

Appendix 4D for the Half Year Ended 31 December 2014

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

This Half-Year Report is to be read in conjunction with the 2014 Annual Financial Report.

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

		Percentage Change %	Amount \$'000
Revenue	down	21%	to 39,071
Net profit before tax attributable to members from continuing operations	down	15%	to 2,801
Net profit/(loss) after tax attributable to members of the parent entity	down	23%	to 1,867

Dividends (Distributions)

	Amount per security	Franked amount per security
Interim dividend – Ordinary	3.00 ¢	3.00 ¢
- Payable 23 March 2015		

The dividend will be 100% franked.

Record date for determining entitlements to the dividend:

- interim dividend - Ordinary 9 March 2015

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

The Directors of CMI Limited announced today a net profit of \$1.9 million after tax for the half year to 31 December 2014 which was 23% down on the previous corresponding period but 65% up on the second half of FY14. A summary of segment results can be found under Note 9 Segment Reporting of the Half Yearly Report for 31 December 2014.

The Electrical Division produced a pre-tax profit of \$4.2m, a decrease of \$2.3m on the December 2013 half-year. Revenue decreased by 19% (or \$5.2m) to \$21.9m compared to the previous corresponding period, but is only 7% down compared to the second half FY14.

CMI Electrical's performance continues to be heavily influenced by soft demand in the resources sector and relatively weak conditions in the major project markets. The timing of renewed growth in the civil infrastructure sector and the expected recovery in the mining industry are some of the key elements required for growth in demand for Electrical revenues going forward. Some new products will be brought to the market in the second half which should also aid future growth.

The TJM Products Division, comprising the Australian, Chinese and USA operations, produced a pre-tax loss of \$0.3m, which was a significant improvement in earnings of \$1.7m compared to the December 2013 half-year. Revenue decreased to \$17.1m, 23% (or \$5.2m) down on previous correspondence period, largely due to the reduction in low margin original equipment (OE) sales.

TJM division earnings have improved through a combination of improved margins and overhead reductions leading to a positive EBITDA result for the half year. Revenue from the TJM domestic stores network, excluding OE

domestic sales, is up by 11% on the previous corresponding period. This is a result of the continued focus on improved time to market on new product development, a more diversified product offering and effective marketing programs. OE revenues are down by 80% but the remaining OE sales are at greatly improved margins. Going forward OE contract sales will only be tendered if improved margins can be achieved. Export revenues are lower by 32% on the previous corresponding period due to continuing weakness in some markets and the timing of appointment of new distributors in USA and South Africa.

In relation to the potential divestment of TJM, negotiations have progressed to the point where CMI has entered into exclusive discussions with one party. CMI remains confident that it should be in a position to close a transaction in the March quarter of FY15, but only if the value generated by the sale is at or above book value for the business.

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

The Directors propose to pay a fully franked interim dividend of \$0.03 per share in respect of Ordinary shares for the half year ended 31 December 2014. The dividend is payable on 23 March 2015 to shareholders registered on the Record Date of 9 March 2015.

Net Tangible Assets Per Ordinary Security

	31/12/14 \$	31/12/13 \$
Net tangible assets per ordinary security	\$1.35	\$1.32

Other Significant Information

Not Applicable

Information on Audit or Review

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

- | | | |
|---|-------------------------------------|---|
| ☐ 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

**Results for Announcement to the Market
For the Half Year Ended 31 December 2014**

Half Yearly Report of CMI Limited for the Half Year Ended 31 December 2014

(ABN 98 050 542 553)

Current Reporting Period: Half Year ending 31 December 2014

Previous Corresponding Period: Half Year ending 31 December 2013

CMI Limited

Consolidated Statement of Comprehensive Income For the Half Year Ended 31 December 2014

