

Appendix 4D

Results for announcement to the market

Name of entity	Coote Industrial Limited
ACN	120 432 144
ASX listing code	CXG

Revenue / Profit	Movement	Change (%)	31 Dec 08 \$'000	31 Dec 07 \$'000
Revenue from ordinary activities	Up	20%	173,129	143,798
Profit from ordinary activities after tax attributable to members	Down	70%	2,194	7,308
Net profit for the period attributable to members	Down	70%	2,194	7,308

Dividends	Amount Per Security	Franked Amount per Security
Dividends Paid in respect of prior year:		
Interim Dividend	3.5c	3.5c
Final Dividend	5.0c	5.0c
Dividends declared in respect of current year:		
Interim Dividend* (* No interim dividend was declared)	0.0c	0.0c

Net Tangible Assets	31 Dec 08 Cents	31 Dec 07 Cents
Net tangible assets per share: (2008: 116,475,146 shares) (2007: 114,625,295 shares)	31.84	33.45





coote
INDUSTRIAL

Interim Financial Report

Half Year ended 31 December 2008



Coote Industrial Limited

ACN 120 432 144
and Controlled Entities



Coote Industrial Limited

ACN 120 432 144

and Controlled Entities

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Attachment: Independent Auditor's Review Report



Coote Industrial Limited

ACN 120 432 144

and Controlled Entities

Corporate Directory

Directors

Donald Hector
BE(Chem), PhD, FAICD, FIEAust, FIChemE
Non-Executive Chairman

Mike Coote
BE(Mech), MAICD
Managing Director

Don Patterson
BBus, MAICD
Chief Executive Officer

Glenn Parrett
BCom (Fin & Econ), MAICD
Executive Director

Chief Financial Officer

Mustapha Darwish
BCom (Acc & Fin), CPA
Company Secretary

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Bentleys
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Level 40 Exchange Plaza
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Coote Industrial Limited

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Directors' Report

Your directors submit the financial report on the consolidated entity of Coote Industrial Limited and its controlled entities for the half-year ended 31 December 2008.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Coote Industrial Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Names of Directors

The following persons were Directors of Coote Industrial Limited for the period from 1 July 2008 until 31 December 2008:

Donald Hector (Non-Executive Chairman)

Mike Coote (Managing Director)

Don Patterson (Executive Director)

Glenn Parrett (Executive Director)

*Peter Wilson (resigned 8 January 2009)

Review of Operations

This half year result represents the first period in which a like for like comparison can be made on the performance of the key businesses which now form the more narrowly defined group structure.

This emerging technical services group will continue to refine its key business mix, reviewing and developing opportunity for the divestment of some business activities. The challenge in this difficult economic environment is to achieve consideration matching the quality of each business earmarked for potential divestment. The objective of planned divestments is to drive further material debt reduction and increased opportunity for focus on the company's core business of technical sales and services.

Revenue

Directors are pleased that revenues have been maintained during the first half when compared to last year, although signs of some slowing in activity were evident in the later stages of Q2. Total revenues were boosted by further locomotive refurbishments under a contract with Greentrains Pty Ltd. The locomotives are required to meet the locomotive power requirements of South Spur Rail Services for existing and emerging short haul and rail infrastructure contracts.

Revenues were up 20% compared to last year.

	31 Dec 08 \$'000	31 Dec 07 \$'000	Variation %
Revenues	173,129	143,798	20.4
EBITDA	* 16,223	16,245	(0.1)
Depreciation	(3,466)	(3,116)	(11.2)
Amortisation / impairment	(2,135)	-	-
EBIT	10,622	13,129	(19.1)
Interest	(6,657)	(2,961)	(124.8)
Profit before tax	3,965	10,162	(61.0)
Income tax	(1,771)	(2,854)	37.9
Profit After Tax	2,194	7,308	(70.0)

* Includes \$3.074m foreign exchange loss from a sharp reduction in the Australian dollar valuation against the US dollar at a time of significantly increased component pipeline value under contracts with large international OEM Drivetrain customers. EBITDA also includes additional finance costs attributable to delay in collecting the Greentrains receivable.



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Director's Report (cont'd)

Goodwill

Directors continue to take a conservative approach to the impairment of goodwill and amortisation of identified intangibles.

