Appendix 4D

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

Revenue / Profit	Movement	Change (%)	31 Dec 09 $'000	31 Dec 08 $'000
Revenue from ordinary activities	⬇	25.7%	128,688	173,129
Profit from ordinary activities after tax attributable to members	⬆	64%	3,597	2,194
Net profit for the period attributable to members	⬆	64%	3,597	2,194

Revenue / Profit	Amount Per Security	Franked Amount per Security
Dividends Paid in respect of prior year:		
Interim Dividend	0.0c	0.0c
Final Dividend	0.0c	0.0c
Dividends declared in respect of current year:		
Interim Dividend (*)	0.0c	0.0c

** No interim dividend was declared*

Net Tangible Assets		31 Dec 09 Cents	31 Dec 08 Cents
Net tangible assets per share:	(2009: 266,438,788 shares) (2008: 116,475,146 shares)	29.90	31.84

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Interim Financial Report

Half Year ending 31 December 2009

coote INDUSTRIAL

Contents

Corporate Directory

Corporate Headquarters

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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

Company Secretary

Roland Stampalia
BCom, CPA, F Fin
Chief Financial Officer

Auditors

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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 2009.

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 2009 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 2009 until 31 December 2009:

Donald Hector (Non-Executive Chairman)

Mike Coote (Managing Director)

Don Patterson (Executive Director)

*Glenn Parrett (resigned 27 November 2009)

Review of Operations

Net profit after tax for the period was $3.597 million, an increase of 64 per cent on revenues of $128.7m, down 25.7 per cent compared to the corresponding period last year.

This result was influenced by a strong performance from key businesses Drivetrain Power and Propulsion, and Industrial Powertrain. Both entities exceeded expectations on revenue and profit fronts, with forward orders and contracts securing the balance of this year's performance. These two high margin businesses have increased margins further over the period. In particular, Drivetrain has benefited from the simplification and integration of a number of operating businesses under its umbrella, while Industrial Powertrain performance has been aided by the rollout of the Group's integrated business system (SAP), and will be further enhanced when its Western Australian operations amalgamate within a larger, single facility.

Momentum again was a consistent contributor with gains from government investment in rail infrastructure - particularly track maintenance. A much improved performance from South Spur Logistics' rail operations was mostly offset by the poor performance of other logistics activities in the first quarter, although they improved considerably in the second quarter as integration activities continued in preparation for sale of this business. Convair experienced a subdued first half, with limited industry investment in new capital equipment.

While the performance of remaining key business Gemco Rail was poor from a financial perspective, the business has now laid the foundations for expanding its Australia wide footprint and extended its core technical capabilities to encompass most aspects of rollingstock maintenance, repair and overhaul. Under a CEO, Gemco embarked on a whole-of-business review, in line with that undertaken by Drivetrain Power and Propulsion which is now beginning to realise the rewards of its efforts.

The Gemco Rail result was impacted upon by staff changes and redundancies as well as the appointment of senior people to a number of positions on a lower base of revenues. Gemco Rail revenues were also influenced by deferred completion of the balance of the locomotive rebuilds for Greentrains Limited until direction in relation to that entity is resolved.

FY10 Key Objectives

At the conclusion of last financial year the Board of Directors identified three key objectives that when successfully completed would deliver a repositioned, conservative balance sheet at FY10 end, which in turn would enable Coote Industrial to resume its pre-global financial crisis (GFC) planned growth expectations.

Those key objectives and an update on their progression are as follows:

1. **Coote Industrial Capital Raising**

   Objective

   Given the extended time it has taken to progress the two other objectives discussed below, and in order to provide opportunity for the company to increase liquidity, the Board determined to undertake a capital-raising.

   Progress

   Coote Industrial completed a $30 million institutional capital-raising (less costs) by 31 December 2009, and an additional $1.2 million under a Share Purchase Plan, offered to all existing shareholders concurrent with the institutional placement. More than $20 million of funds received have since been applied to debt reduction with the balance applied to working capital to meet a growing order book and growth opportunities.

2. **Settlement of Greentrains Rollingstock Purchases**

   Objective

   Complete a capital-raising and establish further debt funding in Greentrains Limited, to enable that entity to be de-consolidated from Coote Industrial, and settle on the balance of a second tranche of rollingstock which it has committed to acquire from Coote Industrial subsidiary, Gemco Rail.

   Progress

   A prospectus to raise up to $20 million in equity is scheduled for lodgement in March as part of this entity's listing aspirations. Greentrains Limited continues to discuss funding options with a number of financial institutions coinciding with the equity raising. Greentrains' settlement of its $35 million obligation for additional rollingstock acquired from Gemco Rail will largely be used to further reduce debt within Coote Industrial, with the balance to working capital. On completion of this process the Board expects that Greentrains, through dilution of its equity, would be deconsolidated from Coote Industrial. This would reduce the Coote Industrial debt : equity ratio to 29 per cent.

3. **Divestment of South Spur Logistics**

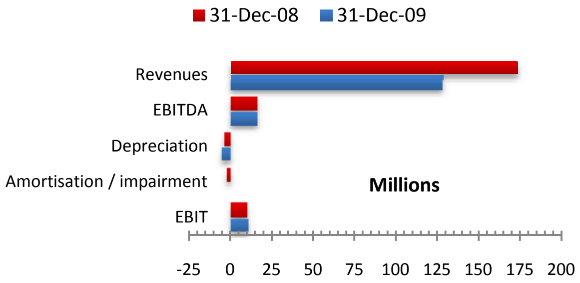
   Objective

   Complete the divestment of South Spur Logistics, a Coote Industrial key business comprising road, rail and port logistics services.

   Progress

   The Board continues to work with several interested parties and remain confident a satisfactory outcome will be reached.