	Note	31/12/14 \$'000	31/12/13 \$'000
Continuing operations			
Revenue	2(a)	39,071	49,473
Other income	2(b)	263	277
Changes in inventories		1,196	(2,046)
Raw materials expense		(24,084)	(27,515)
Sub-contractors expense		(135)	(521)
Employee benefits expense		(6,611)	(7,233)
Repairs, maintenance and consumables expense		(462)	(873)
Occupancy expense		(2,016)	(2,224)
Travel and communication expense		(435)	(973)
Freight and cartage expense		(1,519)	(2,216)
Depreciation and amortisation expense	2(c)	(962)	(895)
Finance costs		(54)	(85)
Other expenses		(1,451)	(1,882)
Profit from continuing operations before income tax expense		2,801	3,287
Income tax	5	(934)	(872)
Profit/(loss) for the period from continuing operations after income tax expense		1,867	2,415
Profit/(loss) for the period		1,867	2,415
Other comprehensive income/(loss) – Items That May be Reclassified Subsequently to Profit or Loss			
Foreign currency translation		325	190
Net gain/(loss) on cash flow hedges		140	-
Other comprehensive income/(loss) for the period, net of tax		465	190
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		2,332	2,605
Profit/(loss) for the period is attributable to the owners of the parent		1,867	2,415
Total comprehensive income/(loss) for the period is attributable to the owners of the parent		2,332	2,605
<i>Earnings/(loss) Per Share:</i>			
From continuing operations:			
Basic (cents per share)	7	5.40	7.00
Diluted (cents per share)	7	5.33	6.91

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

**Consolidated Statement of Financial Position
As at 31 December 2014**

	Note	31/12/14 \$'000	30/6/14 \$'000
Current Assets			
Cash and cash equivalents		6,760	6,681
Trade and other receivables		15,766	17,284
Inventories		27,210	26,014
Other financial assets		140	-
Current Tax Assets		1,811	1,680
Total Current Assets		51,687	51,659
Non-Current Assets			
Property, plant and equipment		5,032	5,157
Goodwill		7,192	7,192
Other intangible assets		4,473	4,349
Deferred tax assets		-	74
Total Non-Current Assets		16,697	16,772
Total Assets		68,384	68,431
Current Liabilities			
Trade and other payables		8,030	9,801
Borrowings		89	118
Other financial liabilities	12	-	13
Provisions		1,499	1,425
Total Current Liabilities		9,618	11,357
Non-Current Liabilities			
Provisions		169	189
Deferred tax liabilities		289	-
Total Non-Current Liabilities		458	189
Total Liabilities		10,076	11,546
Net Assets		58,308	56,885
Equity			
Issued Capital		38,555	38,555
Reserves		7,493	6,900
Retained Profits		12,260	11,430
Total Equity		58,308	56,885

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

CMI Limited

Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2014

	Issued Capital	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Class A Shares Reserve	Cash flow Hedge Reserve	Retained Profits / (Losses)	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	38,555	215	(117)	6,802	-	11,430	56,885
Profit for the period	-	-	-	-	-	1,867	1,867
Currency forward contracts	-	-	-	-	140	-	140
Net foreign exchange differences	-	325	-	-	-	-	325
Total comprehensive income for the half-year	-	325	-	-	140	1,867	2,332
Transactions with owners in their capacity as owners:							
Cash dividends	-	-	-	-	-	(1,037)	(1,037)
Employee equity-settled benefits	-	-	128	-	-	-	128
Balance at 31 December 2014	38,555	540	11	6,802	140	12,260	58,308
At 1 July 2013	37,680	239	674	6,802	-	10,993	56,388
Profit/(Loss) for the period	-	-	-	-	-	2,415	2,415
Net foreign exchange differences	-	190	-	-	-	-	190
Total comprehensive income/(loss) for the half-year	-	190	-	-	-	2,415	2,605
Transactions with owners in their capacity as owners:							
Cash dividends	-	-	-	-	-	(2,073)	(2,073)
Employee equity-settled benefits	-	-	140	-	-	-	140
Exercise of performance rights	875	-	(875)	-	-	-	-
Balance at 31 December 2013	38,555	429	(61)	6,802	-	11,335	57,060