Dividends

The Board has elected not to declare an interim dividend, with the intention of preserving cash until the Greentrains transaction is completed. This position will be reconsidered upon collection of the Greentrains receivable, taking into consideration prevailing economic conditions, position and performance.

Rollingstock sales to Greentrains Pty Ltd

Greentrains has advised that progress has continued towards finalisation of debt funding for a large component of the outstanding receivable, and that additional working capital is being concluded in order to facilitate a planned ASX listing.

Completion of the Greentrains transaction remains a key strategy for Coote Industrial, as it currently precludes progression on a number of other key growth objectives. Two of the significant key objectives are the closer binding of Gemco's distributor relationship with Caterpillar Inc subsidiary Progress Rail, and the finalisation of joint venture relationships with a US Fortune 500 listed company. These opportunities have the potential to significantly lift Coote Industrial's presence in Australian rail and industrial segments.

Key Business Performance

As identified in the segment reports, each of the key businesses has performed within expectations compared to last year taking into account the contrast in trading conditions

Even with an increase in detailed focus upon current operations and the business environment, Coote Industrial must continue to plan for the future:

- At the end of the first half Coote Industrial established a small foothold in the US through the incorporation of Drivetrain USA Inc and acquisition of trading entities Eden Hydrogen and Eden Cryogenics. While these businesses deliver an important technical skill set for future business potential in the US, Europe and Australasia, there is an early opportunity to realise cost and velocity benefits through procurement and logistics for goods currently sourced in the US. Additionally the US platform provides an opportunity to mitigate currency risks in uncertain economic conditions. In the medium to longer term it is planned that the US business will expand the portfolio of products from US manufacturers which are distributed through Drivetrain operations in Europe, South East Asia and Australasia.
- Drivetrain is developing a tangible opportunity to become a large frame turbocharger manufacturer working with leading technology and assets in Europe. The opportunity aligns strongly with core activities in the large diesel engine sector and embodies significant potential for the group. The current objective is to realise this opportunity during the second half.
- Drivetrain has continued to streamline its Australian operations as outlined in the key segment trading performance later in this document.
- Gemco Rail exercised its option over RTSG Pty Ltd and added the rollingstock maintenance outlets in Vic, NSW and SA. The sites provide opportunity for Gemco Rail to increase maintenance responsiveness to all rail operators - some sites in particular lead to opportunities to further develop their locomotive rebuild and refurbishment capability.

Trading Performance

Convair

Convair is a niche manufacturer of bulk pneumatic road tankers.

Strong tanker deliveries continued in the first half following record production and delivery in FY08. Margins in this first half were affected by the volume of imported Feldbinder aluminium tankers due to the falling value of the A\$ against the Euro.

Sales in Q3 are expected to be maintained, with reduced Q4 sales as existing forward orders are completed and there is a slowing of order replenishment as major customers contain their capital spends.



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Director's Report (cont'd)

Correspondingly there has been a noticeable increase in the volume of service, repairs and parts sales as customers strive to extract longevity out of their existing tanker fleets. Management continues to focus on staff requirements and other costs, while retaining the technical skill-set to ensure the continued delivery of quality products. There has been noticeable retraction of competition from both outside and within Australia.

Coote Logistics

Coote Logistics is a specialised road transportation and port logistics service provider – primarily for mine-site inputs and outputs, agricultural and industrial equipment. The company also provides Australian Customs accredited inspection and quarantine facilities as well as storage and redistribution of both containerised and bulk freight.

While there has been some decline in revenues from mine-site logistics and transportable housing during the period, an increase in demand for Port related services and internal cost controls delivered Coote Logistics half year revenues of \$12.0m (an increase of almost 22% on last year) with an EBIT of \$3.119m (an increase of more than 120% on last year).

Mine related revenues are expected to continue to decline in the second half in line with our forecast, however demand for port services is expected to remain steady ensuring a strong result is achieved for the year from this key business.

Drivetrain

Drivetrain Power and Propulsion is an established provider of technical sales and services to the mining, rail, transport, defence, marine, construction, materials handling, automotive, agriculture, and power generation industries. A broad product and service offering includes engine and powertrain maintenance, repair and overhaul, new components and parts, fluid connector products, power generation design and construction, technical support, training and professional engineering services.

Business conditions in the first half of FY09 presented some challenges, highlighted important strengths in the business and crystallized action on key opportunities for improvement.