First Half Financial Performance



	31 Dec 09 $'000	31 Dec 08 $'000	Variation %
Revenues	128,688	173,129	-25.7%
EBITDA	16,674	16,223	2.8%
Depreciation	-5,504	-3,466	-58.8%
Amortisation / impairment	92	-2,135	104.3%
EBIT	11,262	10,622	6.0%
Interest	-5,801	-6,657	12.9%
Profit before tax	5,461	3,965	37.7%
Income tax	-1,269	-1,771	28.3%
Profit After Tax	4,192	2,194	91.1%
Non-controlling interest	595	-	N/A
Profit attributed to members	3,597	2,194	63.9%

A pleasing outcome from the H1 result has been an increased level of profitability from lower volume of revenues.

Even though NPAT of $3.6 million (excluding non-controlling interest of $0.6 million) is up 64 per cent, the company is starting to demonstrate some of the flow-on benefits of a simplified key business model, and the integration efforts being undertaken. During the second half of this financial year we expect to realise previously identified overhead reductions, derived from further integration activities.

Margins have continued to increase, largely due to a number of efficiencies derived from the continued roll-out of our integrated business management system. Those benefits are being realised through more effective project management, job progress reviews and audits, improved management of labour hours, scrutiny and application of direct costs for recovery; and better control over indirect costs related to individual jobs.

Barriers to entry continue to play an important role in containing competitor numbers, particularly in niche markets where key business core capabilities facilitate dominant positioning.

Our business management expertise continues to grow strongly, assisted by the introduction of a number of industry experienced people into key roles.

Supply Chain Improvements

During the GFC, liquidity was a major issue impacting upon business growth, and a number of key supply chain relationships were strained and subsequent supply chain restrictions adversely affected work completion time-frames. As business conditions improved during this first half, key businesses have been able to liaise closely with suppliers to resolve outstanding issues, and largely re-establish strong working relationships.

A number of important, strategic new relationships have also been forged, and hold genuine potential for driving revenues materially higher.

Covenants

As at 31 December 2009 Coote Industrial Limited (excluding Greentrains Limited) was in breach of its leverage and interest covenants. Either the divestment of South Spur Logistics or additional locomotive sale receipts from Greentrains will further reduce debt levels and bring the Group within all of its current covenants, which are set out below:

Covenants	31 Dec 09 $'000
Coote Industrial Limited (excluding Greentrains)	
: Leverage (< 3.5x)	4.5 x
: Interest cover (> 3.0x)	2.8 x
: Net assets ($'000) (> $100 million)	170,976
Greentrains Limited	
: Leverage (<4.2x)	2.7 x
: Interest cover (> 2.0x)	4.8 x
: Loan to value (<55%)	47.6%

Dividends

The Board has elected not to declare an interim dividend, with the intention of preserving cash flows until all key objectives have been achieved, at which time our position will be reviewed.

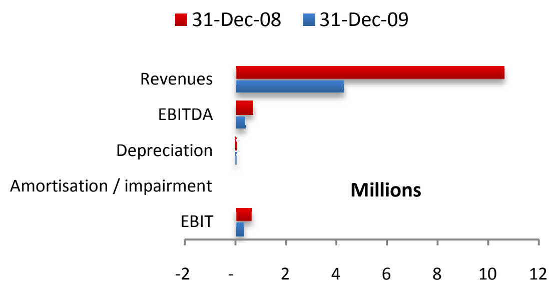
Key Business Performance

Convair

Convair is a market leader in the niche manufacture of bulk pneumatic road tankers and mobile silos for the carriage and storage of construction materials, grains, and other dry bulk materials.

Additional services include maintenance, repair and overhaul and provisioning of ancillary equipment and spare parts sales.

Convair is also the exclusive Australian agent for Feldbinder Spezialfahrzeugwereke GmbH of Germany, one of Europe's leading manufacturers of aluminium dry bulk tankers.



Financial Performance

Revenues of $4.28 million achieved in this first half are down 59.7 per cent on the corresponding period in FY09, with EBITDA at $0.35 million also well down.

Performance Drivers

This key business experienced a major down turn in activity as economic circumstances changed during the 2009 year.

Convair has predominantly relied upon new capital expenditure for investment in replacement dry pneumatic tankers, which fulfilled a forward order book up to a year ahead, enabling it to manage production and costs. A major slump in sales of new tankers during the period heavily impacted upon revenues. During the worst of the downturn the forward order book could be measured in weeks, but has now stretched out almost five months.

During this period Convair instigated improvements to its production processes; resulting in a more efficient turn-around time and with increased gross margins.

Labour costs were down 32 per cent reflecting both reduced business activity and improved production processes. Labour levels are now at the minimum level of expertise required to deliver the current volume of business, but still respond adequately to business turnaround.

There are good indications that this industry sector is making a recovery, with customers no longer talking of disposing of, or standing down, existing equipment. While it may take until the latter part of this calendar year, or early into the next, to resume pre-GFC revenue volumes, the bottom appears to have been reached.

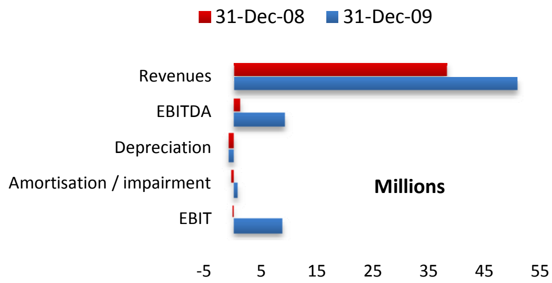
One positive indicator for Convair is the recent signing of an order for four 'guppies' – a mobile cement silo to be used during the construction phase of the Gorgon liquefied natural gas project. Two of the silos will be partially manufactured by Chinese partners, Zhangjiagang Furui Corporation, and completed in Convair's Epping, Victoria facilities along with the remaining two silos. This project of almost $2 million provides strong impetus in the second half and underpins a more positive outcome for the full year. Convair will also supply compressors and related spares under a distributorship agreement with Gardner Denver.

