



# **Preliminary Final Report**

**for the year ended 30 June 2009**



## Results for announcement to the Market

### Appendix 4E

The following information is provided in accordance with ASX listing rule 4.3A.

<b>Revenue / Profit</b>	<b>Movement</b>	<b>Change (%)</b>	<b>2009 \$000</b>	<b>2008 \$000</b>
Revenue from ordinary activities	Down	(8.78)	317,362	347,893
Profit from ordinary activities after tax attributable to members	Down	(120.63)	(4,541)	22,012
Net profit for the period attributable to members	Down	(120.63)	(4,541)	22,012

<b>Dividends</b>	<b>Amount Per Security</b>	<b>Franked Amount per Security</b>
Dividends Paid in respect of prior year		
Interim Dividend paid 31 March 2008	3.50c	3.50c
Final dividend paid 31 October 2008	5.00c	5.00c
Dividends declared in respect of current year:		
Interim Dividend	0.00c	0.00c
*Final Dividend	0.00c	0.00c

\*No final dividend has been declared for 2009



## Directors Report

For the year ended 30 June 2009

The Directors of Coote Industrial submit the financial report of the economic entity for the full year of trading to 30 June 2009.

### Name of Directors

Donald Hector	Non-Executive Director (Chairman)
Michael Coote	Managing Director
Glenn Parrett	Executive Director
Don Patterson	Executive Director
Peter Wilson	Executive Director (Resigned 8 January 2009)

Mustapha Darwish                      Company Secretary

### Result Summary

	FY 09		FY 08		Dec. %
Revenue	\$317.362	m	\$347.893	m	(8.78)
EBITDA	\$21,699	m	\$47.501	m	(54.32)
EBIT	\$10,384	m	\$40.795	m	(74.55)
NPAT	(\$4,541)	m	\$22.012	m	(120.63)
EPS					
- Basic Earnings	(3.87)	¢	21.68	¢	(117.85)
- Fully Diluted	-	¢	20.58	¢	-
Dividend	0	¢	8.50	¢	(100.00)





## Directors Report

For the year ended 30 June 2009 (cont'd)

During the first half of FY09 revenues had been in line with earlier forecasts, with profitability impacted by:

- (a) pressure on margins, as economic conditions slowed from early Q2,
- (b) foreign exchange losses as a consequence of the rapid fall in the A\$ against the US\$ in October 08,
- (c) higher than anticipated debt costs; and
- (d) one-off costs in relation to terminations and redundancies, as a consequence of both planned integration of key businesses and in anticipation of reduction in business activity due to the rapid change in economic outlook.

Credit markets stalled during the first half and this impacted progressively upon the expected settlement of an outstanding receivable with Greentrains Ltd, presenting significant challenges for Coote Industrial in cash flow management and increased debt costs. Updates on these matters appear below.

### 2HFY09

Revenues were maintained in the second half with a further \$144.2m added to the \$173.1m first half result for total annual revenues of \$317.3m, down 8.78% on last year. Business experienced in FY09 was not as strong as in FY08 and the delay in settlement with Greentrains Ltd constrained activity, primarily due to the effect on working capital.

The Board continued to work on the long-term strategy and despite working capital constraints, progress was made in further developing the locomotive capability within Gemco Rail. That capability is complimenting the existing market recognition of Gemco Rail's rolling-stock services and realising a reliable, efficient operating fleet to support Coote Industrial's rail operations business. The rolling-stock retained by Coote Industrial provides considerable growth opportunities through long-term maintenance service annuities and important inputs for innovative locomotive construction.

While the final financial result for FY09 is disappointing, it was influenced by a number of one-time costs. Generally these costs reflect changes focussed on long term improvements in financial performance.

These include:

<b>Description</b>	<b>Cost \$m</b>
Terminations and Redundancies	1.85
Impairment of commercial hire equipment	0.86
Loss on Sale of commercial hire equipment	0.51
Stock write-downs	0.20
Gain on acquisition (US purchase)	(1.97)
Profit impact on settlement of Greentrains T1	2.55
Fair value adjustments - Share write-downs	0.45
Foreign Exchange Loss	2.62
<b>Total</b>	<b>7.07</b>

### Background on Sale of Rollingstock to Greentrains Ltd

During FY08, Coote Industrial acquired a number of businesses, including rail operator, South Spur Rail Services. South Spur owned a number of locomotives and rail wagons and was renting additional rolling-stock assets from Allrail, a subsidiary of Allco Finance. This rented rolling-stock was to be maintained under contract by RTSG (a rolling-stock maintenance provider associated with Allrail).

