

CMI Limited

**Results For Announcement To The Market
For the Financial Year Ended 30 June 2013**

**Preliminary Final Report of CMI Limited for
the Financial Year Ended 30 June 2013**

(ABN 98 050 542 553)

*This Preliminary Final Report is provided to the Australian Stock
Exchange (ASX) under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year Ended 30 June 2013

Previous Corresponding Period: Financial Year Ended 30 June 2012

CMI Limited

Results For Announcement To The Market For the Financial Year Ended 30 June 2013

Revenue and Net Profit/(Loss)

		Percentage Change %	Amount \$'000
Revenue from continuing operations	Down	3%	to 111,755
Net profit before tax attributable to members from continuing operations	Up	13%	to 13,108
Net profit after tax attributable to members from continuing operations	Up	84%	to 9,812

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend – Ordinary	6¢	6¢
- Payable 4 October 2013		
Interim dividend - Ordinary	-¢	-¢

The dividend will be 100% franked.

Record date for determining entitlements to the dividend:

- Final dividend - Ordinary

3 September 2013

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

The directors of CMI Limited announce today revenue of \$111,755 thousand, a decrease of 3% on prior year, and a profit after tax of \$9,812 thousand.

A summary of all segment results can be found in Note 10 Segment reporting.

The Directors have resolved to pay a final dividend to Ordinary shareholders of \$0.06 per share.

Net Tangible Assets Per Ordinary Security

	2013	2012
Net tangible assets per ordinary security	\$1.36	\$1.06

CMI Limited

Consolidated Statement of Comprehensive Income For the Financial Year Ended 30 June 2013

Continuing Operations	Note	2013 \$'000	2012 \$'000
Revenue	2(a)	111,755	114,897
Other income		206	580
Changes in inventories		1,795	2,660
Raw materials expense		(66,799)	(66,029)
Sub-contractors expense		(1,131)	(795)
Employee benefits expense		(16,805)	(13,726)
Repairs, maintenance and consumables expense		(1,068)	(904)
ASX and share register expense		(89)	(125)
Occupancy expense		(4,194)	(4,202)
Travel and communication expense		(1,988)	(1,924)
Freight and cartage expense		(3,850)	(4,599)
Depreciation and amortisation expense		(1,691)	(1,433)
Borrowing costs		(369)	(183)
Impairment expense		-	(9,270)
Other expenses from ordinary activities		(2,664)	(3,376)
Profit/(Loss) from continuing operations before income tax expense	2	13,108	11,571
Income tax	11	(3,296)	(6,246)
Profit/(Loss) from continuing operations after income tax expense		9,812	5,325
Profit/(Loss) for the year		9,812	5,325
Other comprehensive income			
Foreign currency translation		249	76
Other comprehensive income for the year, net of tax		249	76
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,061	5,401
Profit/(Loss) for the year is attributable to the owners of the parent		9,812	5,325
Total comprehensive income for the year is attributable to the owners of the parent		10,061	5,401
<i>Earnings Per Share from continuing operations:</i>			
Basic (cents per share)	7	29.05	15.78
Diluted (cents per share)	7	28.67	15.71

Notes to the financial statements are included on pages 7 to

CMI Limited

Consolidated Statement of Financial Position As At 30 June 2013

	Note	2013 \$'000	2012 \$'000
Current Assets			
Cash and cash equivalents	5	6,600	5,622
Trade and other receivables		19,536	20,847
Inventories		29,430	27,635
Current tax assets		669	-
Total Current Assets		56,235	54,104
Non-Current Assets			
Property, plant and equipment		5,351	5,282
Other financial assets	13	-	-
Goodwill		6,850	6,850
Other intangible assets		3,387	2,756
Deferred tax assets		153	543
Total Non-Current Assets		15,741	15,431
Total Assets		71,976	69,535
Current Liabilities			
Trade and other payables		13,584	11,363
Borrowings		55	7,664
Current tax payables		-	3,609
Provisions		1,453	1,362
Total Current Liabilities		15,092	23,998
Non-Current Liabilities			
Borrowings		118	173
Provisions		128	124
Total Non-Current Liabilities		246	297
Total Liabilities		15,338	24,295
Net Assets		56,638	45,240
Equity			
Issued capital	12	37,680	37,227
Reserves		7,715	6,832
Accumulated profits / (losses)		11,243	1,181
Total Equity		56,638	45,240