Drivetrain Power and Propulsion

Drivetrain Power and Propulsion is an established provider of technical sales and services to the mining, oil & gas, 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, professional engineering and training services.

Drivetrain operates from locations in Australasia, Europe and North America.



Financial Performance

Revenues of $50.83 million achieved in this first half are up 33.4 per cent on the corresponding period in FY09, with EBITDA at $9.06 million also well ahead of last year.

Performance Drivers

Despite the strong performance, costs increased by 15.5 per cent, influenced by one-time expenses from the winding down of non-core activities, integration efficiencies incurring termination costs, and some costs associated with exiting some tenancy leases for properties no longer required.

Gross margins increased almost 10 per cent with further improvement expected as the Group integrated business system (SAP) is rolled-out to locations in all countries.

Australasia

- A write-back of impairment provisions followed completion of the sale of surplus commercial hire equipment, as Drivetrain exits from commercial equipment manufacturing and hire activity.
- A strong, sustained revenue contribution was achieved through sales of Hedemora diesel engine spares to the Collins class submarine support programme.
- A slow-down in sales of new off-highway parts and services impacted negatively on revenues.

Europe

- Strong, sustained revenues were realised from sales of Hedemora diesel engine spares.
- Drivetrain Europe was impacted by a significant one-off software expense associated with managing the intellectual property for HS Turbochargers.
- HST Turbochargers is expected to continue its strong contribution to Drivetrain profits over the balance of this year.
- Distribution agreements secured with a major multi-national business for sales of new HST Turbochargers and spare parts will drive revenues from Q4.

North America

- The US result was strengthened by additional margins and adjustment to impairment on its NASA Stennis project; however delays under the CSG contract for NASA Stennis have delayed expected revenue contributions.
- HyRadix operating results in December includes some costs associated with employee severance as the business is prepared for sale.
- HST Turbocharger sales activity is likely to gain considerable momentum in the last quarter, ensuring a positive contribution from North American operations in their first full year under Drivetrain.

Outlook

During FY09 Drivetrain Power and Propulsion emerged from the compilation of a number of businesses held before listing in FY07 or acquired during FY08. The emphasis on Drivetrain is to develop into a significant international enterprise delivering its core capabilities on a global scale.

Drivetrain is now structured into three geographical divisions: Australasia, Europe and North America.

Australasia

- Significant pricing recalibration of OEM off-highway products in Australia in this financial year is expected to increase volume at the expense of margin, in order to consolidate Drive train's market dominance.
- Sales in the automotive and heavy truck segments are expected to continue to trend positively.
- A new agency representation agreement was signed with NRP Jones, an independent US manufacturer of industrial hydraulic hoses and fittings.

Europe

- Drivetrain recently entered into a strategically important distribution agreement which provides for its Sweden-based HST turbocharger line to be supplied as original equipment to a multi-national's highly successful range of diesel engines, which are fitted to marine and stationary power installations world-wide.

North America

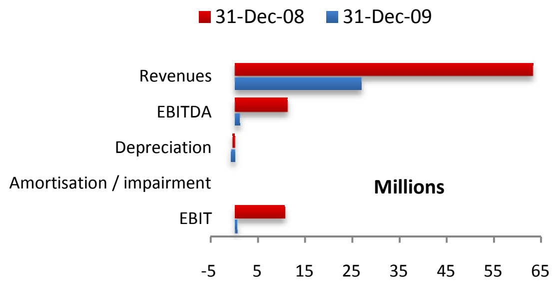
- Agreement has been reached on the main terms and conditions for Drivetrain's divestment of US subsidiary, HyRadix LLC, to ITA SpA of Italy with formal settlement anticipated in April 2010. This divestment will see positive incremental flow-on benefits to the company's balance sheet.
- Efforts are being made to expand Drivetrain's footprint in North America and generate greater domestic activity through sales of engine and turbocharger components from Europe.
- Opportunities are being investigated to translate Drivetrain's US cryogenic technology into pipe and valve products with applicability to Australasia's oil and gas industry.

Gemco Rail

Gemco Rail specialises in the remanufacture and repair of locomotives, wagons, bearings 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, customised remote controlled ballast car discharge gates; and a range of rail maintenance equipment and spares.

Gemco is a national operator positioned in Western Australia, Queensland, South Australia, Victoria and New South Wales.



Financial Performance

Revenues of $26.81 million achieved in this first half are down 57.6 per cent on the corresponding period in FY09, with EBITDA at $1.10 million also well down last year.

Performance Drivers

Delayed completion of two key projects was primarily responsible for Gemco Rail not achieving its expected revenue result.

The first of these was non-completion of the balance of the second tranche of locomotives for Greentrains due to cash constraints and focus on expanding its national presence.

The second project was completion of an $8 million tanker project which was delayed primarily due to issues relating to intellectual property ownership outside of Gemco Rail's control. All indications from the customer are that this project will resume around March 2010 with final invoicing targeted early in the new financial year.

All profit centres, with the exception of the WA bogie workshop, are performing consistently with last year.

Operating expenses were below expectation due to reduced activity; however ongoing effort remains focused on improving operational and administrative cost controls. Continued integration of Eastern States-based sites, while providing a solid basis for this business to expand nationally, has resulted in substantial costs due to symptoms of over-staffing and poor administrative controls prior to acquisition. Measures to reduce costs have already been taken through a reduction in employee numbers and tighter operational and administrative cost management.