RTSG lacked maintenance capability to support the fleet and meet South Spur's requirements. The leased assets included a majority of locomotive classes in current operations with major Australian rail operators; however they required refurbishment, as did other rolling-stock assets owned by South Spur.





## **Directors Report**

**For the year ended 30 June 2009 (cont'd)**

Coote Industrial, through its rolling-stock maintenance business, Gemco Rail, acquired the entire fleet of assets from Allrail. A programme of works was commenced with the goals of providing South Spur with a reliable, efficient fleet of rolling-stock and realising the significant underlying value of that rolling-stock. During the six months prior to 30 June 2008, Gemco Rail rebuilt and refurbished a number of these locomotives and wagons.

Asset ownership is not core to Coote Industrial's business, so a separate, low operational cost asset management entity, Greentrains Ltd, was incorporated for the purpose of owning the rolling-stock and leasing it to rail operators including South Spur. The rolling-stock assets were valued independently and the market rental rates for those assets were determined in consideration of the likely cost of funding.

Unfortunately this transaction occurred at the time the global financial crisis was emerging and consequently took much longer to complete than originally and progressively anticipated.

At the half year the value of the receivable due from Greentrains Ltd to Coote Industrial was \$81.1m, of which more than \$57m had been invested in the refurbishment process. As announced on 17 July 2009, Greentrains Ltd finalised the sale of the first tranche of rolling-stock with a payment of \$44 million, of which Coote Industrial applied \$34m to debt and the balance to working capital.

To achieve settlement of the outstanding receivable for this first tranche of rolling-stock, Coote Industrial Ltd agreed to convert \$16.5m of the original receivable of \$82.7m to equity in Greentrains Ltd. This reduced the volume of funds that was anticipated to be available for debt reduction and working capital.

### **Goodwill**

The Directors have reviewed the recoverable value of goodwill and amortisation of identified intangibles and consider that the carrying value of those assets provides a true and fair view. It should be noted that the balance of intangibles has been reduced by \$46m over the past 2 years, excluding other nominal value acquisitions.

### **Dividend**

The Directors have decided not to declare a final dividend. This policy is expected to remain in place until debt levels are reduced, the sale of the Logistics' business is completed and whilst economic conditions remain uncertain. Further debt reduction is expected through the second tranche sale of rolling-stock to Greentrains Ltd for which a much faster and less problematic settlement is anticipated.

### **Acquisitions**

Coote Industrial has made three small acquisitions during FY09, which are expected to add considerably to Drivetrain Power and Propulsion's future profitability and continued effort in building a strategic global presence. The acquisitions enhance Drivetrain's position in both Europe and the USA.

#### ***Turbomeca Turbocharger Assets Acquisition***

Drivetrain Power and Propulsion subsidiary Hedemora Diesel AB acquired the turbocharger division assets of French company, Turbomeca (a subsidiary of SAFRAN). The assets include intellectual property, tooling, testing facilities, inventory, sample components, commercial documentation and a substantial engineering support package.

Turbochargers fit well with the core offering of Drivetrain Power and Propulsion and are well supported by the existing European technical and supply chain management capability in our Swedish operations. The turbochargers are being marketed under the HS Turbocharger brand, in line with the product nomenclature and its history as internationally recognised Hispano-Suiza product.





## Directors Report

For the year ended 30 June 2009 (cont'd)

HS turbochargers are the most efficient available in their application range and are recognised by major diesel engine manufacturers as an important solution. Drivetrain is developing tangible and important opportunities for turbocharger sales to OEMs and retrofit projects with attractive payback. Ongoing spare parts sales are supported by a worldwide population of more than 9000 turbochargers.

The diesel and gas engine application range for HS Turbochargers is 1,000kW – 3,700kW. The market for turbocharger spares is predominately in the rail sector. Opportunities for new turbocharger sales exist in the OEM, rail, power generation and marine segments.

Major customers include MAN Diesel, Wartsila (Finland), DCNS, and railway operators in France, Turkey, Iran, Malaysia, India and Brazil.