Notes to the financial statements are included on pages 7 to 2223

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2013

	Issued Capital	Reserves	Retained Earnings/ Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000
At 1 July 2011	70,103	76	(4,144)	66,035
Profit/(Loss) for the period	-	-	5,325	5,325
Net foreign exchange differences	-	76	-	76
Total comprehensive income for the year	-	76	5,325	5,401
Transactions with owners in their capacity as owners				
Class A share cancellation	(26,844)	-	-	(26,844)
Class A share balance moved to reserve	(6,032)	6,032	-	-
Equity adjustment on loan repayments	-	648	-	648
At 1 July 2012	37,227	6,832	1,181	45,240
Profit/(Loss) for the period	-	-	9,812	9,812
Net foreign exchange differences	-	249	-	249
Total comprehensive income for the year	-	249	9,812	10,061
Transactions with owners in their capacity as owners				
Class A share cancellation	-	(2)	-	(2)
Exercise of options	453	(93)	-	360
Exercise of options tax benefit	-	28	-	28
Exercise of options - Cashing out options	-	(279)	-	(279)
Exercise of options tax benefit	-	83	-	83
Share-based payments	-	772	-	772
Equity adjustment on loan repayments	-	125	-	125
At 30 June 2013	37,680	7,715	10,993	56,388

Notes to the financial statements are included on pages 7 to 23

CMI Limited

Consolidated Cash Flow Statement For the Financial Year Ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash Flows From Operating Activities			
Receipts from customers		128,556	122,377
Payments to suppliers and employees		(110,384)	(105,480)
Interest and other costs of finance paid		(352)	(157)
Income tax paid		(7,082)	(7,179)
Net cash provided by/(used in) operating activities	5(d)	10,738	9,561
Cash Flows From Investing Activities			
Interest received		59	1,069
Payment for property, plant and equipment		(989)	(1,258)
Proceeds from sale of property, plant and equipment		6	56
Payment for other intangible assets		(1,526)	(1,140)
Net cash provided by/(used in) investing activities		(2,450)	(1,273)
Cash Flows From Financing Activities			
Payment of finance liabilities		(181)	(311)
Proceeds from share loan repayment		125	648
Proceeds from share issue		360	-
Proceeds from borrowings		-	7,740
Repayment of borrowings		(7,500)	-
Payment for share buyback		(2)	(26,844)
Net cash provided by/(used in) financing activities		(7,198)	(18,767)
Net Increase/(Decrease) In Cash and Cash Equivalents		1,090	(10,479)
Cash and Cash Equivalents At The Beginning Of The Financial Year		5,622	16,099
Effects of exchange rate changes on the balance of cash held in foreign currencies		(112)	2
Cash and Cash Equivalents At The End Of The Financial Year	5(a)	6,600	5,622

Notes to the financial statements are included on pages 7 to 23

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

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**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This condensed financial report has been prepared in order to comply with ASX listing rules.

This report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2012, the interim financial report for the half-year ended 31 December 2012 and considered together with any public announcements made by CMI Limited during the year ended 30 June 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Prior period comparatives have been adjusted where required to meet current year presentation format.

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

	2013	2012
	\$'000	\$'000

2. Profit From Continuing Operations

Profit from continuing operations before income tax includes the following items of revenue and expense:

(a) Revenue and Other Income – continuing operations

Continuing operations

Sales of goods	111,696	113,158
Interest – other persons	59	1,739
	111,755	114,897
Other Items	206	580
	206	580

(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:

Gain/(loss) on disposal of property, plant and equipment	(220)	1
Net foreign exchange gains/(losses)	(53)	72
	(273)	73

Profit before income tax from continuing operations has been arrived at after charging the following expenses:

Cost of sales	68,778	68,039
Net bad and doubtful debts	268	45
Depreciation and amortisation of:		
Property, plant and equipment	775	700
Leased assets	11	52
Brand names	-	-
Other intangibles	905	681
	1,691	1,433
Impairment Expense:		
Loan receivable	-	8,500
Interest Receivable	-	770
	-	9,270

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

3. Subsequent Events

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

4. Commentary

Continuing operations comprise the Electrical Division and TJM Products Division.