Outlook

A new Chief Executive Officer commenced in November 2009, concurrent with appointments of Managers to executive positions in Engineering, Production, Finance and Sales – each an established professional in their field with strong industry experience.

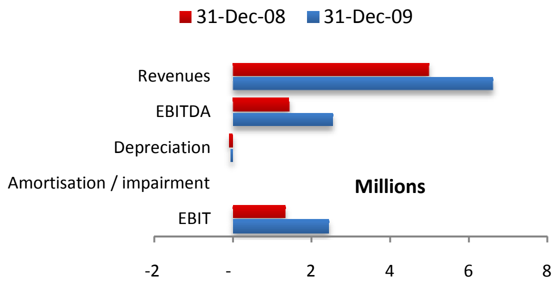
The management team is heavily focused on finalising all integration activities, including the rollout of the Group integrated business system (SAP) by 1 June 2010, and is working to position the business to better exploit its national presence and strong technical capabilities.

Opportunities are being investigated for Gemco Rail to participate in the passenger rail car sector, bolster local production with offshore manufacturing partnerships; and to capitalise on its relationship with Progress Rail.

Industrial Powertrain

Industrial Powertrain (IPT) specialises in the repair and overhaul of powertrain and drive-line equipment for heavy industrial vehicles used in above and below mining, materials handling and agricultural applications.

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.



Financial Results

Revenues of $6.61 million achieved in this first half are up 33.0 per cent on the corresponding period in FY09, with EBITDA at $2.53 million, well ahead of year.

Performance Drivers

Power generation engine rebuilds for the maritime and resource sector have generated the largest volume of revenues for this business to date. Orders on hand indicate that forecast sales results will be met.

Strong, sustained demand for mobile maintenance teams to provide in-situ repair and maintenance services for minesite power generation assets.

Outlook

Industrial Powertrain remains a consistent contributor to Group revenues under all economic circumstances. The business maintains strong core capabilities in niche markets where its primary competitor is Drivetrain Power and Propulsion.

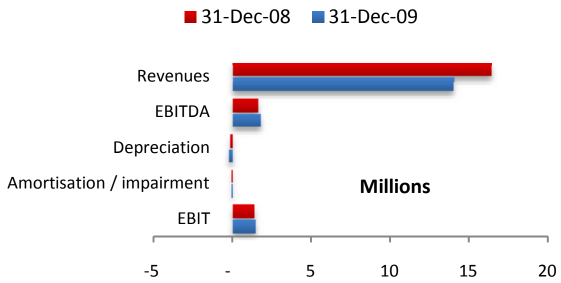
A single, larger facility has been secured for these businesses in Forrestfield, Western Australia and the planned merging of the two operations will be completed in this second half. The merger will result in a number of administrative and operational efficiencies which should reduce costs and translate positively to the bottom line.

Momentum

Momentum is a niche provider of personnel and project management services to freight rail and mining rail infrastructure managers.

Services include professional recruitment, training and workforce solutions, including managing and provisioning track construction and maintenance projects.

Momentum's rail welding crews and mobile maintenance teams are regularly deployed throughout Australia to meet both government and private infrastructure needs.



Financial Performance

Revenues of $14.05 million achieved in this first half are down 14.2 per cent on the corresponding period in FY09, with EBITDA at $1.79 million marginally ahead last year's result.

Performance Drivers

Momentum realised strong revenues in each month of the half, culminating in high November and December figures, largely attributable to infrastucture maintenance and welding work in New South Wales and higher gross profit margins.

A number of ongoing projects are expected to deliver continued strong results into H2.

Outlook

This business continues to be a consistent contributor to Group profits. Its focus on growth is through expansion of its core service offerings in delivering maintenance skill-sets to the below-rail sector, and extending agency and OEM product representation in the track maintenance market. The latter includes an extension of the Progress Rail (Caterpillar) product offering in this field.

Supporting sector activity is the large volume of infrastructure funding being delivered to enhance the Australian rail network. Adding to business opportunities in the government sector through RailCorp, ARTC, TransAdelaide and VicRail, is the emerging growth in private rail infrastructure, with increasing mine-to-port control of rail in the hands of mine owners.

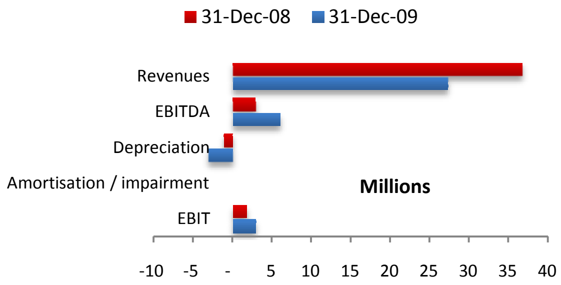
BHP's RPG5 and RPG 6, and relationships with Leighton Holdings, Laing O'Rourke and other major track maintainers should continue to drive activity for this business well into the future.

South Spur Logistics

This key business is an amalgam of two operating subsidiaries, South Spur Rail Services and Coote Logistics.

South Spur Rail is a niche rail operator engaged in short-haul rail freight, port shuttles, shunting services, and hook and pull, as well as providing project / work trains and crews for track laying and maintenance activities and provides specialised road transportation and port logistics services, primarily for mine-site inputs and outputs, agricultural and industrial equipment.

Coote Logistics provides Australian Customs accredited inspection and quarantine facilities, storage and redistribution of both containerised and bulk freight services; and road freight transportation services.



Financial Performance

Revenues of $27.29 million achieved in this first half are down 11.4 per cent on the corresponding period in FY09, with EBITDA at $6.01 million, up on last year.