Drivetrain Power and Propulsion's initial manufacturing and distribution centre in Europe is being developed around the Swedish subsidiary Hedemora Diesel AB. The Swedish business is a key capability centre for the Hedemora diesel engine and HS Turbocharger and will support existing European OEM relationships and develop new distributorships and technology links which can be leveraged in Australasia and the US.

Drivetrain Power and Propulsion's major distribution relationships include Dana Off-highway, AxleTech products, Globe Turbocharger and Comer.

### **CTS and Eden Cryogenics**

Coote Industrial key business Drivetrain Power and Propulsion has established a low-cost entry into the USA. The incorporation of Drivetrain USA Inc (headquartered in Des Plaines, Ohio) and subsequent acquisition of CTS and Eden Cryogenics has provided the opportunity to deliver and develop Drivetrain's offering in the US market. Drivetrain USA will manage and develop key OEM relationships in the USA with important benefits for the global business.

The initial business includes the manufacture of a number of contracted, purpose-built products in cryogenics for major American customers, including NASA Stennis, Tyco, Bechtel, NASA SSC, Ball Aerospace, Orbital Sciences, Merrick, Sphere Optics, and BASF.

### **Other Activities**

Other important steps taken to safeguard the business during difficult economic times include:

- Staff redundancies (250 people) at a cost of \$1.85m in anticipation of both a downturn in revenues and as a consequence of key business integration. As indicated in the financial statements, revenues have remained relatively constant and this has continued into early FY10. However, the board considers that prudent capacity adjustment is required to mitigate the risk that economic conditions may deteriorate further, or not improve quickly.
- Focus has continued on implementation of the SAP business platform and measures that protect and secure data integrity by developing a business continuation site. The development and implementation of integrated business systems has continued.





## Directors Report

For the year ended 30 June 2009 (cont'd)

### Looking Forward

The Directors consider that the business will face continuing challenges during the balance of 2009 and well into 2010. Accordingly, the Board has highlighted three key matters:

- (a) Settlement of the first tranche rolling-stock sale to Greentrains Ltd - as previously announced, Greentrains Ltd has settled on the first tranche sale of rolling-stock. This had the immediate effect of delivering \$10m into Coote Industrial Ltd's working capital and a reduction in debt of \$34m.
- (b) Finalisation and settlement of the second tranche of locomotive assets by Greentrains Ltd to the value of \$35m. Settlement and subsequent leasing of T2 assets to South Spur Logistics will fulfil that company's immediate rolling-stock fleet requirements, and will result in full utilisation of the Greentrains' fleet over the medium to long-term period. Following settlement of T1, Greentrains has attracted further interest in its operations, and as a consequence Coote Industrial expects that proceeds from T2 will be settled soon after completion and delivery. This is anticipated to reduce debt in Coote Industrial by a further \$25m, with the balance to working capital.
- (c) As announced previously, BurnVoor Corporate Finance Ltd has been appointed to undertake the sale of South Spur Logistics. This business no longer fits with Coote Industrial's strategy of developing a substantial engineering and technical service-based enterprise and also risks competing with Coote Industrial's major customers. Proceeds from the sale are expected to go towards further debt reduction.

### Core Coote Industrial Businesses

The Coote Industrial core business model is comprised of five (5) key businesses:



Rolling-stock maintenance and manufacturing



Power and propulsion



People – technical and contract services



Pneumatic tanker design and manufacture



Heavy equipment maintenance





## Consolidated Income Statement

For the year ended 30 June 2009

	<b>Consolidated Group</b>	
	<b>30/06/2009</b>	<b>30/06/2008</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	317,187	346,311
Other income	175	1,582
Changes in inventories of finished goods and work in progress	(2,945)	43,015
Raw materials and consumables used	(153,080)	(217,637)
Employee benefits expense	(85,715)	(82,071)
Depreciation and amortization expense	(10,455)	(8,525)
Impairment	(1,060)	-
Finance costs	(14,779)	(8,943)
Subcontract Freight	(2,616)	(1,767)
Repairs and Maintenance	(6,353)	(6,006)
Insurance	(3,850)	(2,161)
Rent and Outgoings	(10,612)	(6,818)
Vehicle expenses	(1,908)	(1,791)
Vehicle Fuel	(8,445)	(7,765)
Foreign Exchange Movements	(2,615)	-
Other expenses	(15,819)	(15,249)
Profit before income tax	(2,890)	32,175
Income tax expense	(1,651)	(10,163)
Profit attributable to members of the parent entity	(4,541)	22,012
<b>OVERALL OPERATIONS</b>		
Basic earnings per share (cents per share)	(3.87)	21.68
Diluted earnings per share (cents per share)	-	20.58