The Electrical Division produced a pre-tax profit of \$18.5m, a decrease of \$3.0m on the 2012 year. Revenue decreased to \$70.8m, 4% (or \$3.0m) down on prior year.

Revenue from the building and construction product range for the year is higher than the prior year. Revenue from the mining product range decreased on prior year. The decreased sales of higher margin mining products and the increased sales of lower margin building and construction products has resulted in lower overall margin and lower Electrical Division earnings.

Lower coal prices continued and this resulted in further rationalisation of the Coal Mining industry. Continued deferral and cancellation of capital expenditure was more evident in the second half. Mines continued to reduce operational costs, which consequently impacted the Electrical Division revenue from the sale of its products into the underground coal mining sector.

The TJM Products Division produced a pre-tax loss of \$2.3m, a decrease of \$3.3m on the 2012 year. Revenue (excluding intercompany sales) increased to \$40.9m, 4% (or \$1.5m) up on last year.

Revenue from the TJM domestic stores network, excluding Original Equipment (OE) domestic sales, is up by 10% on the prior year. Revenue from OE is up by 21%. This is due to an increased demand from the major OE customer and was coupled with a domestic price review.

Export revenues are down by 15%. This is due to a number of export markets being adversely affected by the strong AUD and poor economic factors during this financial year.

Earnings were impacted by one off restructuring costs of \$0.7 million related to new market establishment, staff restructuring costs, internet website development and supply chain development and by losses in the USA operation of \$0.3 million, an improvement on prior year of 22%.

TJM Products Division has undergone a year of transformation in order to realign itself with its existing customer base and new markets. This period has encompassed a thorough review of resources to meet current and anticipated growth. Initiatives have included further investment in off-shore production facilities to ensure the products offered by TJM are world class.

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

	2013 \$'000	2012 \$'000
5. Notes to the Cash Flow Statement		
<i>(a) Reconciliation of Cash</i>		
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 financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents		
Cheque Accounts	6,600	5,622
Term Deposit	-	-
	<u>6,600</u>	<u>5,622</u>
Bank overdraft	-	-
	<u>6,600</u>	<u>5,622</u>
<i>(b) Non-Cash Financing and Investing Activities</i>		
During the financial year, the consolidated entity acquired plant and equipment with an aggregate fair value of \$nil thousand (2012: \$240 thousand) by means of finance leases. These acquisitions are not reflected in the cash flow statement.		
<i>(c) Financing Facilities</i>		
An overdraft and bill acceptance/discount facility with the National Australia Bank, reviewed annually, is secured by a fixed and floating charge over the assets and undertaking of the consolidated entity:		
Amount used	-	7,500
Amount unused	11,000	3,500
	<u>11,000</u>	<u>11,000</u>
<i>(d) Reconciliation of Profit for the Period to Net Cash Flows From Operating Activities</i>		
Profit/(loss) for the period	9,812	5,325
(Gain)/loss on sale of non-current assets	220	-
Depreciation and amortisation of non-current assets	1,691	1,433
Interest income received and receivable	(59)	(1,739)
Finance lease interest	17	24
Equity settled share-based payment	772	-
Unrealised Foreign Exchange (Gain)/Loss	-	1
Impairment of non-current assets	-	9,270
Increase/(decrease) in current tax liability	(4,047)	(846)
Increase/(decrease) in deferred tax	159	(88)
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Current receivables	1,254	(2,856)
Current inventories	(1,519)	(2,541)
Increase/(decrease) in liabilities:		
Current payables	2,242	1,467
Current provisions	198	91
Non-current provisions	(2)	20
Net cash from operating activities	<u>10,738</u>	<u>9,561</u>

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

6. Details Relating to Dividends (Distributions)

		Amount per security ¢	Franked Amount per security ¢	Amount per security of foreign sourced dividend ¢
Final dividend – Ordinary	2013	6.00	6.00	N/A
Interim dividend – Ordinary	2013	-	-	N/A
Interim dividend – Ordinary	2012	-	-	N/A
Final dividend – Ordinary	2012	-	-	N/A

Total dividend (distribution) per security (interim plus final)

	2013 ¢	2012 ¢
Ordinary securities (each class separately)	6.00	-

Interim and final dividend (distribution) on all securities

	2013 \$'000	2012 \$'000
Ordinary securities (each class separately)	2,043	-
Total	2,043	-

Any other disclosures in relation to dividends (distributions).