Performance Drivers

For a greater part of the last two years, emphasis has been placed on providing adequate and reliable rollingstock in the rail operations business to undertake current and future contracts. Having largely achieved that target, effort is now focussed on servicing existing customers reliably and looking for new term contract opportunities.

The primary driver for lower revenue performance in this half is the expiry of container contracts in New South Wales and Western Australia. Partially offsetting this revenue shortfall is the successful negotiation of contracts with Mountain Industries, Glencore / CSA and Rio Tinto (North Parkes mine). Negotiations are underway to secure further contracts in both NSW and WA.

Labour costs have been reduced as a result of the diminished workload. This, combined with the instigation of a new collective agreement, has generated labour related savings of $1.0 million.

The business' port logistics operations have performed poorly during the period and will be the focus of review for the remainder of the year.

Outlook

Recent signings of new contracts with Rio Tinto for commodity haulage from North Parkes, and Glencore Australia for commodity haulage from Cobar, both commenced at the beginning of January, will see revenues lift for the balance of FY10. A further major contract commencing in early May 2010 and strong enquiry for services in NSW and WA for track build and maintenance support indicate a positive outlook for the balance of this FY.

Cash Flow

Net cash inflow from operations was $38.8 million which was mostly due to the composite settlement of the Greentrains transaction. Net inflow was also impacted by the retention of high value work-in-progress to meet targets for a number of larger orders scheduled for completion in the second half.

Operating cash flow performance represents significant improvement over last year's negative ($2,624,000) result.

New contract cash flow schedules and changes in payment cycles and collections are expected to drive positive second half operating cash flows. A reduction in debt of more than 50 per cent is also expected in the second half.

Funds from the capital raising were applied to the Group's cash advance facility, thereby reducing the total facility from $73.0 million at June 2009, to $61.5 million at 31 December 2009, with a further $7.5 million debt reduction planned at the end of February 2010. A number of hire purchase facilities have been finalised during this period.

Significant capital requirements for the second half include $2 million for a new lathe and other bearing shop equipment for Gemco Rail expansion, track maintenance fleet replacement for Momentum, and continued rollout of the Group integrated business system (SAP) to Gemco Rail and the balance of Drivetrain locations. These costs will be partially offset by a reduction in capital requirements for cyclical changeover assets.

Group Outlook

Considerable liquidity will be evident in the balance sheet once all three key objectives outlined have been achieved. This outcome will significantly enhance the capacity of key businesses to break free from the fiscal constraints of the past 18 months, generate substantially greater revenues, and focus on core activity and growth.

At this time the Group retains its current view on full year profitability, but undertakes to provide an update once Q3 revenues become available.

Independent Auditor's Declaration

The Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* is set out on page 14 for the half-year ended 31 December 2009.

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

Michael Coote
Managing Director

26 February 2010

Bentleys
Thinking ahead

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www.bentleys.com.au

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 for the half year ended 31 December 2009 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

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 26th day of February 2010

Chartered Accountants
NUMBER ONE IN NUMBERS

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Praxity ASSOCIATE
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2009

	Consolidated 31 Dec 09 $'000	Consolidated 31 Dec 08 $'000
Revenue	128,688	173,129
Other Income	1,789	-
Changes in inventories of finished goods and work in progress	(2,942)	(1294)
Raw materials and consumables used	(41,368)	(86,303)
Employee benefits expense	(42,207)	(44,553)
Depreciation and amortisation expense	(6,272)	(5,601)
Impairment recovered	860	-
Finance costs	(6,728)	(7,313)
Subcontract freight	(1,091)	(751)
Repairs and maintenance	(2,414)	(3,177)
Insurance	(1,774)	(1,275)
Rent and outgoings	(5,750)	(3,786)
Vehicle expenses	(918)	(870)
Fuel	(2,580)	(4,438)
Foreign exchange movement	(374)	(3,074)
Other expenses	(11,458)	(6,729)
Profit before income tax	**5,461**	**3,965**
Income tax expense	(1,269)	(1,771)
Profit for the period from continuing operations	**4,192**	**2,194**
Other comprehensive income:		
Foreign exchange reserve movement	113	(447)
Other comprehensive income for the period, net of tax	113	(447)
Total comprehensive income for the period	**4,305**	**1,747**
Profit attributable to:		
Members of the parent entity	3,597	2,194
Non-controlling interest	595	-
	4,192	**2,194**
Total comprehensive income attributable to:		
Members of the parent entity	3,710	1,747
Non-controlling interest	595	-
	4,305	**1,747**
Overall Operations:		
Basic earnings per share (cents per share)	2.67	1.89
Diluted earnings per share (cents per share)	2.54	1.77

Consolidated Statement of Financial Position

as at 31 December 2009

	Consolidated 31 Dec 09 $'000	Consolidated 30 Jun 09 $'000
Assets		
Current Assets		
Cash and cash equivalents	2,097	1,946
Trade and other receivables	45,528	150,020
Inventories	48,829	51,771
Other current assets	1,147	1,998
Total Current Assets	**97,601**	**205,735**
Non-Current Assets		
Trade and other receivables	3,031	3,173
Inventories	36,415	17,608
Financial Assets	155	127
Property, plant and equipment	123,144	46,324
Deferred tax assets	5,995	3,967
Intangible assets	102,525	102,748
Total Non-Current Assets	**271,265**	**173,947**
Total Assets	**368,866**	**379,682**
Current Liabilities		
Trade and other payables	47,826	72,652
Financial liabilities	71,211	128,958
Current tax liabilities	9,196	9,290
Short-term provisions	9,584	9,961
Total Current Liabilities	**137,817**	**220,861**
Non-Current Liabilities		
Financial liabilities	43,731	20,326
Long-term provisions	2,349	1,934
Deferred tax liabilities	2,650	1,930
Total Non-Current Liabilities	**48,730**	**24,190**
Total Liabilities	**186,547**	**245,051**
Net Assets	**182,319**	**134,631**
Equity		
Issued capital	152,819	119,222
Reserves	106	697
Non-controlling interest	10,381	-
Retained earnings	19,013	14,712
Total Equity	**182,319**	**134,631**