## Consolidated balance sheet

As at 30 June 2009

	Note	Economic Entity	
		30/06/2009 \$000	30/06/2008 \$000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,878	-
Trade and other receivables		150,020	130,994
Inventories		51,771	65,124
Other current assets		1,998	2,087
<b>Total Current Assets</b>		<b>205,667</b>	<b>198,205</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		3,173	2,255
Inventories		17,608	7,200
Financial assets		127	5,004
Property, plant and equipment		46,324	34,672
Deferred tax assets		2,079	3,192
Intangible assets	5	102,748	93,515
<b>Total Non-Current Assets</b>		<b>172,059</b>	<b>145,838</b>
<b>TOTAL ASSETS</b>		<b>377,726</b>	<b>344,043</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		72,652	41,756
Financial liabilities		61,890	43,501
Current tax liabilities		9,290	10,117
Short-term provisions		9,961	4,286
<b>Total Current Liabilities</b>		<b>153,793</b>	<b>99,660</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities		87,326	98,314
Long-term provisions		1,934	1,766
Deferred tax liabilities		42	288
<b>Total Non-Current Liabilities</b>		<b>89,302</b>	<b>100,368</b>
<b>TOTAL LIABILITIES</b>		<b>243,095</b>	<b>200,028</b>
<b>NET ASSETS</b>		<b>134,631</b>	<b>144,015</b>
<b>EQUITY</b>			
Issued capital	6	119,222	117,632
Reserves		697	1,329
Retained earnings		14,712	25,054
<b>TOTAL EQUITY</b>		<b>134,631</b>	<b>144,015</b>





## Consolidated statement of changes in equity

For the year ended 30 June 2009

Consolidated Group	Note	Issued Capital Ordinary \$000	Retained Earnings \$000	Foreign Currency Translation Reserve \$000	Option Reserves \$000	Total \$000
<b>Balance at 1 July 2007</b>		39,870	9,102	646	546	50,164
Shares issued during the year		79,198	-	-	-	79,198
Transaction costs		(1,436)	-	-	-	(1,436)
Prior year adjustment		-	445	-	-	445
Profit attributable to members of parent entity		-	22,012	-	-	22,012
Adjustments from translation of foreign controlled entities		-	-	(145)	-	(145)
Option reserve on recognition of options issued		-	-	-	282	282
Sub-total		117,632	31,559	501	828	150,520
Dividends paid or provided for		-	(6,505)	-	-	(6,505)
<b>Balance at 30 June 2008</b>	6	117,632	25,054	501	828	144,015
<b>Balance at 1 July 2008</b>		117,632	25,054	501	828	144,015
Shares issued during the year		1,590	-	-	-	1,590
Transaction costs		-	-	-	-	-
Profit attributable to members of parent entity		-	(4,541)	-	-	(4,541)
Adjustments from translation of foreign controlled entities		-	-	(700)	-	(700)
Option reserve on recognition of options issued		-	-	-	68	68
Sub-total		119,222	20,513	(199)	896	140,432
Dividends paid or provided for		-	(5,801)	-	-	(5,801)
<b>Balance at 30 June 2009</b>	6	119,222	14,712	(199)	896	134,631





## Consolidated cash flow statement

For the year ended 30 June 2009

	Economic Entity	
	30/06/2009 \$000	30/06/2008 \$000
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	311,886	287,523
Payments to suppliers and employees	(292,836)	(351,362)
Interest received	4,039	251
Finance costs	(11,280)	(6,801)
Income tax paid	(1,248)	(3,095)
<b>Net cash provided by (used in) operating activities</b>	<b>10,561</b>	<b>(73,484)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of non-current assets	1,663	329
Purchase of investments	-	(1,200)
Purchase of non-current assets	(12,945)	(19,174)
Loans to unrelated parties	-	(4,405)
Payment for subsidiary, net of cash acquired	(6,658)	(64,709)
<b>Net cash provided by (used in) investing activities</b>	<b>(17,940)</b>	<b>(89,159)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of shares	1,320	67,899
Proceeds from borrowings	3,647	91,288
Repayment of borrowings	(2,443)	(298)
Dividends paid by parent entity	(5,532)	(5,916)
Provision of funds to subsidiaries	-	-
Repayment of funds lent to subsidiaries	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>(3,008)</b>	<b>152,973</b>
Net increase in cash held	(10,387)	(9,670)
Cash at beginning of period	(11,715)	(2,045)
Cash at end of period	(22,102)	(11,715)