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

Consolidated Statement of Cash Flows For the Half Year Ended 31 December 2014

	Note	31/12/14 \$'000	31/12/13 \$'000
Cash Flows From Operating Activities			
Receipts from customers (inclusive of GST)		47,696	59,439
Payments to suppliers and employees (inclusive of GST)		(45,185)	(56,330)
Interest and other costs of finance paid		(50)	(79)
Income tax (paid)/refunded		(602)	(2,837)
Net cash provided by operating activities	4(d)	1,859	193
Cash Flows From Investing Activities			
Interest received		68	41
Payment for property, plant and equipment		(212)	(379)
Acquisition of business		-	(573)
Proceeds from sale of property, plant and equipment		39	77
Payment for deferred expenditure		(656)	(1,262)
Net cash (used in) investing activities		(761)	(2,096)
Cash Flows From Financing Activities			
Proceeds from borrowings		-	-
Proceeds from share issue		-	-
Payment for share buyback		-	-
Repayment of borrowings		(33)	(33)
Dividends paid		(1,037)	(2,073)
Net cash provided by/(used in) financing activities		(1,070)	(2,106)
Net Increase/(Decrease) In Cash and Cash Equivalents		28	(4,009)
Cash and Cash Equivalents At The Beginning Of The Financial Period		6,681	6,600
Net foreign exchange differences		51	93
Cash and Cash Equivalents At The End Of The Financial Period	4(a)	6,760	2,684

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

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

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**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

1. Summary of Accounting Policies

Basis of Preparation

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

The half year financial report does not include notes of the type normally included in an annual financial report and it is recommended that the half-year report be read in conjunction with the 2014 annual financial report and considered together with any public announcements made by CMI Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

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

This half-year consolidated financial report has been prepared by adopting accounting policies that are consistent with those accounting policies adopted in the annual financial statements for the year ended 30 June 2014.

New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2014 have been adopted. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

The new standards adopted include:

- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle
- AASB 2014-1 Amendments to Australian Accounting Standards – Defined Benefit Plans: Employee Contributions
- AASB 2014-2 Amendments to AASB 1053
- AASB 2013-9 Part B Amendments to Australian Accounting Standards – Financial Instrument

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not yet been applied in the financial report. The impact of these new or amended Standards and Interpretations are still being assessed in terms of any material financial effect on the financial statements presented.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

	31/12/14 \$'000	31/12/13 \$'000
2. Profit From Operations – continuing operations		
Profit from continuing operations before income tax includes the following items of revenue and expense:		
(a) Revenue		
Sales of goods	39,003	49,432
Interest – other persons	68	41
	<u>39,071</u>	<u>49,473</u>
(b) Other income		
Research and development government grant	100	133
Other items	163	144
	<u>263</u>	<u>277</u>
(c) Expenses		
Depreciation and amortisation of:		
Property, plant and equipment	(420)	(413)
Leased assets	(6)	(5)
Brandnames	-	-
Other intangibles	(536)	(477)
	<u>(962)</u>	<u>(895)</u>

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

3. Subsequent Events

In respect of the financial period ended 31 December 2014, the directors recommend the payment of a fully franked interim dividend to the holders of fully paid ordinary shares of \$0.03 per share. The dividend is payable on 23 March 2015 to shareholders registered on the Record Date of 9 March 2015.

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

31/12/14	31/12/13
\$'000	\$'000

4. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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

Cheque Accounts	4,743	2,684
Term Deposit	2,017	-
	6,760	2,684
Bank Overdraft	-	-
	6,760	2,684