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2009

Current Period

Consolidated Entity	Issued Capital Ordinary $'000	Retained Earnings $'000	Non-controlling interest $'000	Foreign Currency Translation Reserve $'000	Option Reserves $'000	Total $'000
Balance at 1 July 2009	**119,222**	**14,712**	**-**	**(199)**	**896**	**134,631**
Shares issued during the year	35,215	-	-	-	-	35,215
Transaction costs on share issues	(1,618)	-	-	-	-	(1,618)
Non-controlling interest on acquisition of subsidiary	-	-	9,786	-	-	9,786
Total comprehensive income for the period	-	3,597	595	113	-	4,305
Option reserve on recognition of options issued	-	704	-	-	(704)	-
Sub-total	**152,819**	**19,013**	**10,381**	**(86)**	**192**	**182,319**
Dividends paid or provided for	-	-	-	-	-	-
Balance at 31 December 2009	**152,819**	**19,013**	**10,381**	**(86)**	**192**	**182,319**

Previous Period

Consolidated Entity	Issued Capital Ordinary $'000	Retained Earnings $'000	Non-controlling interest $'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	-	-	-	-	-	-
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	2,194
Total comprehensive income for the period	-	2,194	-	(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 Statement of Cash Flows

for the half-year ended 31 December 2009

	Consolidated 31 Dec 09 $'000	Consolidated 31 Dec 08 $'000
Cash Flows from Operating Entities		
Receipts from customers	185,963	168,757
Payments to suppliers and employees	(141,455)	(163,868)
Interest received	302	-
Finance costs	(5,801)	(6,657)
Income tax paid	(182)	(856)
Net cash provided by (used in) operating activities	**38,827**	**(2,624)**
Cash Flows from Investing Activities		
Proceeds from sale of non-current assets	1,366	623
Purchase of non-current assets	(6,636)	(4,534)
Purchase of Financial Assets	-	-
Payment for subsidiary, net of cash acquired	(3,498)	(445)
Funds lent to unrelated parties	-	(1,500)
Net cash provided by (used in) investing activities	**(8,768)**	**(5,856)**
Cash Flows from Financing Activities		
Proceeds from issue of shares	33,597	-
Proceeds from borrowings	61	1,954
Repayment of borrowings	(39,518)	(597)
Dividends paid by parent entity	-	(5,531)
Net cash provided by (used in) financing activities	**(5,860)**	**(4,174)**
Net Increase in Cash Held	24,199	(12,654)
Cash at Beginning of Period	(22,102)	(11,715)
Cash at End of Period	**2,097**	**(24,369)**

Notes to the Financial Statements

for the half-year ended 31 December 2009

Note 1 - Summary of accounting policies

Basis of preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Coote Industrial Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied to the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- Replacement of the Income Statement with a Statement of Comprehensive Income. Items of income and expense not recognised in profit and loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity,
- Adoption of the single statement approach to the presentation of the Statement of Comprehensive Income,
- Retention of other financial statements in accordance with the Standard; and
- Presentation of a third Statement of Financial Position, as at the beginning of a comparative financial year, where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash-generating units have been redefined having regard to the requirements in AASB 136 – Impairment of Assets.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at the acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit and loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost

Goodwill

Performance of some of the Group's key businesses was unfavourably impacted during H1 by deferral of major contracts into H2. Key management changes and business restructuring, including the impact of employee redundancies, have also unfavourably impacted the H1 result. The efficiency outcomes resulting from restructuring efforts, combined with significant cost decreases in fabrication processes are anticipated to deliver material improvements to profitability into the future. This combined with a vastly improved order book relative to the previous reporting period have been factored into the value in use calculations to support impairment testing of goodwill.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return on capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

Credit Facilities

At 31 December 2009, Coote Industrial Limited (excluding Greentrains Limited) was outside both the leverage covenant and the interest cover covenant. The leverage covenant, being Net Debt to EBITDA, was 4.5 times compared with a maximum covenant of 3.5 times. A dividend lock applies until leverage is below 2.5 times. The leverage covenant has improved significantly from June 2009 of 5.3 times and will fall within current covenants following settlement of the second tranche of the rolling-stock purchase from Greentrains and divestment of South Spur Logistics. Interest cover, being EBITDA to Net Interest at 31 December 2009, was 2.8 times compared with a minimum covenant of 3.0 times.

At the date of these accounts Coote Industrial had lodged its submission for financing of reduced debt requirements from the current facility which expires on 28th February 2010. Coote Industrial management anticipate a positive response and this is expected in the first week of March 2010.

Note 2 – Dividends

	Consolidated 31 Dec 09 $'000	Consolidated 31 Dec 08 $'000
(a) Declared and paid		
Final fully franked ordinary dividend of 0.0 (2008: 5.0) cents per share franked at the tax rate of 30% (2008: 30%)	-	5,801
(b) Dividends proposed and not recognised as a liability at 31 December 2009		
Proposed interim fully franked ordinary dividend of 0.0 (2008: 0.0) cents per share franked at the tax rate of 30% (2008: 30%)	-	-

Note 3 – Earnings per share

	Consolidated 31 Dec 09 $'000	Consolidated 31 Dec 08 $'000
Reconciliation of earnings to profit or loss:		
Profit	3,597	2,194
Earnings used to calculate basic EPS	3,597	2,194
Earnings used in the calculation of dilutive EPS	3,597	2,194
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	134,620	116,325
Weighted average number of options outstanding	6,970	7,400
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	141,590	123,725

Note 4 - Operating segments

Segment Information

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The chief operating decision makers consider the business from a Business Line perspective and have identified seven (7) reportable segments as follows:

Convair

Convair is a manufacturer of bulk pneumatic road tankers and mobile silos for the carriage and storage of construction materials, grains, and other dry bulk materials. Additional services include maintenance, repair and overhaul and provisioning of ancillary equipment and spare parts sales.

