equipment	-	153	-	-
Deferred Tax Assets	-	19	-	-
Current Liabilities				
Payables	-	(36)	-	-
Borrowings	-	-	-	-
Current tax liabilities	-	-	-	-
Provisions	-	(58)	-	-
Non-Current Liabilities				
Borrowings	-	-	-	-
Provisions	-	-	-	-
Net assets acquired	-	3,210	-	-
Brandname on acquisition	-	-	-	-
Goodwill on acquisition	-	5,598	-	-
	-	8,808	-	-
Net cash (inflow)/outflow on acquisition				
Cash and cash equivalents consideration	-	8,808	-	-
Less cash and cash equivalent balances acquired	-	-	-	-
	-	8,808	-	-

(d) Non-cash financing and investing activities

During the financial year, the consolidated entity acquired plant and equipment with an aggregate fair value of \$324 thousand (2007: \$2,404 thousand) by means of finance leases. These acquisitions are not reflected in the cash flow statement. During the financial year, the economic entity issued shares to directors and executives with a total value of \$nil thousand (2007: \$2,850 thousand) by way of a loan account. These share issues and loans are not reflected in the cash flow statement.

(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

Amount Used	9,000	47,500	9,000	47,500
Amount Unused	14,700	7,325	14,700	7,325
	23,700	54,825	23,700	54,825

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
31. CONTINGENT LIABILITY				
Guarantees issued to bank in respect of overseas purchases, lease of premises and sand mining lease (i)	154	302	154	301
Guarantees arising from the deed of cross-guarantee with other entities in the wholly-owned group (ii)	-	-	21,301	96,848
	154	302	21,455	97,149
Contingent assets (a)	-	-	-	-

- (a) Associated with the sale of the Engineering business and a vendor loan provided by CMI Limited was an option granted to CMI Limited to purchase a portion of the entity that acquired the Engineering business should certain trigger events such as failure to repay the vendor loan, failure to transfer certain leases or failure to settle creditors occur. This option will remain in existence for a period of three years, expiring in 2011 or less should the vendor loan be repaid. Exercise of the option by CMI would require the surrender of the vendor loan. The directors have assessed the fair value of this option as \$nil at 30 June 2008.
- (i) A number of contingent liabilities arise as a result of guarantees made directly to financing organisations in respect of overseas purchases, lease of premises, sand mining lease and payment of business. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the satisfaction of the obligations under the terms of the overseas purchases, leases and loans subject to the guarantees. The fair value of these guarantees has not been recognised as they are not considered material. The contingent liabilities are not recognised in the accounts as it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- (ii) As detailed in Note 28, the company has entered into a deed of cross-guarantee with certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that class order less the liabilities of the parent entity. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross-guarantee being more or less favourable than currently expected. The deed of cross-guarantee will continue to operate indefinitely. The fair value of these guarantees has not been recognised as they are not considered material.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise receivables, sundry receivables, payables, sundry payables, bank loans and overdrafts, bills of exchange, finance leases and cash.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading derivatives, hedging foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses

Interest rate risk

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's long-term debt and overdraft obligations. The level of debt is disclosed in Notes 12 and 14.

The consolidated entity had the following mix of financial assets and liabilities exposed to Australian balance date Variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and cash equivalents	2,920	4,710	-	-
Loans Receivable	15,000	-	15,000	-
	17,920	4,710	15,000	-
Financial Liabilities				
Bank overdrafts	(278)	(62)	-	-
Bills of exchange	(9,000)	(24,500)	-	-
	(9,278)	(24,562)	-	-
Net exposure	8,642	(19,852)	-	-

The consolidated entity's policy is to manage its finance costs using a mix of fixed and variable rate debt. The consolidated entity's policy is to maintain between 60% and 75% of its borrowings at fixed rates which are carried at amortised cost when borrowings exceed loans receivable. At year end 100% of the borrowings were at variable debt rate.