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 1 Revenue

	Consolidated Group	
	2009 \$000	2008 \$000
<b>Sales Revenue</b>		
Sales of goods and services	308,549	343,440
<b>Total Sales Revenue</b>	<b>308,549</b>	<b>343,440</b>
<b>Other Revenue</b>		
Dividends Received	-	-
Interest received	6,506	631
Fuel Rebates	2,132	2,240
<b>Total Other Revenue</b>	<b>8,638</b>	<b>2,871</b>
<b>Total Sales Revenue And Other Revenue</b>	<b>317,187</b>	<b>346,311</b>
<b>Other Income</b>		
Gain on disposal of property, plant and equipment	175	86
Gains on foreign exchange	-	1,496
<b>Total Other Income</b>	<b>175</b>	<b>1,582</b>





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 2 Dividends

	Consolidated Group	
	2009 \$000	2008 \$000
Distributions paid		
Interim fully franked ordinary dividend of 0 (2008: 3.5) cents per share franked at the tax rate of 30% (2008: 30%)	-	4,050
Final fully franked ordinary dividend of 0 (2008: 5.00) cents per share franked at the tax rate of 30% (2008: 30%)		
*No final dividend has been declared	-	5,801
	-	9,851

### Note 3 Earnings per Share

	Consolidated Group	
	2009 \$000	2008 \$000
(a) Reconciliation of earnings to profit or loss		
Profit	(4,541)	22,012
Earnings used to calculate basic EPS	(4,541)	22,012
Earnings used in the calculation of dilutive EPS	-	22,012
	<b>No.</b>	<b>No.</b>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	117,355	101,536
Weighted average number of options outstanding	7,400	5,408
Weighted average number of ordinary shares outstanding during the year	124,755	106,944





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 4 Controlled Entities

(a)	Controlled Entities Consolidated	Country of Incorporation	Date of Control	Percentage Owned (%)*	
				2009	2008
	<b>Parent Entity:</b>				
	<b>Coote Industrial Ltd</b>	Australia			
	<b>Subsidiaries of Coote Industrial Ltd:</b>				
	<b>Drivetrain Power and Propulsion Pty Ltd</b>	Australia	1/07/2006	100	100
	<i>Subsidiaries of Drivetrain Power and Propulsion Pty Ltd:</i>				
	<b>Hedemora Investments AB</b>	Sweden	1/07/2006	100	100
	<i>Subsidiaries of Hedemora Investments AB:</i>				
	<i>Hedemora Diesel AB</i>	Sweden	1/07/2006	100	100
	<b>Drivetrain Australia Pty Ltd</b>	Australia	1/07/2007	100	100
	<i>Subsidiaries of Drivetrain Australia Pty Ltd:</i>				
	<i>Drivetrain Philippines Inc</i>	Philippines	1/07/2007	100	100
	<i>Drivetrain Singapore Pte Ltd</i>	Singapore	1/07/2007	100	100
	<i>Drivetrain Limited</i>	New Zealand	1/07/2007	100	100
	<i>Drivetrain US Inc</i>	USA	31/12/2008	100	0
	<i>Subsidiaries of Drivetrain US Inc:</i>				
	<i>Eden Hydrogen Inc</i>	USA	1/01/2009	100	0
	<i>Eden Cryogenics LLC</i>	USA	1/01/2009	100	0
	<b>P C Diesel Pty Ltd</b>	Australia	1/07/2006	100	100
	<i>Subsidiaries of P C Diesel Pty Ltd</i>				
	<i>Industrial Powertrain Pty Ltd</i>	Australia	1/07/2007	100	100
	<b>Hedemora Pty Ltd</b>	Australia	1/07/2006	100	100
	<i>Subsidiaries of Hedemora Pty Ltd:</i>				
	<i>Convair Engineering Pty Ltd</i>	Australia	1/07/2006	100	100
	<b>Coote Logistics Pty Ltd</b>	Australia	1/07/2006	100	100
	<i>Subsidiaries of Coote Logistics Pty Ltd:</i>				
	<i>Asset Kinetics Pty Ltd</i>	Australia	1/07/2006	100	100
	<i>FCD Logistics Pty LTD atf Fremantle Container Depot (1996) Unit Trust</i>	Australia	1/07/2007	100	100