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

	31/12/14 \$'000	31/12/13 \$'000
4. Notes to the Statement of Cash Flows (continued)		
<i>(b) Non-Cash Financing and Investing Activities</i>		
During the financial period, the economic entity acquired plant and equipment with an aggregate fair value of \$nil (2013: \$nil) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.		
<i>(c) Financing Facilities</i>		
The Group has a bank overdraft (2013: multi option bill acceptance/discount) facility with the National Australia Bank, which is reviewed annually:		
Amount used	-	-
Amount unused	2,500	11,000
	<u>2,500</u>	<u>11,000</u>
The Group has a finance lease facility with the National Australia Bank, which is reviewed annually:		
Amount used	89	146
Amount unused	1,911	1,854
	<u>2,000</u>	<u>2,000</u>
<i>(d) Reconciliation of Profit/(Loss) for the Period to Net Cash Flows From Operating Activities</i>		
Profit/(loss) for the period	1,867	2,415
(Gain)/loss on disposal of non-current assets	7	(53)
Depreciation and amortisation of non-current assets	962	895
Interest income classified as investing cash flow	(68)	(41)
Finance lease interest	4	6
Equity settled share-based payment	128	140
Unrealised Foreign Exchange (Gain)/Loss	(13)	7
(Increase)/ decrease in current tax balances	(131)	(2,276)
(Increase)/ decrease in deferred tax balances	364	179
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Current receivables	1,518	1,977
Current inventories	(1,196)	2,020
Increase/(decrease) in liabilities:		
Current payables	(1,637)	(5,049)
Current provisions	74	(59)
Non-current provisions	(20)	32
Net cash from operating activities	<u>1,859</u>	<u>193</u>

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

5. Income Taxes

	31/12/14 \$'000	31/12/13 \$'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
The prima facie income tax on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Total profit/(loss) before income tax	2,801	3,287
Income tax calculated at 30%	840	986
Add/(Deduct)		
Other items	(47)	(114)
(Over)/Under provision of income tax in previous year-continuing operations	141	-
Aggregate income tax expense	934	872

6. Details Relating to Dividends (Distributions)

		Amount per security ¢	Franked Amount per security ¢
Interim dividend – Ordinary	2015	3.00	3.00
Final dividend – Ordinary	2014	3.00	3.00
Interim dividend – Ordinary	2014	3.00	3.00

Interim dividend (distribution) on all securities

	31/12/14 \$'000	31/12/13 \$'000
Ordinary securities	1,037	1,037
Total	1,037	1,037

Any other disclosures in relation to dividends (distributions):

The Directors propose to pay an interim dividend of \$0.03 per share in respect of Ordinary shares for the half year ended 31 December 2014. Dividend is payable on 23 March 2015 to shareholders registered on the Record Date of 9 March 2015.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

7. Earnings Per Share

	31/12/14 ¢ per share	31/12/13 ¢ per share
Basic earnings per share	5.40	7.00
Diluted earnings per share	5.33	6.91

Basic Earnings per Share

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

	31/12/14 \$'000	31/12/13 \$'000
Net profit/(loss)	1,867	2,415
Earnings used in the calculation of basic EPS	1,867	2,415

	31/12/14 No. '000	31/12/13 No. '000
Weighted average number of ordinary shares (a)	34,553	34,470

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

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

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

Diluted Earnings/(Loss) per Share

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

	31/12/14 \$'000	31/12/13 \$'000
Net profit/(loss)	1,867	2,415
Earnings used in the calculation of diluted EPS	1,867	2,415
	31/12/14 No. '000	31/12/13 No. '000
Weighted average number of ordinary shares and potential ordinary shares (a)	35,045	34,920

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

	31/12/14 No. '000	31/12/13 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	34,553	34,470
Share options and performance share rights (i)	492	450
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	35,045	34,920

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

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

8. Contingent Liabilities, Contingent Assets and Commitments

	31/12/14 \$'000	30/06/14 \$'000
<i>Contingent liabilities</i>		
Guarantees issued to bank in respect of lease of premises and supply contract performance	1,455	1,080
Letters of credit in respect of overseas purchases	55	92
	<u>1,510</u>	<u>1,172</u>

Contingent assets

Option to purchase

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

The Directors have assessed the fair value of this option as \$nil at 31 December 2013 and 31 December 2014 and do not expect to exercise this option at any point unless circumstances change.