The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonably possible movements:

	POST TAX PROFIT HIGHER/(LOWER)	
	2008 \$'000	2007 \$'000
CONSOLIDATED		
+1% (100 basis points)	61	(139)
-.5% (50 basis points)	(30)	69
COMPANY		
+1% (100 basis points)	-	-
-.5% (50 basis points)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

The sensitivity is lower in 2008 than in 2007 because of a reduction in outstanding borrowings that has occurred due to early repayment of debt as a result of increased cash from the disposal of entities.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

As a result of operations in the United States and large purchases of inventory denominated in United States Dollars as well as operations in New Zealand, the consolidated entity's balance sheet can be affected significantly by movements in the US\$/A\$ and NZ\$/A\$ exchange rates. The consolidated entity recognises the foreign exchange risk that these entities and transactions pose, however they are not currently considered to be material risks and hedging instruments have not been entered into at 30 June 2008 or 30 June 2007.

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

Approximately 0.10% of the consolidated entity's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst almost 90% of costs are denominated in the unit's functional currency.

The consolidated entity does not have a defined policy on foreign currency derivatives; however the Board assesses the risk of individual transactions as they are made for the requirement to use currency derivative instruments.

At 30 June 2008, the consolidated entity had the following exposure to US\$ foreign currency that is not designated in cashflow hedges:

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and cash equivalents	101	136	-	-
Trade and other receivables	115	3,498	-	-
	216	3,634	-	-
Financial Liabilities				
Trade and other payables	(182)	(428)	-	-
	(182)	(428)	-	-
Net exposure	34	3,206	-	-

At 30 June 2008, the consolidated entity had the following exposure to NZ\$ foreign currency that is not designated in cashflow hedges:

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and cash equivalents	-	402	-	-
Trade and other receivables	-	1,813	-	-
	-	2,215	-	-
Financial Liabilities				
Trade and other payables	-	(854)	-	-
	-	(854)	-	-
Net exposure	-	1,361	-	-

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June 2008, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonably possible movements in the US Dollar:

	POST TAX PROFIT HIGHER/(LOWER)	
	2008 \$'000	2007 \$'000
CONSOLIDATED		
AUD/USD +10%	9	(146)
AUD/USD -5%	(5)	73
COMPANY		
AUD/USD +10%	-	-
AUD/USD - 5%	-	-

Judgements of reasonably possible movements in the NZ Dollar:

	POST TAX PROFIT HIGHER/(LOWER)	
	2008 \$'000	2007 \$000
CONSOLIDATED		
AUD/NZD +10%	-	(14)
AUD/NZD -5%	-	7
COMPANY		
AUD/NZD +10%	-	-
AUD/NZD - 5%	-	-

The movements in profit in 2008 are more sensitive than in 2007 due to the higher level of US Dollar payables at balance date.

Price risk

The consolidated entity's exposure to commodity and equity securities price risk is minimal. As a result of this no derivative instruments are used.

Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents and trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

The consolidated entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the consolidated entity's policy to securitise its trade and other receivables.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not significant.

To minimise exposure from potential default of the loan provided to CMI Industrial Pty Ltd, security was put in place in the form of a second ranking fixed and floating charge over CMI Industrial Pty Ltd behind the National Australia Bank and a personal guarantee from M.J. Hofmeister of \$2.5 million.

There are no significant concentrations of credit risk within the consolidated entity.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit lines.

The consolidated entity's policy is that not more than 60% of borrowings should mature in any 12 month period.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities, as of 30 June 2008. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

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

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
0-12 months	13,930	85,702	5,458	7,069
1-5 years	9,918	6,620	-	-
Over 5 years	-	-	-	-
	23,848	92,322	5,458	7,069

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the market is constantly changing, management may change the capital structure of the company, change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2008, management paid dividends of \$1,960 thousand (2007:\$6,969 thousand).

Management has no current plans to issue further shares on the market but intends to further reduce the capital structure by buying back 28,005,311 Class A shares as announced on 4 September 2008.

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2008 and 2007 were as follows:

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total borrowings	10,259	58,303	5,458	7,069
Less cash and cash equivalents	2,920	4,724	-	-
Net debt	7,339	53,579	5,458	7,069
Total equity	54,729	79,515	55,028	70,137
Total capital	62,068	133,094	60,486	77,206
Gearing ratio	12%	40%	9%	9%

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

33. ADDITIONAL COMPANY INFORMATION

CMI Limited is a listed public company, incorporated and operating in Australia.

CMI Limited's registered office and principal place of business is:

150 Robinson Road
Geebung, Qld, 4034
Tel: (07) 3865-9969

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

34. SUBSEQUENT EVENTS

On 4 September 2008 the company announced a proposal to undertake a selective capital reduction which will result in the buy-back of all 28,005,311 of its Class A shares. CMI intends to pay \$1.00 per Class A share funded by bank debt. This proposal requires approval by separate special resolutions passed by the ordinary shareholders and Class A shareholders of CMI Limited.