First half results reflect a significant exchange loss on foreign currency payables, reduced automotive industry demand for fluid and thermal products, some thinning and delays in the heavy engine overhaul pipeline and temporary ebb in the funding cycle for submarine sustainment. A significant reduction in sales of heavy powertrain components for new equipment builds is expected from May 2009, offset by an increase in higher value-added overhaul and maintenance activity.

Overall sales and gross margin were robust to softening demand in some segments. This reflects diversification across a range of locations / market segments and in particular the resilience of high quality maintenance, repair and overhaul business in an environment where investment in new equipment has declined. Demand was strong in the heavy off-highway powertrain segments.

The Drivetrain Power and Propulsion business has low operating leverage, benefits from non-discretionary demand in key segments and is now realizing integration synergies that are expected to have a material positive impact on full year results. The Western Australian business has since been awarded significant supply contracts for submarine support, whilst service activity in Europe has also increased from a low in the first half and foreign exchange risk has been mitigated significantly.

Key step growth opportunities have become more tangible through the ongoing integration of Hedemora and Drivetrain Australia and are being actively developed.

Revenues increased by more than 12% and excluding forex losses delivered EBIT increases of 92% reflecting a much improved performance.



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Director's Report (cont'd)

Gemco Rail

Gemco Rail specialises in the remanufacture and repair of locomotives, rollingstock and other rail products for rail operators and maintainers. Gemco provides wheel-set, bogie and in-field wagon maintenance and manufactures new and refurbished wagons, bogie component parts and customised remote controlled ballast car discharge gates. Gemco subsidiary Gemco Leasing also leases locomotives and wagons to other operators.

Gemco Rail performed strongly in the first half of the financial year. Revenues increased by 42% as a result of locomotive work performed to Dec 08, while maintaining other rollingstock activities in line with last year. These other than locomotive activities will rise significantly in the second half as a number of large projects are completed. Settlement of RTS was completed at the end of November 2008, during the short period to December 2008 and more recently activity has continued to steadily increase at each of the four locations. Gemco Rail is participating in a number of significant tender opportunities increasing prospects for further growth in FY10.

Industrial Powertrain

Industrial Powertrain (IPT) specialises in the repair and overhaul of drivetrain equipment for heavy industrial vehicles while subsidiary PC Diesel is the approved sales and service centre for EMD marine and stationary power generation in Australia, South East Asia and Pacific Island territories.

Industrial Powertrain performance continues to be impacted while they source a suitable single site location to accommodate both businesses. This brings with it administrative overhead reductions, consolidation of the technical skills and sales teams.

Industrial Powertrain plans to expand its reach with the appointment of two distributors in the east coast of Australia. IPT will provide transmissions and differentials to the distributor and provide rebuild and repair service of old asset cores. IPT has experienced some impact from slowing business activity, however, PC Diesel has continued to be a large contributor to overall performance with increased activity in power generation engine overall, parts and repairs into the resources sector. PC Diesel has been tracking along well with 2 major overhauls being completed in the first half of the year and further engine overhaul in Q4.

Momentum

Momentum operates in the key areas of rail infrastructure services, specialised supplementary labour, recruitment and training.

In all four niches the business has capitalised on unprecedented growth in the rail and resources sectors to produce a full year result that significantly exceeded expectations in both revenue and profit.

In addition to providing essential training and a competitive advantage internally, the Centre for Excellence in Rail Training (CERT) has significantly grown its client base and entered into strategic long-term partnerships with several major rail organisations for the management of enterprise-specific and nationally accredited training.

Although lagging behind last years results which were derived from exceptionally buoyant trading conditions, Momentum has achieved a consolidated EBIT of \$1.56m from revenues of \$16.7m. Results in Q1 continued to benefit from involvement in the tail end of major rail projects in the Pilbara and NSW, all of which concluded in Q2. Although traditionally a quiet time for the rail construction industry November and December were subject to a greater than anticipated slow-down as clients and infrastructure owners assessed the outcome of the emerging change in the financial climate and a number of projects were put on hold.

The overall impact from a decline in infrastructure-related revenues was lessened by Momentum's complimentary presence in the areas of training, rail operations support and recruitment, all of which continued to trade well. The Centre for Excellence in Rail Training is strategically positioned to benefit from changes to legislation that place significant training obligation on employers. During the half a number of major clients have committed to long-term training programs, and a training agreement finalized for the provision of network-specific training in Western Australia. Momentum Recruitment has continued to derive high margins from niche placements and demand for specialized rail operations labour, especially locomotive drivers in all states, has remained strong.