Drivetrain Power and Propulsion

Drivetrain Power and Propulsion is a provider of technical sales and services to the mining, oil & gas, 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, professional engineering and training services.

Gemco

Gemco Rail specialise in the remanufacture and repair of locomotives, wagons, bearings 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, customised remote controlled ballast car discharge gates; and a range of rail maintenance equipment and spares.

Industrial Powertrain

Industrial Powertrain (IPT) specialises in the repair and overhaul of powertrain and drive-line equipment for heavy industrial vehicles used in above and below mining, materials handling, and agricultural applications. This business is also the approved sales and service centre for EMD marine and stationary power generation in Australia, South East Asia and Pacific Island territories.

Momentum

Momentum is a provider of personnel and project management services to freight rail and mining rail infrastructure managers. Services include professional recruitment, training and workforce solutions, including managing and provisioning track construction and maintenance projects.

South Spur Logistics

South Spur 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 and provides specialised road transportation and port logistics services, primarily for mine-site inputs and outputs, agricultural and industrial equipment. The business also provides customs accredited inspection and quarantine facilities, storage and redistribution of both containerised and bulk freight services; and road freight transportation services.

Coote Investments

This segment comprises miscellaneous investments and shareholdings.

Note 4 - Operating segments (cont'd)

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is nexus between the incurrence of the liability and the operations of the segment. Unless indicated otherwise in the segment liabilities note, deferred tax liabilities have not been allocated to operating segments.

(i) Segment Performance

6 months ended 31 December 2009

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $'000	Industrial Powertrain $'000	Convair $'000	South Spur Logistics $'000	Momentum $'000	Gemco Rail $'000	Coote Investments $'000	Consol. Group $'000
Revenue								
External sales	49,753	6,558	4,279	26,943	13,741	26,386	725	128,385
Inter-segment sales	1,055	55	-	344	312	139	(9)	1,896
Interest revenue	17	-	2	4	-	280	-	303
Total segment revenue	**50,825**	**6,613**	**4,281**	**27,291**	**14,053**	**26,805**	**716**	**130,584**
Reconciliation of segment revenue to group revenue								
Inter-segment elimination								(1,896)
Total group revenue								**128,688**
Segment net profit before tax	**9,061**	**2,531**	**354**	**6,010**	**1,785**	**1,103**	**(275)**	**20,569**
Reconciliation of segment group net profit/(loss) before tax								
Amounts not included in segment result but reviewed by Board:								
Depreciation and amortisation	(1,137)	(85)	(49)	(3,025)	(290)	(627)	(103)	(5,316)
Impairment of property, plant and equipment	860							860
Unallocated items:								
Finance costs								(6,728)
Depreciation and amortisation								(956)
Other								(2,968)
Net profit before tax from continuing operations								**5,461**

Note 4 - Operating segments (cont'd)

6 months ended 31 December 2008

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $'000	Industrial Powertrain $'000	Convair $'000	South Spur Logistics $'000	Momentum $'000	Gemco Rail $'000	Coote Investments $'000	Consol. Group $'000
Revenue								
External sales	40,520	5,262	10,703	37,237	16,457	59,564	834	170,577
Inter-segment sales	974	51	-	247	288	5086	-	6,646
Interest revenue	13	-	-	-	-	2,539	-	2,552
Total segment revenue	**41,507**	**5,313**	**10,703**	**37,484**	**16,745**	**67,189**	**834**	**179,775**
Reconciliation of segment revenue to group revenue:								
Inter-segment elimination								(6,646)
Total group revenue								**173,129**
Segment net profit before tax	**916**	**1,479**	**752**	**3,038**	**1,778**	**13,724**	**(543)**	**21,144**
Reconciliation of segment group net profit/(loss) before tax								
Amounts not included in segment result but reviewed by Board:								
Depreciation and amortisation	(623)	(107)	(53)	(1,177)	(224)	(435)	(1,102)	(3,721)
Impairment of property plant and equipment	(860)							(860)
Unallocated items:								
Finance costs								(7,313)
Depreciation and amortisation								(1,020)
Other								(4,265)
Net profit before tax from continuing operations								**3,965**

Note 4 - Operating segments (cont'd)

(ii) Segment Assets

as at 31 December 2009

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $'000	Industrial Powertrain $'000	Convair $'000	South Spur Logistics $'000	Momentum $'000	Gemco Rail $'000	Coote Investments $'000	Consol. Group $'000
Segment assets	**110,260**	**13,033**	**5,479**	**114,491**	**12,103**	**79,498**	**1,092**	**335,956**
Segment asset increases for the period:								
Capital expenditure	1,634	32	77	95	70	90	-	1,998
Acquisitions	-	-	-	86,110	-	-	-	86,110
	1,634	**32**	**77**	**86,205**	**70**	**90**	**-**	**88,108**
Reconciliation of segment assets to group assets:								
Inter-segment eliminations								(55,857)
Unallocated items:								
Deferred tax assets								5,995
Other assets								82,772
Total group assets from continuing operations								**368,866**

as at 30 June 2009

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $'000	Industrial Powertrain $'000	Convair $'000	South Spur Logistics $'000	Momentum $'000	Gemco Rail $'000	Coote Investments $'000	Consol. Group $'000
Segment assets	**99,374**	**12,294**	**6,922**	**33,724**	**14,928**	**174,041**	**1,231**	**342,514**
Segment asset increases for the period:								
Capital expenditure	1,299	315	245	1,236	954	15,575	203	19,827
Acquisitions	23,108	-	-	-	-	8,241	-	31,349
	24,407	**315**	**245**	**1,236**	**954**	**23,816**	**203**	**51,176**
Reconciliation of segment assets to group assets:								
Inter-segment eliminations								(31,855)
Unallocated items:								
Deferred tax assets								3,967
Other assets								65,056
Total group assets from continuing operations								**379,682**