There has not been any other 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.

35. DISCONTINUED OPERATIONS

(a) Details of operations disposed and held for sale

On 18 February 2008, the Board of Directors entered into a sale agreement to dispose of the engineering division of CMI, excluding the TJM business to an entity controlled by CMI Limited's former Managing Director, Max Hofmeister. The disposal was completed on 16 April 2008, on which date control of the business passed to the acquirer.

The Board of Directors has committed to dispose of the Capitalcorp business. CMI publicly announced this decision on 12 May 2008.

As at 30 June 2008, Capitalcorp was classified as a disposal group held for sale.

At 30 June 2007 the consolidated entity classified plant and equipment \$1,032 thousand it no longer utilised as held for sale. The plant and equipment was previously used in the consolidated entity's engineered components operations.

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

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

CONSOLIDATED

	2008			2007		
	Engineering \$'000	Capitalcorp \$'000	Total \$'000	Engineering \$'000	Capitalcorp \$'000	Total \$'000
Revenue	112,303	22,399	134,702	148,353	26,235	174,588
Expenses	(109,715)	(24,818)	(134,533)	(145,809)	(26,145)	(171,954)
Gross profit/(loss)	2,588	(2,419)	169	2,544	90	2,634
Gain on disposal	-	-	-	-	-	-
Finance costs	(2,431)	-	(2,431)	(3,227)	-	(3,227)
Impairment	(16,525)	(16,406)	(32,931)	(18,601)	-	(18,601)
Loss before tax from discontinued operations	(16,368)	(18,825)	(35,193)	(19,284)	90	(19,194)
Income Tax	2,009	315	2,324	5,355	(110)	5,245
Loss from discontinued operations	(14,359)	(18,510)	(32,869)	(13,929)	(20)	(13,949)

COMPANY

	2008 \$'000	2007 \$'000
Revenue	-	-
Expenses	-	-
Gross profit/(loss)	-	-
Gain on disposal	-	-
Finance costs	-	-
Impairment	(18,250)	-
Loss before tax from discontinued operations	(18,250)	-
Income Tax	(176)	-
Loss from discontinued operations	(18,426)	-

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

35. DISCONTINUED OPERATIONS (continued)

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

Engineered Components (excluding TJM)

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

Service (Capitalcorp)

The recoverable amount of the services division is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a ten-year period, and a discount rate of 12.443% p.a. (2007: 12.08% p.a.). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

(c) Assets and liabilities - held for sale operations

The major classes of assets and liabilities of Capitalcorp at 30 June 2008 are as follows:

	2008 \$'000
Assets	
Cash and cash equivalents	25
Trade and other receivables	1,305
Current tax assets	-
Property plant and equipment	-
Goodwill	-
Other intangible assets	-
Deferred tax assets	-
<i>Assets classified as held for sale</i>	<u>1,330</u>
Liabilities	
Trade and other payables	1,287
Borrowings	
Current tax payable	-
Provisions	43
Deferred tax liabilities	-
<i>Liabilities directly associated with assets classified as held for sale</i>	<u>1,330</u>
<i>Net assets attributable to discontinued operations</i>	<u>-</u>

(d) Cash flow information – discontinued operations

The net cash flows of Engineering (excluding TJM) and Capitalcorp are as follows:

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Operating activities	185	6,040
Investing activities	2,390	(1,469)
Financing activities	(3,323)	(4,810)
Net cash flow	<u>(748)</u>	<u>(239)</u>

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

35. DISCONTINUED OPERATIONS (continued)

(e) Assets and liabilities and cash flow information of disposed operations

Details of the disposal of Engineering (less TJM) are as follows. The major classes of assets and liabilities of Engineering (less TJM) are as follows:

	2008 \$'000
Assets	
Cash and cash equivalents	344
Inventory	23,531
Trade and other receivables	31,364
Current tax assets	124
Property plant and equipment	7,051
Goodwill	701
Other intangible assets	3,998
Other	420
<i>Assets sold</i>	<u>67,533</u>
Liabilities	
Trade and other payables	16,172
Borrowings	-
Current tax payable	12
Provisions	9,923
Deferred tax liabilities	-
<i>Liabilities sold</i>	<u>26,107</u>
<i>Net assets sold</i>	<u>41,426</u>