Although the early months of Q3 have remained quiet for the infrastructure business a major focus has been placed on training and business development. A number of alliances have also struck with major contractors as they tender for major projects in Q4, some of which are the result of Federal Government investment into rail infrastructure. Although the full benefit of this will not be evident until FY 09-10, an uplift in all business streams is already being felt and this is expected to produce a strong Q4 result, continuing the upward trend into next year as major projects get underway.



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Director's Report (cont'd)

South Spur Rail

South Spur Rail is a niche rail operator engaged in short-haul rail freight, port shuttles, hook & pull and shunting services as well as providing project / work trains and crews for track laying and maintenance activities.

Since acquiring this under-performing rail operations business, Coote industrial has undertaken a deliberate programme to improve operations and deliver acceptable financial performance.

The business focus has been limited to a niche that avoided direct competition with major rail operators who more efficiently and effectively address demand for long-haul rail freight. South Spur has become a niche short-haul, "hook & pull" and rail infrastructure services operator, with some activity in lower volume commodity haulage.

A review of all existing contracts is being undertaken and has resulted in a number of contracts being renegotiated (on price and conditions), or terminated.

The rollingstock fleet which South Spur employs has been passed through Gemco Rail for rebuild and refurbishment, and subsequently sold to infrastructure entity Greentrains. Most of those locomotives have been returned to South Spur under commercial operating leases. This arrangement provides South Spur with increased certainty for the largest cost component in the business and assists greatly in determining pricing for future rail operations opportunities. The rental rates and maintenance programme for efficient, reliable assets are defined.

South Spur still rents from third parties other than Greentrains and currently employs eleven locomotives of varying performance and reliability in order to meet current and growing needs. These assets will eventually be replaced with improved assets delivered through the Coote Industrial locomotive refurbishment programme and leased from Greentrains.

South Spur revenue for the first half year to December 2008 was \$25m; a 24% increase compared to the previous year (\$20.56m) and this key business is on track to achieve its full year revenue target of \$53.m. EBIT performance has been impacted in this half by the transition of fleet assets and a number of terminations and redundancies. Focus in that process has been on retaining operational skill-sets and capacity is now well matched to operational requirements.

During the fleet transition period, additional costs were incurred through rollingstock rentals, however it remains too early to realise the expected substantial benefits from increased rollingstock reliability and availability. The investment in rollingstock refurbishment by Gemco Rail is expected to impact positively on South Spur's performance.

Easing of fuel prices and the establishment of South Spur owned fuelling points are expected to further reduce costs in the second half. South Spur has also moved its administration and fleet operations centres to more suitable premises in NSW, SA and WA resulting in an increase in tenancy costs.

The remainder of the financial year looks favourable for South Spur given the expected Federal Government investment in rail infrastructure initiatives.

Cash Flow

Net cash outflows from operations have been impacted by foreign exchange losses, increased finance charges as a result of the delay in completing the Greentrains transaction, and the continuation of high value work in progress to meet completion targets for a number of larger orders scheduled for completion in the second half. The high level of work in progress reflects a significant volume of activity in the first half that will convert to receipts in the second half.

The operating cash flow performance represents a 90% improvement over the same period last year.

Changes in payment cycles, collections and new contract cash flow schedules are expected to drive the delivery of positive second half operating cash flows, even without taking the completion of Greentrains into consideration. A reduction in debt costs of more than 50% is also expected in the second half.

The difficult task of managing staff reductions has been undertaken with resulting termination costs are included in this first half. Capital required for the second half will include around \$2m for new lathe and bearing shop equipment for Gemco Rail, offset by a reduction in capital requirements for cyclical changeover assets, such as motor vehicles.



Coote Industrial Limited

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Director's Report (cont'd)

Outlook

The company commissioned an independent review of the original budget process and subsequent forecast developed by the key businesses. The review highlighted a number of material projects and services contracts due for completion or commencement in the second half that are expected to impact favourably on the second half result. Nominal profit is expected to be delivered from Greentrains activities. Whilst a prudent approach to the current economic environment precludes specific profit guidance, Coote Industrial expects to achieve profit after tax within 15% of the FY08 full year result.