Notes to the Financial Statements
For the Half Year Ended 31 December 2014

9. Operating Segments

Information on reportable operating segments from continuing operations:

BUSINESS	CONTINUING OPERATIONS					
	TJM Products		Electrical Components		Consolidated	
	31/12/14 \$'000	31/12/13 \$'000	31/12/14 \$'000	31/12/13 \$'000	31/12/14 \$'000	31/12/13 \$'000
REVENUE						
External sales – Domestic	13,451	17,011	21,948	27,142	35,399	44,153
External sales – Export	3,618	5,288	-	-	3,618	5,288
Intersegment sales (i)	-	-	-	-	-	-
Total Segment Revenue	<u>17,069</u>	<u>22,299</u>	<u>21,948</u>	<u>27,142</u>	39,017	49,441
Interest income					54	32
Total revenue per the statement of comprehensive income					<u>39,071</u>	<u>49,473</u>
RESULT						
Segment result	<u>(317)</u>	<u>(1,992)</u>	<u>4,153</u>	<u>6,430</u>	3,836	4,438
Reconciliation of segment net profit before tax to net profit/(loss) after tax per the statement of comprehensive income						
Interest income					54	32
Research and development investment incentive					100	133
Employee benefits					(645)	(540)
ASX and share register expense					(71)	(71)
Borrowing costs					(50)	(79)
Other expenses from ordinary activities					(423)	(626)
Income tax expense					(934)	(872)
Profit/(loss) after tax per the statement of comprehensive income					<u>1,867</u>	<u>2,415</u>

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

Notes to the Financial Statements
For the Half Year Ended 31 December 2014

9. Operating Segments (continued)

BUSINESS	TJM Product –		Electrical		Consolidated	
	Total		Components			
	31/12/14	30/06/14	31/12/14	30/06/14	31/12/14	30/06/14
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SEGMENT ASSETS						
Segment assets	29,171	28,713	32,894	33,477	62,065	62,190
Reconciliation of segment assets to the statement of financial position						
Cash and cash equivalents					4,254	4,192
Future income tax benefits					-	295
Property, Plant & Equipment					20	22
Other assets					234	52
Current tax assets					1,811	1,680
Total assets from continuing operations per the statement of financial position					<u>68,384</u>	<u>68,431</u>

Notes to the Financial Statements
For the Half Year Ended 31 December 2014

9. Operating Segments (continued)

BUSINESS	TJM Product –		Electrical		Consolidated	
	Total		Components			
	31/12/14	30/06/14	31/12/14	30/06/14	31/12/14	30/06/14
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SEGMENT LIABILITIES						
Segment liabilities	5,933	6,406	4,122	4,797	10,055	11,203
Reconciliation of segment liabilities to the statement of financial position						
Other Liabilities					21	343
Total liabilities from continuing operations per the statement of financial position					<u>10,076</u>	<u>11,546</u>

Products and Services within each Business Segment

For the purposes of reporting to the Chief Operating Decision Maker (CODM), the consolidated entity is organised into two major operating divisions – electrical components and 4WD components Australia (TJM Products), USA (TJM Products) and China (TJM Products). 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.

Geographical Operations:

The group operates in Australia, China and the United States of America. The CODM of the group do not monitor or internally report results by geographical region. For completeness however, it is noted as follows:

- TJM Products – Australia/USA – No individually material components of this segment are outside of Australia.
- TJM Products – China – this business operates exclusively in China
- Electrical Components – This business operates exclusively in Australia

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

10. Other Non-Current Financial Assets

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

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

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

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

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

On 28 February 2012, the Board of CMI Limited determined that objective evidence of impairment in the loan balance existed, based on information provided by the borrower and other external sources, and again re-assessed the estimated future cash flows from this asset. As a result of this assessment, the loan's carrying value exceeded its recoverable value by \$8.5 million and an impairment expense and provision for this amount was recorded at 31 December 2011. A further impairment of \$0.8m had been recognised relating to the interest arrears and earlier adjustments due under the original sale agreements. No tax benefit was been 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 \$204 thousand was received as at 30 June 2014. This amount is a provisional payment and resulted in \$113 thousand being recognised as income and recorded as a reversal of impairment expense at 30 June 2014.

At 31 December 2014, principal and interest arrears, including default interest and charges, and earlier adjustments due under the original sale agreements total, \$25.5 million.

In forming the accounts at 31 December 2014 and subsequent to this date the Board's assessment of the recoverable value of the loan and guarantee has not changed with respect to this asset. The loan is carried at a nil value and is classified as a non-current asset as the Board of CMI Limited does not expect the loan to be repaid in the following 12 month period.