The Directors have proposed to pay a final dividend of \$0.06 per share in respect of Ordinary shares for the year ended 30 June 2013. Dividend is payable on 4 October 2013 to shareholders registered on the Record Date of 3 September 2013.

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

6. Details Relating to Dividends (Distributions) (continued)

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

Not applicable

The last date(s) for receipt of election notices for the dividend or distribution plans

Not applicable

7. Earnings Per Share – continuing operations

	2013 ¢ per share	2012 ¢ per share
Basic EPS	29.05	15.78
Diluted EPS	28.67	15.71

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:

	2013 \$'000	2012 \$'000
Earnings (a)	9,812	5,325

	2013 No. '000	2012 No. '000
Weighted average number of ordinary shares	33,774	33,753

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

	2013 \$'000	2012 \$'000
Net profit/(loss)	9,812	5,325
Earnings used in the calculation of basic EPS	9,812	5,325

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

7. Earnings Per Share – continuing operations (continued)

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:

	2013 \$'000	2012 \$'000
Earnings (a)	9,812	5,325
	2013 No. '000	2012 No. '000
Weighted average number of ordinary shares and potential ordinary shares (b), (c)	34,220	33,987

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

	2013 \$'000	2012 \$'000
Net profit/(loss)	9,812	5,325
Earnings used in the calculation of diluted EPS	9,812	5,325

- (b) 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:

	2013 No. '000	2012 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	33,774	33,753
Shares deemed to be issued for no consideration in respect of:		
Performance rights	446	144
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	34,220	33,897

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

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

8. Business Combination

Control gained over entities

Year	Name of entity (or group of entities)	Date control gained	% Acquired
2013	Nil	Nil	Nil
2012	Nil	Nil	Nil

9. Contingent Liabilities and Contingent Assets

	2013 \$'000	2012 \$'000
Contingent liabilities		
Guarantees issued to bank in respect of lease of premises and supply contract performance	1,164	485
Letters of credit in respect of overseas purchases	753	1,101
	<u>1,917</u>	<u>1,586</u>

Guarantees over CMI Industrial Premises Leases

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

Contingent assets

Option to Purchase

The sale of the Engineering business to CMI Industrial Pty Ltd included a vendor loan provided by CMI Limited to CMI Industrial Pty Ltd (refer Note 13) and an option granted to CMI Limited to purchase a portion of the entity that acquired the Engineering business should certain trigger events such as failure to repay the vendor loan, failure to transfer certain leases or failure to settle creditors occur. As noted in Note 13, entities associated with this option have entered liquidation. Exercise of the option by CMI Limited would require the surrender of the vendor loan and approval of the liquidator.

The Directors have assessed the fair value of this option as \$nil at 30 June 2012 and 30 June 2013 and do not expect to exercise this option at any point unless circumstances change.

CMI Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

10. Operating Segments

BUSINESS	CONTINUING OPERATIONS										Consolidated	
	TJM Products – Australia & USA		TJM Products – China		TJM Products – Total		Electrical Components					
	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000		
REVENUE												
External sales – Domestic	29,959	27,174	-	-	29,959	27,174	70,774	73,759	100,733	100,933		
External sales – Export	10,664	11,320	319	997	10,983	12,317	-	-	10,983	12,317		
Intersegment sales (i)	-	-	2,777	3,042	-	-	-	-	-	-		
Total Segment Revenue	40,623	38,494	3,096	4,039	40,942	39,491	70,774	73,759	111,716	113,250		
Interest income									39	1,647		
Total revenue per the statement of comprehensive income									111,755	114,897		
RESULT												
Segment result	(2,205)	976	(46)	44	(2,251)	1,020	18,517	21,540	16,266	22,560		
Reconciliation of segment net profit before tax to net profit/(loss) after tax per the statement of comprehensive income												
Interest income									39	1,647		
Employee benefits									(1,964)	(941)		
ASX and share register expense									(89)	(125)		
Borrowing costs									(352)	(159)		
Impairment expense									-	(9,270)		
Other expenses from ordinary activities									(792)	(2,141)		
Income tax expense									(3,296)	(6,246)		
Profit after tax per the statement of comprehensive income									9,812	5,325		