Independent Audit Declaration

The Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* is set out on page 8 for the half-year ended 31 December 2008.

A copy of the Independent Auditor's Review Report is provided as an attachment to this document.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Mr M C Coote
Managing Director

27 February 2008



To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our review of the financial report of Coote Industrial Limited and Controlled Entities for the half year ended 31 December 2008 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 27th day of February 2009

Coote Industrial Limited**ACN 120 432 144**

and Controlled Entities

Consolidated Income Statement
for the half year ended 31 December 2008

	Note	Consolidated 31 Dec 08 \$'000	Consolidated 31 Dec 07 \$'000
Revenue		173,129	143,798
Changes in inventories of finished goods and work in progress		(1,294)	732
Raw materials and consumables used		(109,164)	(89,769)
Employee benefits expense		(27,965)	(24,339)
Depreciation and amortisation expense		(5,601)	(3,116)
Finance costs		(7,313)	(4,427)
Subcontract freight		(751)	(884)
Insurance		(1,275)	(1,483)
Rent and outgoings		(3,786)	(2,425)
Vehicle expenses		(870)	(1,405)
Foreign exchange movement		(3,074)	370
Other expenses		(8,071)	(6,890)
Profit before income tax		3,965	10,162
Income tax expense		(1,771)	(2,854)
Profit attributable to members of the parent entity		2,194	7,308
Overall Operations:			
Basic earnings per share (cents per share)		1.89	8.36
Diluted earnings per share (cents per share)		1.77	7.96



Coote Industrial Limited

ACN 120 432 144

and Controlled Entities

Consolidated Balance Sheet

as at 31 December 2008

	Note	Consolidated 31 Dec 08 \$'000	Consolidated 30 Jun 08 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,582	-
Trade and other receivables		129,519	130,994
Inventories		52,093	65,124
Other current assets		27,379	2,087
TOTAL CURRENT ASSETS		210,573	198,205
NON-CURRENT ASSETS			
Trade and other receivables		2,255	2,255
Inventories		18,937	7,200
Financial Assets		2,080	5,004
Property, plant and equipment		33,191	34,672
Deferred tax assets		3,499	3,192
Intangible assets		103,237	93,515
TOTAL NON-CURRENT ASSETS		163,199	145,838
TOTAL ASSETS		373,772	344,043
CURRENT LIABILITIES			
Trade and other payables		58,381	41,756
Financial liabilities		58,716	43,501
Current tax liabilities		11,173	10,117
Short-term provisions		6,429	4,286
TOTAL CURRENT LIABILITIES		134,699	99,660
NON-CURRENT LIABILITIES			
Financial liabilities		97,797	98,314
Long-term provisions		499	1,766
Deferred tax liabilities		455	288
TOTAL NON-CURRENT LIABILITIES		98,751	100,368
TOTAL LIABILITIES		233,450	200,028
NET ASSETS		140,322	144,015
EQUITY			
Issued capital		117,902	117,632
Reserves		973	1,329
Retained earnings		21,447	25,054
TOTAL EQUITY		140,322	144,015



Coote Industrial Limited

ACN 120 432 144

and Controlled Entities

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2008

Consolidated Entity	Note	Issued Capital Ordinary \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve \$'000	Option Reserves \$'000	Total \$'000
Balance at 1 July 2008		117,632	25,054	501	828	144,015
Shares issued during the year		270	-	-	-	270
Transaction costs on share issues		-	-	-	-	-
Profit attributable to members of parent entity		-	2,194	-	-	2,194
Adjustments on translation of foreign controlled entities		-	-	(447)	-	(447)
Option reserve on recognition of options issued		-	-	-	91	91
Sub-total		117,902	27,248	54	919	146,123
Dividends paid or provided for		-	(5,801)	-	-	(5,801)
Balance at 31 December 2008		117,902	21,447	54	919	140,322

Consolidated Entity	Note	Issued Capital Ordinary \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve \$'000	Option Reserves \$'000	Total \$'000
Balance at 1 July 2007		39,870	9,102	646	546	50,164
Shares issued during the year		76,549	-	-	-	76,549
Transaction costs on share issues		(2,101)	-	-	-	(2,101)
Profit attributable to members of parent entity		-	7,308	-	-	7,308
Adjustments on translation of foreign controlled entities		-	-	(267)	-	(267)
Option reserve on recognition of options issued		-	-	-	158	158
Sub-total		114,318	16,410	379	704	131,811
Dividends paid or provided for		-	(2,454)	-	-	(2,454)
Balance at 31 December 2007		114,318	13,956	379	704	129,357