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 4 Controlled Entities (continued)

Controlled Entities Consolidated	Country of Incorporation	Date of Control	Percentage Owned (%)*	
			2009	2008
<b>Coote Investments Pty Ltd</b>	Australia	18/04/2007	100	100
<b>Total Momentum Pty Ltd</b>	Australia	30/04/2007	100	100
<i>Subsidiaries of Total Momentum Pty Ltd:</i>				
<i>Centre for Excellence in Rail Training Pty Ltd</i>	Australia	30/04/2007	100	100
<b>South Spur Rail Services Pty Ltd</b>	Australia	30/04/2007	100	100
<i>Subsidiaries of South Spur Rail Services Pty Ltd:</i>				
<i>Midland Railway Company Pty Ltd</i>	Australia	30/04/2007	100	100
<i>Sydney Railway Company Pty Ltd</i>	Australia	30/04/2007	100	100
<i>Australian Rail Mining Services Pty Ltd</i>	Australia	30/04/2007	100	100
<i>Southern &amp; Silverton Railway Pty Ltd</i>	Australia	30/04/2007	100	100
<i>Momentum Rail (Vic) Pty Ltd</i>	Australia	30/04/2007	100	100
<b>Gemco Rail Pty Ltd</b>	Australia	1/07/2007	100	100
<i>Subsidiaries of Gemco Rail Pty Ltd</i>				
<i>Railway Bearings Refurbishment Services Pty Ltd</i>	Australia	1/07/2007	100	100
<i>Gemco Leasing Pty Ltd</i>	Australia	18/06/2007	100	100





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 5 Intangible Assets

	Consolidated Group	
	2009 \$000	2008 \$000
<b>Goodwill</b>		
Cost:		
Opening balance	80,841	34,812
Additions		
Acquisition through subsidiaries acquired	5,684	46,803
Additional costs on previously acquired subsidiaries	-	(774)
Foreign exchange movement	-	-
Closing balance	86,525	80,841
Accumulated Impairment:		
Opening balance	436	-
Impairment for the year	1,370	436
Foreign exchange movement	-	-
Closing balance	1,806	436
Net book value	84,719	80,405
<b>Customer Related Intangibles</b>		
Cost:		
Opening balance	14,493	-
Additions		-
Acquisitions through subsidiaries acquired	1,121	14,493
Foreign exchange movement		-
Closing balance	15,614	14,493
Accumulated amortisation:		
Opening balance	1,383	-
Amortisation for the year	1,534	1,383
Foreign exchange movement	-	-
Closing balance	2,917	1,383
Net book value	12,697	13,110







## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 5 Intangible Assets (continued)

	Consolidated Group	
	2009 \$000	2008 \$000
<b>Patents &amp; Trademarks</b>		
Cost:		
Opening balance	-	-
Additions		
Acquisition through subsidiaries acquired	1,021	-
Additional costs on previously acquired subsidiaries	-	-
Foreign exchange movement	206	-
Closing balance	1,227	-
<b>Other Identifiable Intangibles</b>		
Cost:		
Opening balance	-	-
Additions		
Acquisitions through subsidiaries acquired	4,105	-
Foreign exchange movement	-	-
Closing balance	4,105	-
<b>Total Intangible Assets</b>		
At cost	107,471	95,334
Accumulated Impairment/Amortisation	4,723	1,819
Net book value	102,748	93,515





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 5 Intangible Assets (continued)

#### Impairment tests for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's key businesses which represent the lowest level within the Group at which goodwill is monitored for internal management purposes as follows:

	Consolidated	
	2009 \$'000	2008 \$'000
Convair	2,720	2,720
Coote Investments	-	1,012
South Spur Logistics	18,044	29,044
Drivetrain	18,317	18,674
Gemco Rail	28,244	22,762
Industrial Powertrain	3,821	3,821
Momentum	13,573	2,372
	84,719	80,405

The recoverable amount of the cash generating unit is based on value in use calculations. The calculations use cash flow projections based on the following year's budget and plan, extended over a period of five years. Cash flows into perpetuity are extrapolated using growth factor relevant to the sector and business plan. A pre-tax discount rate is applied adjusted for the risk of the industry in which each unit operates.