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

11. Share-based Payment

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 performance rights. The exercise price of the share performance rights is determined by the Board. All share performance rights carry no voting rights and do not entitle the holder to dividends.

Employee incentive scheme	2015		2014	
	Number of Rights	Weighted Average Exercise Price	Number of Rights	Weighted Average Exercise Price
Balance at beginning of period (i)	450,000	-	950,000	-
Granted during the period (ii)	966,847	-	-	-
Exercised during the period	-	-	(500,000)	-
Expired during the period	-	-	-	-
Balance at end of the period	1,416,847	-	450,000	-

At 31 December 2014, 1,416,847 performance share rights, over ordinary shares were outstanding. At the date of this report, an invitation for 45,682 performance share rights remains extended to the General Manager – Electrical under the Company's Performance Rights Plan (PRP). The exercise price of the rights is nil.

For the six months ended 31 December 2014, the Group has recognised \$128,077 of share-based payment transactions expense in the statement of comprehensive income (2013: \$140,195).

(i) Balance at beginning of the period

2015 Option/ Rights– Series	No.	Grant date	Expiry/Exercise date	Exercise Price \$
Performance Rights	200,000	23/01/13	23/01/18	Nil
Performance Rights	250,000	25/02/13	25/02/18	Nil
2014 Option – Series	No.	Grant date	Expiry/Exercise date	Exercise Price \$
Performance Rights	500,000	12/12/12	12/12/17	Nil
Performance Rights	200,000	23/01/13	23/01/18	Nil
Performance Rights	250,000	25/02/13	25/02/18	Nil

(ii) Granted during the financial year

There were 966,847 performance share rights issued during the period (2013: Nil).

2015 Option – Series	No.	Grant date	Expiry/Exercise date	Exercise Price \$
Performance Rights – FY15	300,000	16/12/14	16/12/19	Nil
Performance Rights – FY16	300,000	16/12/14	16/12/19	Nil
Performance Rights – FY17	300,000	16/12/14	16/12/19	Nil
Performance Rights – FY17	34,621	16/12/14	16/12/19	Nil
Performance Rights - FY17	32,226	16/12/14	16/12/19	Nil
2014 Option – Series	No.	Grant date	Expiry/Exercise date	Exercise Price \$
Performance Rights	-	-	-	-

**Notes to the Financial Statements
For the Half Year Ended 31 December 2014**

Inputs into the model	Performance Rights Series	Performance Rights Series	Performance Rights Series
	FY15	FY16	FY17
Grant Date	16/12/2014	16/12/2014	16/12/2014
Share Price	\$1.30	\$1.30	\$1.30
Dividend yield	4.60%	4.60%	4.60%
Value per Right	\$1.25	\$1.20	\$1.14
Rights Outstanding	300,000	300,000	366,847
Total Value of Rights	\$376,056	\$359,094	\$419,302
Time to Expiry	5 years	5 years	5 years
Vesting Conditions	The rights issued will vest if the Company achieves an EPS growth of 10 - 15% over the period from 1 July 2014 to 30 June 2015 and Mr A. Buckley remains employed with CMI until 30 June 2015.	The rights issued will vest if the Company achieves an EPS growth of 21 – 32.25% over the period from 1 July 2014 to 30 June 2016 and Mr A. Buckley remains employed with CMI until 30 June 2016.	The rights issued will vest if the Company achieves an EPS growth of 33.10 – 52.09% over the period from 1 July 2014 to 30 June 2017 and Mr A. Buckley, Mr S. O'Brien and Ms S. Williams remain employed with CMI until 30 June 2017.
Status	Unvested	Unvested	Unvested

12. Other Financial Liabilities

	31/12/14 \$'000	30/06/14 \$'000
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts	-	13
	-	13

At 30 June 2014, the company had entered into \$150,000 of US dollar forward contracts and options. The contracts had a fair value of \$13,416 (liability) at 30 June 2014. The fair value was determined using significant observable inputs (level 2) such as foreign exchange spot and forward rates. As of 1 July 2014, the company has applied hedge accounting and the effective portion of future fair value movements will be recorded in the Cash Flow Hedge Reserve

CMI LIMITED
DIRECTORS' REPORT

The Directors of CMI Limited submit herewith the financial report for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

Name

Andrew Buckley (Chairman)

Jeff Forbes (Director)

Leanne Catelan (Director)

All directors held office during the entire half-year and all have held office since the end of the half-year.