Coote Industrial Limited

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Consolidated Cash Flow Statement

for the half-year ended 31 December 2008

	Note	Consolidated 31 Dec 08 \$'000	Consolidated 31 Dec 07 \$'000
CASH FLOWS FROM OPERATING ENTITIES			
Receipts from customers		168,757	143,783
Payments to suppliers and employees		(163,868)	(154,510)
Interest received		-	(47)
Finance costs		(6,657)	(2,031)
Income tax paid		(856)	(688)
Net cash provided by (used in) operating activities		(2,624)	(13,493)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		623	335
Purchase of non-current assets		(4,534)	(13,835)
Purchase of Financial Assets		-	(1,200)
Payment for subsidiary, net of cash acquired		(445)	(58,598)
Funds lent to unrelated parties		(1,500)	(4,405)
Net cash provided by (used in) investing activities		(5,856)	(77,703)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	67,899
Proceeds from borrowings		1,954	59,000
Repayment of borrowings		(597)	(21,046)
Dividends paid by parent entity		(5,531)	(2,251)
Net cash provided by (used in) financing activities		(4,174)	103,602
NET INCREASE IN CASH HELD		(12,654)	12,406
CASH AT BEGINNING OF PERIOD		(11,715)	(2,045)
CASH AT END OF PERIOD		(24,369)	10,361



Coote Industrial Limited

ACN 120 432 144

and Controlled Entities

Notes to Accounts

Note 1 - Summary of accounting policies

Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Coote Industrial Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report. The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Note 2 - Dividends

	Note	Consolidated 31 Dec 08 \$'000	Consolidated 31 Dec 07 \$'000
(a) Declared and paid			
Final fully franked ordinary dividend of 5.0 (2007: 2.95) cents per share franked at the tax rate of 30% (2007: 30%)		5,801	2,454
(b) Dividends proposed and not recognised as a liability at 31 December 2008			
Proposed Interim fully franked ordinary dividend of 0.0c (2007: 3.5c) cents per share franked at the tax rate of 30% (2007: 30%)		-	4,012

Note 3 – Earnings per share

	Note	Consolidated 31 Dec 08 \$'000	Consolidated 31 Dec 07 \$'000
(a) Reconciliation of earnings to profit or loss			
Profit		2,194	7,308
Earnings used to calculate basic EPS		2,194	7,308
Earnings used in the calculation of dilutive EPS		2,194	7,308
		<u>No.</u>	<u>No.</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		116,325	87,704
Weighted average number of options outstanding		7,400	4,400
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		123,725	92,104



Coote Industrial Limited

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Notes to Accounts (cont'd)

Note 4 – Segment reporting

Period ending 31 December 2008

Primary Reporting: Business Segments	Convair \$'000	Coote Logistics \$'000	Drivetrain \$'000	Gemco \$'000	Industrial Powertrain \$'000	Momentum \$'000	South Spur \$'000	Elims & O'heads \$'000	Consol. Group \$'000
REVENUE									
External sales	10,703	12,004	41,507	67,189	5,313	16,745	25,480	(13,303)	165,638
Unallocated revenue									7,491
Total revenue									173,129
RESULT									
Segment result	701	3,119	(442)	13,314	1,373	1,562	(1)	(8,969)	10,657
Unallocated expenses, net of any unallocated revenue									621
Finance costs									(7,313)
Profit before income tax									3,965
Income tax expense									(1,771)
Profit after income tax									2,194

Period ending 31 December 2007

Primary Reporting: Business Segments	Convair \$'000	Coote Logistics \$'000	Drivetrain \$'000	Gemco \$'000	Industrial Powertrain \$'000	Momentum \$'000	South Spur \$'000	Elims & O'heads \$'000	Consol. Group \$'000
REVENUE									
External sales	9,738	9,855	36,877	47,254	3,860	17,063	20,556	(7,661)	137,542
Unallocated revenue									6,256
Total revenue									143,798
RESULT									
Segment result	970	1,400	3,027	3,864	1,529	2,518	2,623	(7,040)	8,891
Unallocated expenses, net of any unallocated revenue									5,698
Finance costs									(4,427)
Profit before income tax									10,162
Income tax expense									(2,854)
Profit after income tax									7,308



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Notes to Accounts (cont'd)

Note 6 – Acquisition of entities

(i) Rail Technical Services Group (RTSG)

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 the option held.