#### Key assumptions used for value in use calculations

A growth rate of 0% has been applied to extrapolate cash flows. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operate.

A pre-tax discount rate of 11.3% has been applied to discount the forecast future attributable pre-tax cash flows. The discount rate reflects specific risks relating to the relevant cash generating units and their country of operation.

The recoverable amount of each cash generating unit exceeds its carrying amount.





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 6 Issued Capital

	Consolidated Group	
	2009 \$000	2008 \$000
123,075,146 (2008: 116,025,252) fully paid ordinary shares	119,222	117,632
	119,222	117,632

(a) Ordinary Shares	Consolidated Group	
	2009 No.	2008 No.
At the beginning of reporting period	116,025,252	81,600,539
Shares issued during year		
31/10/2008 (2008:31/08/07)	449,894	1,595,455
06/05/2009 (2008:31/10/2007)	6,600,000	72,520
(2008:31/08/2007)	-	2,000,000
(2008:30/11/2007)	-	190,114
(2008:30/11/2007)	-	29,166,667
(2008:28/02/2008)	-	1,100,000
(2008:31/03/2008)	-	299,957
At reporting date	123,075,146	116,025,252

Date	No	Price	
31/10/2008	449,894	\$0.60	Shares issued in respect of Dividend Re-investment Plan
06/05/2009	6,600,000	\$0.20	Shares issued as part of capital raising to sophisticated investors

All of these shares were eligible to participate in dividends from the date of issue

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### (b) Options

- i. At 30 June 2009 7,400,000 (2008: 7,400,000) options were on issue. No options were exercised during this financial year.





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 7 Segment Reporting

Primary Reporting - Business Segments	Convair		SSRS Logistics		Drivetrain		Gemco		Industrial Powertrain		Momentum		Coote Investments		Eliminations		Consolidated Group		
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>REVENUE</b>																			
External Sales	15,983	22,048	68,839	58,563	94,312	73,434	120,457	147,290	8,626	7,569	28,629	38,150	2,830	2,776	(22,561)	(16,712)	317,115	333,118	
Unallocated revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72	13,193	
Total revenue	15,983	22,048	68,839	58,563	94,312	73,434	120,457	147,290	8,626	7,569	28,629	38,150	2,830	2,776	(22,561)	(16,712)	317,187	346,311	
<b>RESULT</b>																			
Segment result	893	1,794	300	4,570	3,281	7,688	17,341	27,231	1,530	2,761	1,946	5,199	(3,553)	(1,462)	(9,849)	(6,663)	11,889	41,118	
Finance Costs																	(14,779)	(8,943)	
Profit before income tax																	(2,890)	32,175	
Income tax expense																	(1,651)	(10,163)	
Profit after income tax																	(4,541)	22,012	
Depreciation / impairment / amortisation of segment assets	122	111	2,228	3,422	3,594	2,089	1,219	771	209	177	498	184	1,325	147	2,120	1,624	11,315	8,525	





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 8 Cash Flow Information

	Consolidated Group	
	2009 \$000	2008 \$000
<b>(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after income tax	(4,541)	22,012
Non-cash flows in profit		
Amortisation	3,762	1,819
Depreciation	7,553	6,706
Write-off of capitalised expenditure	-	-
Net gain on disposal of property, plant and equipment	17	(85)
Share options expensed	68	282
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	2,846	(57,909)
(Increase)/decrease in prepayments	276	(307)
(Increase)/decrease in inventories	2,944	(57,415)
Increase/(decrease) in trade payables and accruals	(13,263)	(1,450)
Increase/(decrease) in income taxes payable	804	7,230
Increase/(decrease) in deferred taxes payable	(402)	(162)
Increase/(decrease) in provisions	10,497	5,795
Cash flow from operations	10,561	(73,484)





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 8 Cash Flow Information (continued)

(b) **Acquisition of entities (i)**

**Rail Technical Support Group**

On the 2nd of December 2008 Gemco Rail Pty Ltd (a 100% subsidiary of Coote Industrial Ltd) acquired all of the shares in New RTS Pty Ltd after exercising an option held.