REVIEW OF OPERATIONS

Revenue for the half-year from continuing operations was \$39.1 million (2013: \$49.5 million). The Company's profit after tax from continuing operations was \$1.9 million (2013: profit \$2.4 million).

The Electrical Division produced a pre-tax profit of \$4.2m, a decrease of \$2.3m on the December 2013 half-year. Revenue decreased by 19% (or \$5.2m) to \$21.9m compared to the previous corresponding period, but is only 7% down compared to the second half FY14.

CMI Electrical's performance continues to be heavily influenced by soft demand in the resources sector and relatively weak conditions in the major project markets. The timing of renewed growth in the civil infrastructure sector and the expected recovery in the mining industry are some of the key elements required for growth in demand for Electrical revenues going forward. Some new products will be brought to the market in the second half which should also aid future growth.

The TJM Products Division, comprising the Australian, Chinese and USA operations, produced a pre-tax loss of \$0.3m, which was a significant improvement in earnings of \$1.7m compared to the December 2013 half-year. Revenue decreased to \$17.1m, 23% (or \$5.2m) down on previous corresponding period, largely due to the reduction in low margin original equipment (OE) sales.

TJM division earnings have improved through a combination of improved margins and overhead reductions leading to a positive EBITDA result for the half year. Revenue from the TJM domestic stores network, excluding OE domestic sales, is up by 11% on the previous corresponding period. This is a result of the continued focus on improved time to market on new product development, a more diversified product offering and effective marketing programs. OE revenues are down by 80% but the remaining OE sales are at greatly improved margins. Going forward OE contract sales will only be tendered if improved margins can be achieved. Export revenues are lower by 32% on the previous corresponding period due to continuing weakness in some markets and the timing of appointment of new distributors in USA and South Africa.

In relation to the potential divestment of TJM, negotiations have progressed to the point where CMI has entered into exclusive discussions with one party. CMI remains confident that it should be in a position to close a transaction in the March quarter of FY15, but only if the value generated by the sale is at or above book value for the business.

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

A summary of segment results can be found under Note 9 Segment Reporting of the Half Yearly Report for 31 December 2014.

The Directors propose to pay a fully franked interim dividend of \$0.03 per share in respect of Ordinary shares for the half year ended 31 December 2014. The dividend is payable on 23 March 2015 to shareholders registered on the Record Date of 9 March 2015.

INDEPENDENCE DECLARATION BY AUDITORS

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

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'A. Buckley', written over a horizontal line.

Andrew Buckley
Chairman

BRISBANE

Dated: 19 February 2015

CMI LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity.
 - (ii) Complying with Accounting Standards and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'A. Buckley', with a long horizontal line extending to the right.

Andrew Buckley
Chairman

BRISBANE

Dated: 19 February 2015

To the members of CMI Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CMI limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of CMI Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

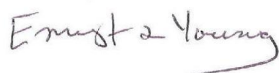
Independence

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

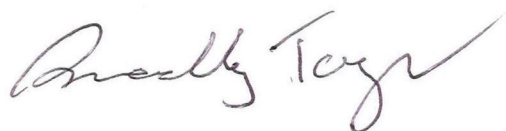
Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



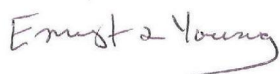
Ernst & Young



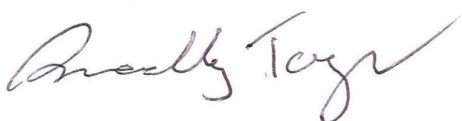
Brad Tozer
Partner
Brisbane
19 February 2015

Auditor's Independence Declaration to the Directors of CMI Limited

In relation to our review of the financial report of CMI Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Brad Tozer
Partner
19 February 2015