The provisional goodwill on acquisition is as follows:

		Actual Value \$'000
(A) Purchase consideration		
Cash paid		325
Conversion of loan		2,020
Deferred liability to vendor		655
Other costs directly attributable to acquisition		138
Total purchase consideration		3,138
	Acquiree's Carrying Value \$'000	Provisional Fair Value \$'000
(B) Assets and liabilities held at acquisition date		
Cash	18	18
Receivables	1,290	1,290
Inventories / WIP	143	1,200
Property, plant and equipment	404	650
Provisional valuation – Rail access	0	9,000
Other assets	10	10
Payables	(4,024)	(4,024)
Related party loan	(5,210)	(5,210)
Employee benefit liabilities including superannuation	(1,262)	(1,280)
Other liabilities	(72)	(72)
Total assets and liabilities		(1,582)
Provisional goodwill on consideration	(A)-(B)	1,556



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Notes to Accounts (cont'd)

Note 7 – Update on Greentrains receivables

During FY08 Gemco Rail acquired a number of locomotives and wagons from various parties for the purpose of rebuild and refurbishment. These refurbished assets were required to meet the rail operational needs of our rail operator South Spur Rail Services, as part of a key strategy to deliver efficient and reliable assets.

A part of the process included the sale of the locomotives to an entity called Greentrains, a low operational cost infrastructure entity, who retains the assets and provides opportunity for South Spur Rail Services to utilize the assets on an operating lease basis.

The basis of the sale agreement provided terms for payment which allowed for the timely inspection, accreditation and acceptance of the locomotives and wagons. Ownership does not pass until the amounts due are paid in full, including any interest charge where applied.

The basis for the Greentrains relationship with Coote Industrial remains sound, providing:

- (a) Reliable leased locomotive and wagons for rail operator South Spur Rail Services;
- (b) Development of Gemco Rail's growing locomotive rebuild and refurbishment capability; complementing the established wagon business;
- (c) An opportunity for long term maintenance annuities, through the continuous delivery of effective, efficient service from Gemco Rail's new Service Centres in four states; and
- (d) A legitimate commercial solution for realizing the above benefits without carrying high value, long-lived assets on Coote Industrial's balance sheet.

Of the \$82m receivable Greentrains continues to progress funding for a large component of the amount outstanding and seeking other avenues for the balance.

At this time the Board anticipates that Greentrains will fulfil their commitments and settle on the outstanding receivable.

Note 8 – Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 9 – Events subsequent to reporting date

Subsequent to reporting date Drivetrain Australia Pty Ltd acquired the shares in US based Eden Cryogenics and Eden Hydrogen for \$2m. Additional commentary provided within the Director's Report at page 8 of this document.



Coote Industrial Limited

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Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 16:
 - a. Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. Give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors,



Mr M C Coote
Managing Director

27 February 2008



Independent Auditor's Review Report

To the Members of Coote Industrial Limited

We have reviewed the accompanying half-year financial report of Coote Industrial Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express 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 an Interim 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 consolidated entity's financial position as at 31 December 2008 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 Coote Industrial Limited and Controlled Entities, 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.

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Independent Auditor's Review Report

To the Members of Coote Industrial Limited and Controlled Entities (Continued)



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 Coote Industrial Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty Regarding Collection of Amounts owing from Greentrains Pty Limited

Without qualification to the opinion expressed above, we draw attention to Note 7 to the financial statements. The consolidated entity is currently owed approximately \$82M from the sale of locomotives and wagons to Greentrains Pty Limited which was transacted in the financial year ended 30 June 2008. In addition to this, the consolidated entity has recorded approximately \$24M in accrued income not yet invoiced or due and payable from Greentrains Pty Limited on current refurbishments on locomotives and wagons on hand. The Directors are of the belief that the amount is recoverable, however as at the date of this report, no proceeds have yet been received. It is our understanding that funding negotiations between Greentrains Pty Limited and its bankers are continuing, however the ultimate outcome of the matter cannot presently be determined, and no provision for any doubtful debts has been made in the financial report.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Ranko Matić".

RANKO MATIĆ
Director

DATED at PERTH this 27th day of February 2009