The goodwill on acquisition is as follows:

	<b>\$'000</b>
Purchase consideration:	
Cash paid	925
Conversion of Loan	2,020
Deferred liability to vendor	55
Other costs directly attributable to acquisition	138
Total purchase consideration	<u>3,138</u>

**Assets and Liabilities held at acquisition date:**

	<b>Acquiree's Carrying Value \$'000</b>	<b>Fair Value \$'000</b>
Cash	18	18
Receivables	1,290	1,290
Inventories / WIP	143	2,414
Property, plant and equipment	404	404
Identifiable intangible – Rail access	-	4,105
Other assets	10	10
Payables	(4,024)	(4,024)
Related party loans	(5,210)	(5,210)
Employee benefit liabilities including superannuation	(1,262)	(1,280)
Other liabilities	(72)	(72)
Sub-total		<u>(2,345)</u>
Goodwill on consideration		<u>5,483</u>





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 8 Cash Flow Information (continued)

(b) **Acquisition of entities (ii)**

**Turbomeca/HST**

On 12 March 2009 Hedemora Diesel AB (a 100% subsidiary of Drivetrain Power and Propulsion Pty Ltd) acquired the assets of Turbomeca's Turbocharger Division on a going concern basis. The acquisition was consolidated into the Hedemora Diesel AB operation from acquisition date.

The goodwill on acquisition is as follows:

	<b>\$'000</b>
Purchase consideration:	
Cash paid	3,577
Provision of performance based payment	5,365
Other costs directly attributable to acquisition	187
Total purchase consideration	<u>9,129</u>

<b>Assets and Liabilities held at acquisition date:</b>	<b>Acquiree's Carrying Value</b>	<b>Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	-	-
Receivables	-	-
Inventories / WIP	7,353	7,353
Property, plant and equipment	549	549
Identifiable intangible – Patents and Trademarks	1,227	1,227
Other assets	-	-
Payables	-	-
Interest bearing liabilities	-	-
Employee benefit liabilities including superannuation	-	-
Other liabilities	-	-
Sub-total		<u>9,129</u>
Goodwill on consideration		<u>-</u>





## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 8 Cash Flow Information (continued)

(b) **Acquisition of entities (iii)**

**Eden Cryogenics and Eden Hydrogen**

On the 6 January 2009 Drivetrain USA (a 100% subsidiary of Drivetrain Australia Pty Ltd) acquired the 100% of the shares in US based Eden Cryogenics and Eden Hydrogen.

The goodwill on acquisition is as follows:

	<b>\$'000</b>
Purchase consideration:	
Cash paid	900
Purchase price payable	1,100
Pre- acquisition loan	1,412
Other costs directly attributable to acquisition	-
Total purchase consideration	<u>3,412</u>

<b>Assets and Liabilities held at acquisition date:</b>	<b>Acquiree's Carrying Value</b>	<b>Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	662	662
Receivables	2,302	2,302
Inventories / WIP	8,456	8,456
Property, plant and equipment	1,439	1,439
Identifiable intangible – Customer related intangible	-	1,021
Other assets	99	99
Payables	(8,595)	(8,595)
Interest bearing liabilities	-	-
Employee benefit liabilities including superannuation	-	-
Other liabilities	-	-
Sub-total		<u>5,384</u>
Gain on acquisition		<u>(1,972)</u>







## Notes to the accounts

For the year ended 30 June 2009 (cont'd)

### Note 9 Net Tangible Assets

	<b>2009 cents</b>	<b>2008 cents</b>
Net tangible assets per share	25.91	42.95

### Note 10 Subsequent Events

#### Settlement of Greentrains Debtor

On 17 July 2009 the first tranche of rolling-stock sold to Greentrains Ltd was settled with Gemco Rail Pty Ltd, but not before adjustments were made to the original value due of \$82.713m

A composite settlement was agreed as follows:

	<b>\$</b>
Original rolling-stock fleet purchase price	82,713,000
Additional assets acquired in FY09	1,339,800
	84,052,800
Less: Rolling-stock retained by Gemco Rail	(17,200,000)
Receivable converted to equity, held by Coote Investments	(16,547,800)
Sale of rolling-stock assets	(1,210,000)
Cash payment from debt raised	(34,000,000)
Cash payment from equity raised	(15,095,000)
Balance remaining from this first tranche transaction	NIL

### Note 11 Compliance Statement

This preliminary report is based on financial statements that are in the process of being audited.