Note 4 - Operating segments (cont'd)

(iii) Segment Liabilities

as at 31 December 2009

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $'000	Industrial Powertrain $'000	Convair $'000	South Spur Logistics $'000	Momentum $'000	Gemco Rail $'000	Coote Investments $'000	Consol. Group $'000
Segment liabilities	**108,700**	**9,164**	**6,084**	**80,068**	**11,104**	**67,846**	**5,425**	**288,391**
Reconciliation of segment liabilities to group liabilities:								
Inter-segment eliminations								(170,046)
Unallocated items:								
Deferred tax liabilities								2,650
Other liabilities								65,552
Total group liabilities from continuing operations								**186,547**

as at 30 June 2009

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $'000	Industrial Powertrain $'000	Convair $'000	South Spur Logistics $'000	Momentum $'000	Gemco Rail $'000	Coote Investments $'000	Consol. Group $'000
Segment liabilities	**101,651**	**8,517**	**6,575**	**28,717**	**6,911**	**160,552**	**5,103**	**318,026**
Reconciliation of segment liabilities to group liabilities:								
Inter-segment eliminations								(165,331)
Unallocated items:								
Deferred tax liabilities								1,930
Other liabilities								90,426
Total group liabilities from continuing operations								**245,051**

Note 4 - Operating segments (cont'd)

(iv) Revenue by geographical region

	6 Months ended 31 Dec 09 $'000	6 Months ended 31 Dec 08 $'000
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	110,159	169,066
United States of America	7,851	-
Europe	10,678	4,063
Total revenue	128,688	173,129

(v) Assets by geographical region

	6 Months ended 31 Dec 09 $'000	6 Months ended 31 Dec 08 $'000
The location of segment assets is disclosed below by geographical location of the assets:		
Australia	324,014	335,754
United States of America	14,091	13,795
Europe	30,761	30,133
Total assets	368,866	379,682

Note 5 - Acquisition of entities

Greentrains Pty Ltd

On the 17th of July 2009 Coote Investments Pty Ltd (a 100 per cent subsidiary of Coote Industrial Ltd) acquired 61 per cent of the shares in Greentrains Pty Ltd.

The goodwill on acquisition is as follows:

(A) Purchase consideration	Actual Value $'000
Cash paid	3,500
Conversion of debt	16,548
Other costs directly attributable to acquisition	-
Total purchase consideration	**20,048**

(B) Assets and liabilities held at acquisition date	Acquiree's Carrying Value $'000	Provisional Fair Value $'000
Cash	2	2
Receivables	3,827	3,827
Inventories / WIP	-	-
Property, plant and equipment	80,764	80,764
Other assets	1,517	1,517
Payables	(1,522)	(1,522)
Related party loan	(19,716)	(19,716)
Loan	(32,663)	(32,663)
Other liabilities	(426)	(426)
Minority interest	(12,395)	(12,395)
Total assets and liabilities		**(19,388)**
Provisional goodwill on consideration	**(A)-(B)**	**660**

Note 6 - Contingent liabilities

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

Note 7 - Events subsequent to reporting date

There have been no material events subsequent to reporting date.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 29:
   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 2009 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

26 February 2010

Bentleys
Thinking ahead

Bentleys Audit
& Corporate (WA) Pty Ltd
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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 ("the Company") and Controlled Entities ("the consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 Company 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 the Company's financial position as at 31 December 2009 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, 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of Coote Industrial Limited for the half-year ended 31 December 2009 included on the website of Coote Industrial Limited. The directors of the Company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the Company's website.

Independence

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

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 the Company's financial position as at 31 December 2009 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 Long Term Debt Facilities and Goodwill

Without qualification to the opinion expressed above, we draw your attention to the classification of long term debt facilities to current liabilities totalling $61.5M, as these facilities are now due. We have been advised that the facilities are currently under renegotiation, which is expected to be confirmed in the first week of March 2010. Furthermore, we draw your attention to the breaches in loan leverage and interest covenants, as disclosed in Note 1.

The effect of the above matters results in a presumed working capital deficiency in the consolidated entity of $40.216M, on the basis that none of the debt facilities are rolled over. Initiatives undertaken by management to address these working capital issues are referred to in Note 1. Management are confident that these initiatives, including the future divestment and capital raisings of Greentrains Limited and the prospective sale of South Spur Logistics, will resolve any net working capital deficiencies and that the consolidated entity will be able to renegotiate facility extensions for any remaining balances outstanding. Furthermore, these initiatives underpin the value of goodwill being recognised by the consolidated entity.

We believe there is an inherent uncertainty regarding the timing and execution of these initiatives and, as a result, the impact on required working capital available for the consolidated entity may significantly affect the performance of its key businesses. If the financial performance of key businesses are affected and these have an adverse affect on achieving budgeted operating cash flows and operating profitability targets, this may result in the carrying value of goodwill being impaired and may affect the recoverability of other assets within the consolidated entity. The outcome of these matters cannot currently be determined and no provision for any impairment of these intangible assets has been made in this financial report.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 26th day of February 2010