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

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

CMI LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

10. Operating Segments (continued)

BUSINESS	TJM Products – Australia & USA		TJM Products – China		TJM Products – Total		Electrical Components		Consolidated	
	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000
SEGMENT ASSETS										
Segment assets	26,131	26,948	2,789	1,349	28,920	28,297	38,141	37,823	67,061	66,120
Reconciliation of segment assets to the statement of financial position										
Cash and cash equivalents									3,903	2,881
Future income tax benefits									535	418
Property, plant & equipment									6	7
Other assets									33	109
Current tax assets									438	-
Total assets from continuing operations per the statement of financial position									71,976	69,535

CMI LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

10. Operating Segments (continued)

BUSINESS	TJM Products – Australia & USA		TJM Products – China		TJM Products – Total		Electrical Components		Consolidated	
	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SEGMENT LIABILITIES										
Segment liabilities	5,626	6,416	1,265	446	6,641	6,862	7,720	6,026	14,611	12,888
Reconciliation of segment assets to the statement of financial position										
Tax Payables									-	3,507
Borrowings									-	7,500
Other Liabilities									977	400
Total liabilities from continuing operations per the statement of financial position									15,588	24,295

BUSINESS	TJM Products – Australia & USA		TJM Products – China		TJM Products – Total		Electrical Components		Reconciliation to statement of cashflows		Consolidated	
	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CASHFLOW INFORMATION												
Net cash flow from operating activities	(552)	(2,343)	212	(46)	(340)	(2,389)	20,082	22,092	(9,004)	(10,142)	10,738	9,561
Net cash flow from investing activities	(1,521)	(1,843)	(608)	(59)	(2,129)	(1,902)	(358)	(341)	37	970	(2,450)	(1,273)
Net cash flow from financing activities	(835)	82	675	-	(160)	82	(21)	(100)	(7,017)	(18,749)	(7,198)	(18,767)

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

10. Operating Segments (continued)

Products and Services within each Business Segment

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

Continuing operations:

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

11. Reconciliation of Income Tax Expense

	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Profit/(Loss) Before Tax	13,108	11,571
At 30%	3,932	3,471
Prior year under/overs	(383)	(220)
Foreign exchange adjustment	(4)	1
Research & Development Incentive	(859)	(717)
Impairment	-	2,550
Other	610	1,161
Tax Expense/(Benefit)	3,296	6,246

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

12. Issued Capital

Class A Share Cancellation

On 12 June 2012, the share capital of the Company was reduced by the cancellation of all 28,005,311 Class A Shares on issue in consideration for the payment of \$0.95 for each Class A Share cancelled.

Ordinary Share Issue

The Issued Capital of CMI Limited is 34,052,634 Fully Paid Ordinary Shares at 30 June 2013 (2012: 33,752,634).

During the year, the issued share capital was increased by \$453,000 by the issue of 300,000 ordinary shares of \$1.51 each. This issue related to the exercise of options by Director Danny Herceg at \$1.20 and the shares were issued at market value via the Employee Share Trust.

13. Other Financial Assets

	2013	2012
	\$'000	\$'000
Other Receivables		
Loan receivable	17,000	17,000
Provision for Impairment	(17,000)	(17,000)
	<u>-</u>	<u>-</u>

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

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

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

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

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

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

Administrators and Receivers were appointed to CMI Industrial Pty Ltd on 26 April 2012. An amount of \$186 thousand was received during the year from the administrator. This amount is a provisional payment only and

**Notes to the Financial Statements
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subject to variation. As a result of this, the amount has not yet been recognised as income. The amount is recorded as a current liability at 30 June 2013.

At 30 June 2013, principal and interest arrears, including default interest and charges, and earlier adjustments due under the original sale agreements total \$21.4 million.

In forming the accounts at 30 June 2013, and subsequent to this date, the Board's assessment of the loan's recoverable value has not changed with respect to this loan. The loan is carried at a nil value and classified as a non-current asset as the Board does not expect the loan to be repaid in the following 12 month period.

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2013**

14. Share-based Payment

Issued During the Period

In December 2012, 500,000 performance share rights were granted to the Executive Chairman and Managing Director under the Company's Performance Rights Plan (PRP). The exercise price of the rights is nil.