The net cash flows of Engineering (less TJM) from operations until disposal are as follows:

	CONSOLIDATED 2008 \$'000
Operating activities	1,780
Investing activities	718
Financing activities	<u>(3,323)</u>
Net cash flow	<u>(825)</u>

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

35. DISCONTINUED OPERATIONS (continued)

Consideration received or receivable:

	2008 \$'000
Cash	26,426
Vendor loan provided (a)	15,000
Net disposal consideration	41,426
Less net assets disposed of	41,426
Profit on disposal before income tax	-
Income tax expense	(1,968)
Loss on disposal after income tax	(1,968)

- (a) Associated with the sale of the engineering business was a loan provided by CMI Limited to the vendor to purchase the business. The loans made are in two instruments of \$1 million and \$17 million face value. The \$17 million loan has been recorded by CMI at its fair value of \$14 million. The loan instrument has embedded early repayment discount features, that allow for discounts of up to \$3 million. This discount decreases in proportion to the amount of early repayments until the expiry of the three year term of the loan. The loan bears interest on normal commercial terms, payable monthly.

On recognition the directors assessed the fair value of this loan to be \$14 million, and not its face value of \$17 million. Any premium received above \$14 million will be recorded as interest income.

Associated with the vendor loan provided by CMI Limited was an option granted to CMI Limited to purchase a portion of the entity that acquired the Engineering business should certain trigger events such as failure to repay the vendor loan, failure to transfer certain leases or failure to settle creditors occur. This option will remain in existence for a period of three years, expiring in 2011 or less should the vendor loan be repaid. Exercise of the option by CMI would require the surrender of the vendor loan. The directors have assessed the fair value of this option as \$nil at 30 June 2008.

Net cash inflow on disposal:

	CONSOLIDATED 2008 \$'000	COMPANY 2008 \$'000
Cash	26,426	5,000
Cash and cash equivalents disposed of	(344)	-
Reflected in the statement of cash flows	26,082	5,000

36. OTHER CURRENT FINANCIAL ASSET

	CONSOLIDATED 2008 \$'000	2007 \$'000	COMPANY 2008 \$'000	2007 \$'000
OTHER RECEIVABLES				
Loan receivable (i)	15,000	-	15,000	-
	15,000	-	15,000	-

- (i) Associated with the sale of the engineering business was a loan provided by CMI Limited to the vendor to purchase the business. The loans made are in two instruments of \$1 million and \$17 million face value. The \$17 million loan has been recorded by CMI at its fair value of \$14 million. The loan instrument has embedded early repayment discount features that allow for discounts of up to \$3 million. This discount decreases in proportion to the amount of early repayments until the expiry of the three year term of the loan. The loan bears interest on normal terms. The loan is secured by a second ranking fixed and floating charge over CMI Industrial Pty Ltd behind the National Australia Bank and a personal guarantee from M.J. Hofmeister of \$2.5 million.

On recognition the directors assessed the fair value of this loan to be \$14 million, and not its face value of \$17 million. Any premium received above \$14 million will be recorded as interest income.

Shareholder Information

AS AT 9 OCTOBER 2008

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

1. ORDINARY SHAREHOLDER INFORMATION

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

a) There were 1,728 holders of fully paid ordinary shares. All fully paid ordinary shares of the company carry one vote per share on poll, or one vote per member on a show of hands.

b) Distribution of shareholders:		Number
1	- 1,000 shares	446
1,001	- 5,000 shares	652
5,001	- 10,000 shares	287
10,001	- 100,000 shares	320
100,001	- and over	23
Total		1,728

c) The number of shareholdings held in less than a marketable parcel - 212

d) Twenty largest shareholders:

Shareholder	Fully Paid Ordinary Shares	Percentage Fully Paid
RP Prospects Pty Ltd	11,284,066	33.43
Farallon Capital Pty Ltd	3,016,891	8.94
Cogent Nominees Pty Limited	1,180,561	3.50
Citicorp Nominees Pty Limited	882,593	2.61
M L Catelan Superannuation Fund Pty Ltd	593,956	1.76
L J Catelan Superannuation Fund Pty Ltd	555,000	1.64
Mr Philip Gordon Greenham	510,000	1.51
Bond Street Custodians Limited	394,546	1.17
Mellett Super Pty Ltd	384,320	1.14
Assetylene Pty Ltd	351,632	1.04
Uki Capital Pty Limited	329,104	0.98
Ms Rosalie Catherine Vaughan	278,052	0.82
Almargem Pty Ltd	259,038	0.77
Donald Cant Pty Ltd	208,128	0.62
Australian Executor Trustees Limited	201,730	0.60
Bowtrust Pty Ltd	200,000	0.59
JP Morgan Nominees Australia Limited	172,718	0.51
Contemplator Pty Ltd	172,405	0.51
Mr Evan Philip Clucas + Ms Leanne Jane Weston	161,975	0.48
Merged Funds Pty Ltd	155,064	0.46
Total	21,291,779	63.08

Shareholder Information

AS AT 9 OCTOBER 2008

e) The names of substantial shareholders are:

Shareholder	Number	Percentage
RP Prospects Pty Ltd	11,284,066	33.43
Farallon Capital Pty Ltd	3,016,891	8.94
Cogent Nominees Pty Limited	1,180,561	3.50

2. CLASS A SHAREHOLDER INFORMATION

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

a) There were 1,692 holders of Class A shares. All issued Class A shares of the company carry one vote per share, however the right to vote is restricted broadly speaking to matters concerning such shareholders.

b) Distribution of shareholders:	Number
1 - 1,000 shares	209
1,001 - 5,000 shares	585
5,001 - 10,000 shares	347
10,001 - 100,000 shares	516
100,001 - and over	32
Total	1,692

c) The number of shareholdings held in less than a marketable parcel - 102

d) Twenty largest shareholders:

Shareholder	Fully Paid Class A Shares	Percentage Fully Paid
Trojan Equity Limited	1,976,872	7.06
Cooltrac Pty Ltd	1,319,033	4.71
Cogent Nominees Pty Limited	1,036,690	3.70
RP Prospects Pty Ltd	964,067	3.44
Zazu Holdings Pty Ltd	919,182	3.28
Contemplator Pty Ltd	713,237	2.55
Carluke Capital Pty Ltd	369,089	1.32
Dovedale Management Pty Ltd	296,888	1.06
Mr Gerald Francis Pauley	289,881	1.04
Ago Pty Ltd	280,000	1.00
Bond Street Custodians Limited	276,735	0.99
JWV Holdings Pty Ltd	233,334	0.83
Mrs Margaret Brown	200,000	0.71
Mr Simon Christopher Fraser + Mrs Elizabeth Jane Fraser	170,000	0.61
Mr Leslie Charles Smith	166,393	0.59
Mr Gordon Coad + Miss Shirley Pratt	165,000	0.59
Atkone Pty Ltd	163,734	0.58
ETR Nominees Pty Ltd	160,000	0.57
Mr Daniel James Gallagher	150,000	0.54
AustraliAn Executor Trustees Limited	141,933	0.51
Total	8,957,104	35.68

Shareholder Information

AS AT 9 OCTOBER 2008

e) The names of substantial shareholders are:

Shareholder	Number	Percentage
Trojan Equity Limited	1,976,872	7.06
Cooltrac Pty Ltd	1,319,033	4.71
Cogent Nominees Pty Limited	1,036,690	3.70

3. STOCK EXCHANGE LISTING

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

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

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

6. OPTIONS

610,000 options are held by 3 individual option holders. Options do not carry a right to vote.

7. ON MARKET BUY BACK

There is no current on-market buy-back.

Corporate Directory

Registered Office

(Head Office)

150 Robinson Road
Geebung QLD 4034
Telephone: 07 3865 9865
Facsimile: 07 3865 3677
Email: corporate@cmilimited.com.au
www.cmilimited.com.au
ACN: 050 542 553

Directors

Colin Ryan AM (Chairman)

Raymond Catelan

Danny Herceg

Richard Catelan

Secretary

Sharyn Williams

Auditor

Deloitte Touche Tohmatsu

Level 26, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Bankers

National Australia Bank Limited

Level 20, 100 Creek Street
Brisbane QLD 4000

Share Registry

Link Market Services Limited

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

Lawyers

McCullough Robertson Lawyers

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

ASX Codes

CMI - Ordinary shares

CMIPC - Class A shares