The rights parcels A (150,000 rights) and B (350,000 rights) vest if the Total Shareholder Return (TSR), based on the Group's 60-day volume weighted average price share price, increases by 15% within 12 months and 25% within 24 months, respectively, from the date of grant. If the 15% increase required for Parcel A is not met within 12 months, these shares form part of Parcel B, with the opportunity for them to vest if the share price increases by 25%. If this increase is not met within 24 months, both Parcel A and B rights lapse. The 500,000 performance share rights issued to the Executive Chairman vested in February 2013 and became exercisable.

The fair value of the rights granted is estimated at the grant date, 14 December 2012, using a Monte Carlo simulation pricing model, taking into account the terms and conditions upon which the rights were granted. The contractual life of each right granted is five years. There is no cash settlement of the rights.

The fair value of rights granted during the six months ended 31 December 2012 was estimated on the date of shareholder approval using the following assumptions:

Volatility of share price (%)	50.0%
Risk-free interest rate (%)	2.61%
Dividend yield (%)	0.0%
60 day volume weighted average share price (\$)	\$1.92

On the basis of the assessment for the 12 months ended 30 June 2013, the fair value per right is \$1.36 for Parcel A and \$1.29 for Parcel B. The Group has recognised \$655,500 of share-based payment transactions expense in the statement of comprehensive income (2012: \$nil).

Since 31 December 2012, 450,000 performance rights were granted to executives and are detailed below. The rights vest if the performance hurdles are met at 30 June 2016 and the senior executive is still employed on such date. Performance hurdles include, depending on position, increase in total shareholder return, revenue increases, profit maintenance and continuing employment conditions. If the performance hurdles are not met at 30 June 2016, the rights lapse.

In January 2013, 200,000 performance share rights were granted to the Chief Financial Officer (CFO)/Company secretary under the Company's Performance Rights Plan (PRP). The exercise price of the rights is nil. The fair value of the rights granted is estimated at the grant date, 23 January 2013, using a Monte Carlo simulation pricing model, taking into account the terms and conditions upon which the rights were granted. The contractual life of each right granted is five years.

There is no cash settlement of the rights. On the basis of the assessment for the 12 months ended 30 June 2013, the fair value per right is \$1.44 and the Group has recognised \$35,122 of share-based payment transactions expense in the statement of comprehensive income (2012: \$nil).

In February 2013, 250,000 performance share rights were granted to the General Manager – TJM Products under the Company's Performance Rights Plan (PRP). The exercise price of the rights is nil. The fair value of the rights granted is estimated at the grant date, 25 February 2013, using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the rights were granted. The contractual life of each right granted is five years. There is no cash settlement of the rights. On the basis of the assessment for the 12 months ended 30 June 2013, the fair value per right is \$2.68 and the Group has recognised \$81,707 of share-based payment transactions expense in the statement of comprehensive income (2012: \$nil).

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

At 22 August 2013, an invitation for 350,000 performance share rights remains extended to the General Manager – Electrical under the Company’s Performance Rights Plan (PRP). The exercise price of the rights is nil.

On the basis of the assessments for the 12 months ended 30 June 2013, the Group has recognised a total share-based payment transactions expense of \$772,329 in the statement of comprehensive income (2012: \$nil).

Existing at Beginning of Period

At 30 June 2012, 600,000 options, exercisable at \$1.20 per option, were outstanding. These options were exercised in April 2013. As a result, 300,000 ordinary shares were issued to Danny Herceg and \$279,000 was paid to Colin Ryan to cash-out 300,000 options. This payment was not paid prior to 30 June 2013 and was based on a 5-day VWAP of \$2.13 less the exercise price of \$1.20. The tax-effected amount of \$195,300 has been recognised in the Employee Equity-settled Benefits Reserve in the Statement of Changes in equity.

Total Options and Performance Share Rights

At 30 June 2013, 950,000 performance share rights over ordinary shares were outstanding, excluding those offered to the General Manager – Electrical.

15. Other Significant Information

Not Applicable

16. Information on Audit or Review

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

- | | |
|--|--|
| ☐ The accounts have been audited. | ☐ The accounts have been subject to review. |
| ☒ The accounts are in the process of being audited or subject to review. | ☐ The accounts have not yet been audited or reviewed. |

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

Not Applicable

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

Not Applicable
